1. Definition of Factory

1-1 Definition of Factories Under the Industrial Cluster Development and Factory Establishment Act (Article 2 (1), (2) of the Enforcement Decree of the Act, hereinafter “Industrial Cluster Act”)

Factories are defined as business establishments under Presidential Decree (the Korea Standard Industry Classification announced by the Commissioner of Statistics Korea) for operating manufacturing businesses prescribed by Presidential Decree, among those equipped with manufacturing facilities such as facilities and incidental facilities - including machines and devices - that constitute a building, structure, or manufacturing processes (hereinafter “manufacturing facilities”).

Manufacturing businesses prescribed by Presidential Decree refers to manufacturing businesses (Section “C”, Divisions 10 to 33) under the Korean Standard Industry Classification (10th revision published in January 2017) promulgated by the Commissioner of Statistics Korea, and the scope of business establishments prescribed by Presidential Decree (scope of factories) is as follows:

- Manufacturing facilities (including facilities for processing, assembling or repairing goods) and pilot manufacturing facilities
- Incidental facilities installed within a factory site to manage and support manufacturing facilities or for employee welfare or benefits
- Mandatory facilities and factory sites required under relevant laws

Manufacturing business refers to industrial activities involving the conversion of raw materials into new products by applying physical or chemical processes to their substances or components. Therefore, simple processing activities are not treated as manufacturing activities when the inherent nature of the goods remains unchanged, such as the simple selection, sorting, separation, packing or repacking of goods. The professional repair of industrial machinery and equipment used as capital goods (fixed capital formation) is also classified as manufacturing business. However, the repair of computers and peripheral equipment, personal goods and household goods and automobiles is classified as repair business (KSIC Code: 95).
Major revisions to the manufacturing business category (Korea Standard Industrial Classification, Statistics Korea, 2017)

- Manufacture of spectacles and spectacle lenses’ was moved from the ‘manufacture of photographic equipment and other optical instruments’ category to the ‘Manufacture of medical and surgical equipment’ category, and ‘Manufacture of upholstered seats for transport vehicles’ was moved from the ‘Manufacture of furniture’ category to the applicable category under ‘Manufacture of transportation equipment’ classified by vehicles, aircraft, rail, etc.
- ‘Repair of industrial machinery and equipment’ under the ‘Maintenance and Repair Services’ Sector was moved to a new Division (34) created under the ‘Manufacturing’ Sector. ‘Processing of furskins’ under ‘Manufacture of wearing apparel, clothing accessories and fur articles’ was moved to ‘Tanning and dressing of leather, manufacture of luggage and footwear’. ‘Manufacture of mounted arts’ under ‘Other manufacturing’ was moved to ‘Printing and reproduction of recorded media’, and ‘Asphalt related products produced in the oil refining process’ under ‘Manufacture of non-metallic mineral products’ was moved to ‘Manufacture of coke, hard-coal and lignite fuel briquettes and refined petroleum products’.
- In the lower-level categories, categories were newly created, sub-classified or merged, based on statistical data by industrial category such as growth rate, manufacturing output, number of businesses and employees, level of concentration in a particular product group, portion of businesses in a particular industrial category that manufacture a particular product group among all businesses that manufacture the product group, etc. The newly created categories include biofuels and biofuel blends, carbon fiber, energy storage device, digital additive manufacturing machinery, vehicle tuning, manufacturing of unmanned aircraft and unmanned aerial vehicle. The categories including slaughtering of livestock and poultry, processing of packaged or frozen meat and meat products, manufacture of kimchi, manufacture of packaged meals (lunchboxes), manufacture of compound feeds, feed ingredients and other feeds, manufacture of hygienic paper, offset printing, manufacture of rubber packaging, manufacture of plastic films and sheets, manufacture of molded polystyrene foam, manufacture of safety glass, manufacture of glasses for display devices, manufacture of memory and non-memory semiconductor, manufacture of steel pipes, processed steel pipe products and pipe fittings, manufacture of coated rods and cored wire, manufacture of organic light emitting diodes display components, manufacture of laminated plates for printed circuit boards, manufacture of rigid and flexible printed circuit boards, manufacture of electronic perception sensors, manufacture or steering and suspension devices and damping devices for motor vehicles were sub-classified. Also, the merged categories include manufacture of refined rice wines, stemming and redrying of tobacco, weaving of silk fabrics, manufacture of fabric products, manufacture of articles of fur, manufacture of wooden tools and wooden kitchen tableware, manufacture of articles of cork, straw and plaiting materials, manufacture of printing ink and artists’ colors, manufacture of sanitary and industrial ceramic ware, manufacture of safes, manufacture of electronic valves and tubes, manufacture of electronic interface cards, manufacture of automatic vending machines and money-changing machines, manufacture of containers for carriage, manufacture of non-ferrous metal ships, manufacture of watches, clocks and its parts, manufacture of wooden furniture lacquered or incorporated mother of pearl, manufacture of musical instruments, manufacture of artificial flowers and imitative ornamental articles, and manufacture of umbrellas and walking sticks.

