Free Economic Zones (FEZ)

A. Overview

The purpose of a free economic zone is to facilitate foreign investment and seek balanced development among regions by improving the business environment for foreign-invested companies and companies reshoring to Korea and living conditions for foreigners.

The area is developed considering multiple aspects such as industrial, commercial, living and education environments, which differentiates it from other zones and areas focusing on supply of industrial sites. The first FEZ was created in Incheon in 2003, and there are currently nine FEZs in operation including the Gwangyang Bay Area, Daegu-Gyeongbuk, Chungbuk, East Coast Area, Gwangju and Ulsan. nies. Currently, the zone is only available for lease.

B. Incentives and Support Programs

1) Tax Reduction or Exemption

Category		Reduction/Exemption	Remarks
National Tax	Customs duty	100% exemption for 5 years	Limited to imported capital goods
Local Tax	Acquisition Tax	100% exemption possible for up to 15 years by local government ordinance	-
	Property Tax	Reduction/exemption possible for up to 15 years by local government ordinance	-

2) Deregulation Measures

Category	Benefits
Relaxation of Labor Regulations	• Exempt from the obligation to prioritize employment protection for persons of national merit, the disabled, and the elderly. • Permission of unpaid holidays for workers • Work expansion subject to worker dispatch and extension of dispatch periods.
Exclusion from the application of the Seoul Metropolitan Area Readjustment Planning Act	• Application exemption for foreign-invested enterprises of Article 7 (Restriction on Acts within Overconcentration Control Region), Articles 8 (Restriction on Acts within Growth Management Region), Article 12 (Imposition and Collection of Overconcentration Charges), Article 18 (Total Quantity Regulation) and Article 19 (Regulation on Largescale Development Projects) of the Seoul Metropolitan Area Readjustment Planning Act.
Freedom of Forex Trading	• Exempt from the obligation to prioritize employment protection for persons of national merit, the disabled, and the elderly. • Permission of unpaid holidays for workers • Work expansion subject to worker dispatch and extension of dispatch periods.

3) Financial Support, Site Support, Others

Classification		Benefits	Conditions
Cash grant		• Support for foreign-invested companies with a foreign investment ratio of 30% or more through negotiations - Support for installation of factory facilities and research facilities, employment subsidies, education, and training subsidies, etc.	• Foreign-invested enterprises with a foreign investment ratio of 30% or more - Determined after reviewing the involvement of advanced technology, technology transfer effects, job creation scale, etc.
Infrastructure Support		• Infrastructure support for roads, railroads, airports, port facilities, water and sewage, waste treatment facilities, etc.	• 50% support for national expenditure and full support subject to approval by the Free Economic Zone Committee
Support for foreign education and research institutes		• Support for establishment preparation, initial operating expenses, construction expenses, etc. of foreign education and research institutes	• Evaluation of contribution to national evelopment, institutes' reputation, etc.
Rent Support		• 50-year lease possible for national and public land - Rent in the range of about 1% of the land price	• Foreign-invested enterprises
Rent Reduction/Exemption		• 50-100% exemption according to local government ordinance	• Foreign-invested enterprises
One-Stop service		• A project manager is designated and consulting on business, law, accounting, tax and also administrative support are provided	
Improvement of Living Conditions	**Education**	• Establishment and operation of foreign educational institutes (primary to high school, colleges) permitted • Support for establishment preparation, initial operating expenses, construction expenses, etc. of foreign education and research institutes	
	Medical Service	• Foreign medical institutes or foreigner-only pharmacies can be established and operated • Exceptions apply for auxiliary facilities (spa for recuperation, etc.) of medical institutes	
	Others	• Foreigner-only casino (USD 500 mil. or more) can be operated • Wider variety of foreign TV channels	