FAQ on Foreign Direct Investment

Frequently Asked

Questions & Answers

Q. **1. Will a foreign-invested company be able to retain its status and qualification even if it transfers some of its stocks or shares, or if it reduces its capital and thus fails to meet the foreign investment requirements after registering as a foreign-invested company?**

A. Even if a company that registered as a foreign-invested company no longer satisfies the FDI conditions due to transfer of shares or capital reduction, its investment shall still be recognized as FDI. applied to nationals of the Republic of Korea or Korean corporations shall also apply to foreign investors and foreign-invested corporations.

Article 2 (2) of the Enforcement Decree of the Foreign Investment Promotion Act

* In this case, the company is only allowed to have passive and limited rights despite maintenance of qualification as a foreign-invested company. Therefore, the company must be aware of reduced or eliminated support including but not limited to extension of stay period for its executives and staff.

Q. **2. When two foreigners invest together and the total amount of their investment is at least KRW 100 million, can it be recognized as FDI?**

A. Where two or more foreigners make a joint investment, the amount invested must be at least KRW 100 million per person.

Article 2 (3) of the Enforcement Decree of the Foreign Investment Promotion Act

Q. **3. How can the period of long-term loans be calculated when a grace period or repayment in installments applies?**

A. The loan period shall be calculated by considering the grace period and the period of the loan to be repaid in installments or prepayments, while the repayment period shall be calculated by multiplying the proportion of the loan to the total amount equal to the period of each installment or prepayment.

⇒ Concept of weighted average term to maturity

Example) What is the repayment period if a foreign-invested company borrows USD 10 million from its parent company for eight years and pays back the loan at a rate equal to USD 2 million per year for five years starting from four years after? The weighted average repayment period of six years is met.

* 6 years = (8 years X 2/10) + (7 years X 2/10) + (6 years X 2/10) + (5 years X 2/10) + (4 years X 2/10) Article 2 (2) of the Enforcement Rules of the Foreign Investment Promotion Act

Q. **4. Are non-voting preferred stocks included in the ratio of foreign investment?**

A. Investment in non-voting preferred stocks is not recognized as FDI which requires notification since foreign investors must acquire at least 10% of stocks with voting rights when notifying their investment for the first time. However, when the same investor acquires preferred stocks after completing the FDI notification process, it is recognized as an increase in the total investment amount and thus, the total investment amount and its ratio increases.

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