- Definition of manufacturing business (Korean Standard Industry Classification published by Statistics Korea)
1. Distribution of raw materials or finished products
   Raw materials used by a manufacturing business include not only agricultural, forestry, fishery or mining products but also products (intermediary or semi-finished products) produced by another manufacturing business.
2. Relationship with other industries
   - The assembly of machine parts purchased from third parties is classified as a manufacturing business, while industrial activities such as the assembly or installation of standard parts and components of buildings or structures at a construction worksite are classified as a construction business.
   - Industrial activities involving the specialized assembly or installation of industrial machines or equipment at business establishments are classified as businesses specializing in the manufacturing of such machines or equipment.
• Industrial activities such as the remodeling, improvement or recycling of various goods of an essential nature are classified as a manufacturing business.
• In principle, a manufacturing business establishment that mainly assembles dedicated elements, components, accessories or parts of machines or items of equipment is classified into the category of manufacturing industry responsible for manufacturing machines or equipment for which such elements, components or parts are used. However, if such elements or parts are manufactured by metal casting, forging, pressing or powder metallurgy, or by the compression molding or extrusion of rubber or plastic materials, they are classified according to the materials or method or processing of forming.
• If general (general-purpose) components or parts of machinery equipment such as engines, pistons, electric motors, assembled electric equipment, valves, gears, rolling bearings are produced, the corresponding business is classified according to the type of the components or parts, irrespective of the type of machines or equipment to which the products are applied.
• Publishing, printing, or printing-related service businesses are classified as manufacturing business.
• When ordered specific products are manufactured and delivered to an individual or business entity for fees or under a contract using manufacturing factory equipment, the corresponding business is classified into the appropriate manufacturing industry category based on the type of products produced, unless they are classified into one of the following: Dyeing and finishing of textiles and wearing apparel (1340), Printing and service activities related to printing (181), Treatment and coating and other processing of metals (2592).
• Where an individual or business consigns manufacturing of a particular product to another manufacturer and procures the manufactured products for its own sales, it shall be classified as a manufacturing business if all the following four conditions are satisfied:
  – Direct planning of products to be produced (e.g., function, conception and design, design of raw materials, manufacture of samples)
  – Provision of raw materials purchased with one’s own account to contractors (including the provision of specification of raw materials and paying for the expenses with one’s own account)
  – Manufacture of products under one’s own name
  – Direct selling of the products in the market under one’s own responsibility

<Reference> Definition of factories under other statutes (different from the definition of factories under the Industrial Cluster Act)

※ Types of population-concentration facilities under Article 3 of the Enforcement Decree of the Seoul Metropolitan Area Readjustment Planning Act
Factories pursuant to the Industrial Cluster Development and Factory Establishment Act, in which the total floor area of the buildings (referring to the total floor area of each floor of the buildings to install machinery and equipment used as manufacturing facilities and to the total floor area of each floor of places of business) equals or exceeds 500m²

※ Article 3-5 (Kinds of buildings by use) of the Enforcement Decree of the Building Act
A factory refers to: buildings that are continuously used for manufacturing and processing (including dying, painting, bleaching, sewing, drying, and printing) goods and are not classified as Class 1 neighborhood living facilities, Class 2 neighborhood living facilities, facilities for storing or processing hazardous materials, automobile-related facilities, or feces or garlicage treatment facilities; and buildings in which the total floor space used for manufacturing, repair, laundry and other similar establishments classified as Class 2 neighborhood living facilities is less than 500 m² and do not require a permit for (notification of) the establishment of discharge facilities under the Clean Air Conservation Act, Water Quality and Aquatic Ecosystem Conservation Act and the Noise and Vibration Control Act.

