Summary of FDI Incentives

FDI Incentives

01. The Roles of FDI

Foreign direct investment offers various internal and external economic benefits, including securing stable foreign capital in the long term, creating jobs, transferring advanced technology and management techniques, and joining the global value chain, all of which contribute to potential economic growth. Korea seeks to upgrade its industrial structure by attracting FDI in new growth engines and high-tech industries, while focusing national policy on boosting technology transfer by promoting Korea as a global hub for foreign-invested companies through the establishment of regional headquarters and R&D centers, and by expanding the domestic production infrastructure for core material and components in key industries.

02. FDI Incentives

The Korean government provides various incentives to foreign investment accompanying high value-added business and job creation effects. These incentives serve as a catalyst for foreign direct investment.

IN DETAIL

Korea's Incentive Policies for FDI Attraction

The criteria for granting incentives were revised to give priority on job creation effects and employment. The government will enhance support to foreign-invested companies which make Korea their regional hub by investing in R&D centers or establishing local headquarters. For customized support, the government will expand the eligibility for cash grants to high-tech industries and considerably increase relevant budgets.

[Ministry of Trade, Industry and Energy, Jan. 22, 2019]

03. Types of FDI Incentives

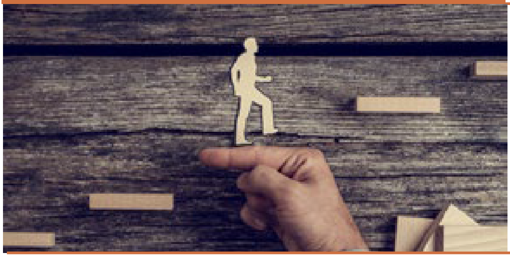
Tax Reduction and Exemption

Foreign-invested companies operating in new growth engine industries with technology essential for upgrading the domestic industrial structure and strengthening international competitiveness, or those located in a foreign investment zone, are granted reduction/exemption of customs duties and local tax. In addition, income tax is reduced or exempted for foreign engineers and employees prescribed by the relevant law.

Cash Grant

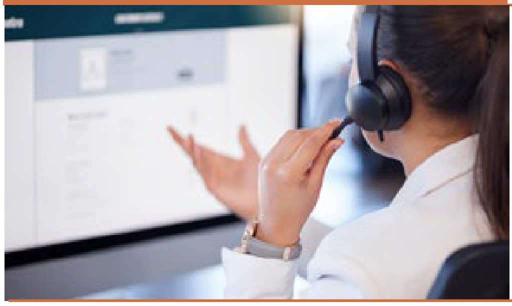
Where a foreigner operates in a new growth driver industry prescribed by law or the parts and materials industry, or makes an investment that creates jobs or an investment that accompanies the installation of R&D facilities in the new growth driver industry, cash grants for purposes prescribed by law shall be provided.

Site Support



In order to attract quality foreign investment, the government has designated foreign investment zones (FIZ), free trade zones (FTZ), and free economic zones (FEZ), which offer reduced rent, tax reduction/exemption, and location support, among other incentives.

Additional Incentives



Foreign-invested companies can receive employment and training subsidies depending on their contribution to the national economy in regard to job creation, technology transfer, and factory location. In regard to foreign investments that meet certain requirements, lease and sale of state and public property is permitted, and rent reduction or exemption is also granted.