※ Article 7, Enforcement Rule of the Local Tax Act
The scope of factory is defined as factories falling under Attached Table 2 (excluding urban factories pursuant to Article 28 of the Industrial Cluster Act) where the total floor area of buildings equipped with manufacturing facilities measure 500 m² or wider. In this case, the total floor area of the buildings shall include the incidental facilities (excluding facilities provided for enhancing the welfare and benefits of employees, including cafeterias, rest rooms, baths, laundries, infirmaries, outdoor gyms and dormitories, and shelters, arms storage facilities, ammunition depots and educational facilities) established inside the factory area for supporting the factory’s manufacturing facilities.
1-2 Urban Factories (Article 28, Industrial Cluster Act)

The Minister of Trade, Industry and Energy may designate high-tech industry factories, factories with low pollution emission, and factories closely connected with urbanite life, etc. as urban factories.

Urban factories are factories with low pollution emission or discharge that are closely connected with urbanite life and engage in a high-tech business*. The factories should not fall under certain categories and are subject to environmental impact assessment** pursuant to Article 4 of the Environmental Impact Assessment Act.

(1) Factories other than those falling under any of the below:

① Factories with facilities for discharging certain air pollutants under Article 2 Subparagraph 9 of the Clean Air Conservation Act

② Factories equipped with facilities for discharging air pollutants under Article 2 Subparagraph 11 of the Clean Air Conservation Act, which fall under business establishments classified as classes 1 through 3 of Attached Table 10 of the Enforcement Decree of the same Act. However, factories that do not burn fuel directly are excluded.

③ Factories with facilities discharging certain water contaminants under Article 2 Subparagraph 8 of the Water Quality and Aquatic Ecosystem Conservation Act. However, factories consigning all of its wastewater treatment to a third party under Article 33, Subparagraph 2 of the Enforcement Decree of the said Act are excluded.

④ Factories with wastewater discharge facilities pursuant to Article 2, Subparagraph 10 of the Water Quality and Aquatic Ecosystem Conservation Act, which fall under business establishments classified as class 1 through 4 under Attached Table 13 of the Enforcement Decree of the said Act.

(2) Factories that engage in a business listed in the table below, which do not fall under any of the factories listed in the above (1) (limited to factories subject to environmental impact assessment pursuant to Article 22 of the Environmental Impact Assessment Act.).

* Urban Factories’ Line of Business (subject to change with the 10th revision of Korea Standard Industrial Classification)

<table>
<thead>
<tr>
<th>KSIC Code</th>
<th>Category of Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>26110</td>
<td>Manufacturing of integrated circuits</td>
</tr>
<tr>
<td>26120</td>
<td>Manufacturing of diodes, transistors or similar semiconductor elements</td>
</tr>
<tr>
<td>26211</td>
<td>Manufacturing of LCD or LED displays</td>
</tr>
<tr>
<td>26294</td>
<td>Manufacturing of digital cards</td>
</tr>
<tr>
<td>26296</td>
<td>Manufacturing of digital access cards</td>
</tr>
<tr>
<td>26322</td>
<td>Manufacturing of monitors</td>
</tr>
<tr>
<td>26323</td>
<td>Manufacturing of computer printers</td>
</tr>
<tr>
<td>26329</td>
<td>Manufacturing of other peripheral appliances</td>
</tr>
<tr>
<td>26410</td>
<td>Manufacturing of wired communication equipment</td>
</tr>
<tr>
<td>26421</td>
<td>Manufacturing of broadcasting equipment</td>
</tr>
<tr>
<td>26422</td>
<td>Manufacturing of mobile phone sets</td>
</tr>
<tr>
<td>26429</td>
<td>Manufacturing of other wireless communication equipment</td>
</tr>
<tr>
<td>26511</td>
<td>Manufacturing of television sets</td>
</tr>
<tr>
<td>26519</td>
<td>Manufacturing of video and other image appliances</td>
</tr>
<tr>
<td>26521</td>
<td>Manufacturing of radios, recorders, and players</td>
</tr>
<tr>
<td>26529</td>
<td>Manufacturing of other acoustic appliances</td>
</tr>
<tr>
<td>27329</td>
<td>Manufacturing of other optic appliances</td>
</tr>
<tr>
<td>31310</td>
<td>Manufacturing of aircraft, spaceship and auxiliary devices</td>
</tr>
</tbody>
</table>
**Environmental impact assessment** (Article 2 Subparagraph 2 of the Environment Impact Assessment Act)
Assessment of environmental impact means devising a plan for avoidance or reduction of harmful impacts on the environment by investigating, forecasting and assessing environmental impacts from the execution of projects that have the potential to have an impact on the environment when approving, authorizing, permitting, licensing or deciding such projects.

1-3 Knowledge Industry Centers (Article 2 Subparagraph 13 and Article 28-5 of the Industrial Cluster Act)

Definition of knowledge industry centers
Knowledge industry centers refer to collective multi-story buildings meeting all of the conditions below where individuals engaged in a manufacturing business, knowledge industry business or ICT business can move in and supporting facilities can be installed.

① The buildings are collective buildings of three stories above ground or higher
② A total of six or more factories, business establishments in a knowledge industry pursuant to Article 6 (2) of the Industrial Cluster Act, or business establishments in an ICT business pursuant to Article 6 (3) of the Act can move in.
③ The total floor area of each above ground floor is at least 300 percent of the total building floor area or meets the maximum ratio permitted by other laws as follows:
   a. Where the floor area ratio is determined by an ordinance of the relevant city, province or county, in accordance with Article 78 of the National Land Planning and Utilization Act.
   b. Where the area regulations prescribed by Article 8 of the Act on Special Cases Concerning Support for Technoparks apply.

Facilities that can move into a knowledge industry center (refer to Article 36-4 of the Enforcement Decree of the Industrial Cluster Act):
① Businesses that are recognized by the city mayor, the head of a county or district, or an administration agency as having the need to move into a knowledge business center for the clusterization of manufacturing, knowledge, ICT and other specific businesses, and for the development of the local economy.
② Facilities for operating a venture business under the Act on Special Measures for the Promotion of Venture Businesses
③ Other facilities for supporting the production activities of tenant businesses*, excluding facilities recognized by the city mayor, head of a county or district, or administration agency as having the potential to interrupt the production activities of tenant businesses (amended on May 26, 2005)

※ Other facilities for supporting the production activities of tenant businesses:
   • Facilities for operating finance, insurance, education, medical, trade or sales businesses (limited to those selling products produced by a tenant business housed in the relevant knowledge industry center)
   • Logistics facilities, facilities for supporting the business of tenant businesses or facilities for enhancing the welfare of employees, including childcare centers and dormitories
   • Neighborhood living facilities under Subparagraphs 3 and 4 of Attached Table 1 of the Enforcement Decree of the Building Act
Additional information on tenancy in a knowledge information center

- The size of facilities for supporting tenant businesses’ production activities should be 50 percent or less of the total building floor area of the knowledge industry center concerned (30 percent in the case of the Seoul metropolitan area, or 20 percent in the case of knowledge industry centers located in industrial complexes).
- Only urban factory facilities (excluding urban factories under Article 34 Subparagraph 2) can be installed in cases where the knowledge industry center is located outside an industrial complex or an industrial zone.
- Offices or warehouses among the auxiliary facilities of a tenant business operating a manufacturing business inside a knowledge industry center can be installed in a separate area of the center’s building.

Laws Related to Factory Establishment

<table>
<thead>
<tr>
<th>Law Title</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Framework Act on National Land</td>
<td>The purpose of this Act is to contribute to the sound development of the national land and the improvement of national welfare by providing for fundamental matters concerning the formulation and implementation of plans for and policies on the national land. (Entered into effect on Jan. 1, 2003)</td>
</tr>
<tr>
<td>National Land Planning and Utilization Act</td>
<td>The purpose of this Act is to promote public welfare and to enhance the quality of people’s life by providing for matters necessary for the formulation and implementation, etc. of plans to utilize, develop and preserve the national land. (Entered into effect on Jan. 1, 2003)</td>
</tr>
<tr>
<td>Industrial Cluster Development and Factory Establishment Act</td>
<td>The purpose of this Act is to contribute to the sound development of the national economy through continued industrial development and balanced regional development, by developing industrial clusters, supporting the establishment of factories, and realizing the systematic management of industrial sites and industrial complexes.</td>
</tr>
<tr>
<td>Industrial Sites and Development Act</td>
<td>The purpose of this Act is to promote the balanced development of national land and sustained industrial progress through the efficient supply of industrial locations and the appropriate placement of industry, thereby contributing to the sound development of the national economy.</td>
</tr>
<tr>
<td>Support for Small and Medium Enterprise Establishment Act</td>
<td>The purpose of this Act is to contribute to the establishment of a solid industrial structure through the sound development of small and medium enterprises by facilitating the establishment of small and medium businesses and developing a firm basis for their growth.</td>
</tr>
<tr>
<td>Act on Special Measures for the Deregulation of Corporate Activities</td>
<td>The purpose of this Act is to strive for harmonious corporate activities and contribute to the sound development of the national economy by providing for matters concerning the easing of administrative regulations on corporate activities and special cases.</td>
</tr>
<tr>
<td>Act on Special Measures for the Promotion of Venture Businesses</td>
<td>The purpose of this Act is to contribute to the facilitation of the industrial restructuring and the enhancement of the competitiveness thereof by promoting the conversion of existing enterprises into venture businesses and the establishment of venture businesses.</td>
</tr>
<tr>
<td>Foreign Investment Promotion Act</td>
<td>The purpose of this Act is to promote foreign investment in Korea by providing the necessary support and convenience to foreign investors to contribute to the sound development of the nation’s economy.</td>
</tr>
<tr>
<td>Act on Special Measures for the Development of Small and Micro Enterprises</td>
<td>The purpose of this Act is to contribute to the balanced development of the national economy by promoting the free business activities of small enterprises and micro enterprises, and by ensuring the restructuring of their business and the stabilization of their management.</td>
</tr>
<tr>
<td>Acts on land use and buildings</td>
<td>Seoul Metropolitan Area Readjustment Planning Act, Farmland Act, Creation and Management of Forest Resources Act, Management of Mountainous Districts Act, Building Act, Grassland Act, River Act, Private Road Act, Act on Funeral Services, etc., Restriction of Special Taxation Act, Industrial Development Act</td>
</tr>
</tbody>
</table>
2. Factory Establishment and Registration

Factory establishment covers all procedures encompassing the building of factories to changes in their registration. Approval (authorization and permission) of factory establishment includes the installation and approval not only of factories but also of incidental facilities and manufacturing facilities. Application for approval is required before building a factory. When construction is completed, a written notification of factory establishment completion should be submitted to the approval authority within two months of the installation of the relevant machines and equipment.

<table>
<thead>
<tr>
<th>Classification</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establishment</td>
<td>Installation of manufacturing facilities by constructing new buildings (including structures) or by changing the use of an existing building to that of a factory</td>
</tr>
<tr>
<td>Expansion</td>
<td>Increasing the building or site area of a registered factory&lt;br&gt;• The addition of manufacturing facilities without any increase in the corresponding building area does not fall under the category of factory expansion&lt;br&gt;• The addition of ancillary facilities is not considered factory expansion&lt;br&gt;* Excluded are those cases where large enterprises increase their office or warehouse areas in the nature preservation zone of the Seoul metropolitan area or areas falling under items c and d of Subparagraph 3 (other zones in growth management zones) of Attached Table 2 of the Enforcement Decree of the Industrial Cluster Act</td>
</tr>
<tr>
<td>Relocation</td>
<td>Closure of an existing factory registered in the Seoul metropolitan area (overconcentration control areas, growth management zones, nature conservation zones) and establishment of a new factory in the same business category in another location</td>
</tr>
<tr>
<td>Change of business category</td>
<td>Cases involving a change of the business category of a factory whose establishment has been approved or a registered factory to another category, or the addition of other business categories to that of an existing factory</td>
</tr>
<tr>
<td>Installation of manufacturing facilities</td>
<td>Installation of manufacturing facilities to the whole or part of a factory building whose establishment has been approved or whose registration has been cancelled</td>
</tr>
<tr>
<td>New registration</td>
<td>Owners or occupants of factories with a construction area of less than 500m² can register a factory through application for factory registration</td>
</tr>
<tr>
<td>Registration of change</td>
<td>If changes occur to the registered details, an application for registration of change should be made to the head of the relevant Si/Gun/Gu within two months.</td>
</tr>
</tbody>
</table>
2-2 Approval (Authorization and Permission) of Factory Establishment

Application for Approval of Factory Establishment

- When a person intends to establish, expand or relocate a factory or install manufacturing facilities in a factory and the construction area of such factories is 500 m\(^2\) or wider, and when a person intends to change the business category (including the addition of business categories) of a factory, an approval from the head of the Si/Gun/Gu should be obtained, and the same shall apply when the approved details are changed. However, minor changes in approved matters can be notified.
- The owner or tenant of a factory which is exempt from such approval (construction area of less than 500 m\(^2\)) may apply for factory registration.

Factory Construction Area

The composite of the area of each floor of a building for installation of machinery or equipment used as manufacturing facilities, and the horizontally projected area of outdoor structures used as manufacturing facilities

※ Factory construction area subject to approval
The composite of the area of each floor of a building for installation of machinery or equipment used as manufacturing facilities, and the horizontally projected area of outdoor structures used as manufacturing facilities

※ Factory construction area for computing the standard factory area ratio*
The composite of the area of each floor of all buildings (manufacturing facilities and ancillary facilities) inside a factory site and the horizontally projected area of machinery, equipment and other structures installed outside the building

* Standard factory area ratio = Factory construction area \(\div\) factory site area \(\times\) 100

Expansion of Ancillary Facilities

- In the case that an ancillary facility of a registered factory has been expanded, an application for change in factory registration should be filed.
- Approval of factory expansion is not required if the expansion only concerns ancillary facilities. However, expansion in nature conservation areas in the Seoul metropolitan area and large companies’ expansion of office and warehouse in accordance with Items c, d of Subparagraph 3 of Annex Table 2 of the Enforcement Decree of the Industrial Cluster Act are excluded.
- Scope of ancillary facilities (Article 2 of the Enforcement Rules of the Industrial Cluster Act):
1. Offices, warehouses, security posts, observatories, parking lots, toilets and bicycle storage facilities
2. Water or oil tanks, silos or other outdoor storage structures (including underground storage facilities)
3. Oil pipelines, outdoor gas filing facilities, water service or drainage facilities, power distribution facilities, machine or pump rooms
4. The following facilities:
   a. Waste treatment facilities as prescribed by Article 2, Subparagraph 8 of the Waste Controls Act (including facilities jointly installed and operated by two or more businesses pursuant to Article 18 (5) of the same Act)
   b. Water pollution prevention facilities as prescribed by Article 2 Subparagraph 12 of the Water Quality and Aquatic Ecosystem Conservation Act (including facilities jointly installed and operated by two or more businesses pursuant to Article 35 (4) of the same Act)
c. Air pollution prevention facilities as prescribed by Article 2 Subparagraph 12 of the Clean Air Conservation Act (including facilities jointly installed and operated by two or more businesses pursuant to Article 29 (1) of the same Act)

d. Noise and vibration emission facilities as prescribed by Article 2 Subparagraph 4 of the Noise and Vibration Control Act (including facilities jointly installed and operated by two or more businesses pursuant to Article 12 (1) of the same Act)

5. Test and research facilities and facilities designed to enhance energy efficiency

6. Common workplace safety facilities and health management facilities

7. Childcare facilities and dormitories (including childcare facilities and dormitories jointly used by two or more tenant businesses)

8. Cafeterias, lounges, shower rooms, laundry rooms, medical office, outdoor gym facilities, dormitories and other employee welfare facilities

9. The following facilities:
   a. Product exhibition facility (limited to facilities that exhibit products manufactured in the factory or semi-finished or finished goods produced using parts manufactured in the factory)
   b. Product sales facility (limited to facilities that sell products manufactured in the factory)
   c. Hoists for the loading or unloading of raw materials and finished products

10. In the case of national industrial complexes whose administrative authority has been entrusted to the head of a central government agency pursuant to Article 59 (4) of the Enforcement Decree of the Industrial Cluster Act, facilities that are recognized by the head of the relevant central government agency under consultations with the Minister of Trade, Industry & Energy as facilities necessary for the management and support of manufacturing facilities and the welfare of employees

11. Other facilities that are deemed necessary for the management or support of production facilities or for employee welfare by the Minister of Trade, Industry & Energy

**Change in Approved Factory Establishment Matters**

- Change in factory site area (excluding decreases in site area, or increase in site area by 20 percent or less)
- Change in factory construction area (excluding increase by 20 percent or less or decrease within the standard factory building area ratio)
- Change in ancillary facility areas (excluding changes within the standard factory building area ratio)

**Notification of Change in Approved Factory Establishment Matters**

- Change in company name or CEO (Change in CEO shall be notified if requested by the company)
- Change in specific business categories (Change in business category within the industry classification under the official notice of standards for factory sites)

**Revocation of Factory Establishment Approval**

The government may revoke its approval for factory establishment or order restoration of the land concerned to its original state when it is considered that the entity that has obtained factory establishment approval is unable to implement the project. Article 42 of the Farmland Act and Article 39 of the Management of Mountainous Districts Act apply to cases requiring the restoration of land. However, in such cases as prescribed by Article 19-4 of the Enforcement Decree of the Industrial Cluster Act where it is recognized that the effective period of approval should be in excess of four years, exceptions shall apply. (For businesses in an industrial complex, refer to Article 42 of the Industrial Cluster Act.)
• When the business fails to commence the construction of a factory building without justifiable cause until three years have elapsed from the day on which establishment of the factory is approved (two years for industrial complexes)
• When factory establishment has become unfeasible because the land transformation approval has been revoked
• When the completion of factory establishment or the installation of manufacturing facilities is not notified by the day on which four years have elapsed from the date of approval or when the construction work is stopped for one year or longer after its commencement. However, exceptions are permitted when there are reasons deemed inevitable in light of regional economic conditions or factory size.
• When a factory site or factory building is used for other purposes without justifiable cause
• When a factory no longer satisfies the criteria for factory establishment approval

Approval of Installation of Manufacturing Facilities
Those who intend to operate a manufacturing business by installing manufacturing facilities, etc. in the whole or part of a factory building with a floor area of 500 m² or wider should obtain approval from the government. Those who intend to change 20 percent or more of the construction area of their existing factory should also obtain approval for such change. However, those who intend to make minor changes to the approved matters can make a notification.

• Factory buildings built after obtaining an approval for factory establishment without specifying the business category in advance
• A registered factory building whose registration has been revoked pursuant to the pertinent provisions

Reasons for Revocation of Approval of the Installation of Manufacturing Facilities
• When an approval of the installation of manufacturing facilities has been obtained through fraud or other unlawful means
• When the construction of a factory building is not commenced within one year of the day on which the installation of factory facilities is approved without justifiable cause
• When it becomes impossible to install the manufacturing facilities due to such causes as the destruction of the factory building, any change in its previously specified use, or other similar causes

2-3 Notification of Completion of Factory Establishment and Factory Registration

Notification of Completion of Factory Establishment
Those who have obtained approval for the use of a finalized building of his/her factory and completed the installation of machinery and equipment should submit a notification of completion of factory establishment to the factory establishment approval authority (the relevant industrial complex management authority in the case of industrial complexes) within two months of the date of obtaining the approval (the date of completing installation of machinery and equipment in the case of installation of manufacturing facilities).
Application for Partial Registration of a Factory
Those who have obtained factory establishment approval intending to operate a part of the factory before its construction is completed should submit an application for partial registration of a factory. On receiving such application, an inspection is conducted to confirm whether the factory building has been completed and machinery and equipment have been installed. Within seven days of receiving the application (20 days in the case of legal fiction), a document stating the necessary matters concerning the period of validity of the registered factory and notification of completion should be sent to the applicant. When those who have completed partial registration obtain approval for the use of the finalized building of a factory and complete installation of machinery and equipment, completion of factory establishment, etc. should be notified within two months.

Registration of Factory Building
Those who have obtained permission to use a factory building may submit an application for registration of the factory building before installing manufacturing facilities.

Registration of Factory
The person authorized to approve factory establishment should, on receiving a notification of completion of factory establishment, register the factory on the factory establishment ledger pursuant to relevant laws.

The owner or tenant of a factory other than those subject to approval for factory establishment may apply for factory registration. If the factory meets the standards provided under the Building Act, the National Land Planning and Utilization Act, other pertinent statutes, and the standard factory area ratio, the factory shall be registered and the applicant shall be notified of such registration within seven days (20 days in the case of legal fiction) of the date of application.

Change of Registered Matters
• Change in company name or CEO (Change in CEO shall be notified if requested by the company)
• Factory site area (limited to when the factory site area has been reduced)
• Factory building area (limited to when the factory building area has been reduced and the factory is constructed in compliance with the standard factory area ratio)
• Ancillary facility area (limited to factories constructed in compliance with the standard factory area ratio)
• Change in business category:
  - Business category
  - Factory expansion (when the factory building area remains at less than 500 m² after the expansion)

Revocation of Factory Registration
Factory registration can be revoked in the following cases:
• When a factory building is destroyed or its use is changed
• When the operation of a factory is discontinued or its manufacturing facilities are destroyed or removed (i.e., when its manufacturing facilities are removed due to discontinuation of the manufacturing business or some other reason or cause)
• When the lease contract of a tenant business of an industrial complex is terminated
• When a factory is used for a purpose other than a factory. However, exceptions shall not apply when part of the factory is used for the pertinent industrial use or for a use necessary for factory
operations, and when part of the factory is used for a different purpose within the scope of not inducing significant disruptions to manufacturing activities.

• When the factory owner fails to comply with the requirements that applied when the factory had been registered
• When orders or dispositions given pursuant to the law are violated

※ Registration can be partially revoked.

2-4 Time Required for Factory Establishment and Types of Approval

<table>
<thead>
<tr>
<th></th>
<th>Factory Establishment Approval</th>
<th>Factory Building Construction</th>
<th>Factory Registration</th>
</tr>
</thead>
<tbody>
<tr>
<td>General factory establishment: 20 days</td>
<td>Construction permit: Varies depending on the building area Approval for use: 7 days</td>
<td>Notification of factory establishment completion: Within 2 months of completing machinery and equipment installation (registration of partially operated factory is permitted) ※ Notification of factory registration (within 3 days)</td>
<td></td>
</tr>
<tr>
<td>- No change in use: 14 days</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- No legal fiction: 7 days</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business start-up plan: 20 days</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3. Factory Sites and Factory Establishment Approval Procedure

There are two types of factory sites: planned sites for establishing and promoting clusters of factories, and individual sites where permits or approvals for factory establishment must be separately obtained. Companies may apply for permission to establish a factory by submitting an application once the factory site has been selected. The relevant authorities will grant approval after consultations and feasibility studies.
3-1 Types of Factory Sites

Types of Factory Sites

<table>
<thead>
<tr>
<th>Type</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planned sites</td>
<td>Factory sites selected and developed under a specific plan by the central or municipal government or private company to establish and develop clusters of factories</td>
</tr>
<tr>
<td>Individual sites</td>
<td>Factory sites intended for the establishment of factories that have obtained permit or approval in areas outside planned sites</td>
</tr>
</tbody>
</table>

* Refer to the Invest KOREA website (http://www.investkorea.org) for detailed information on factory sites.

3-2 Documents Required for Application for Factory Establishment Approval

- Application form for approval of factory establishment or application form for approval of start-up business plan
- Factory establishment plan (start-up business plan)
- Land use plan confirmation, cadastral (forest) map, land (forest) register
- Certified copy of land and building register
- Land sale contract, approval of land (building) use
- Documents for application for legal fiction (e.g., application for approval of the use of farmland for non-agriculture purposes, or the use of forest land for other purposes)
- Civil engineering blueprint
  - Cadastral map or surveyed map
  - Building floor plan, disaster prevention plan, etc.
3-3 Factory Establishment Process

- **Factory site selection**
  - Decide type of factory site
  - Site inspection (regional analysis)
  - Site analysis (individual analysis)
  - Select site

**Approval, authorization, permission of factory establishment**
- Draw up factory establishment plan
- Prepare required documents
- Civil engineering and design (individual sites)
- Application for factory establishment approval (including legal fiction)
- Approval of factory establishment (individual sites)

**Factory construction and notification of completion of construction**
- Completion of civil engineering work (individual sites)
- Construction design
- Application for permission of construction
- Usage test and notification of completion of factory establishment (within 2 months from the installment of machinery)
- Issuance of factory registration certification (notification)

**Required documents**
- Application form for factory establishment approval
- Application form for industrial complex occupancy contract
- Start-up business plan
- Documents for application for legal fiction

3-4 Factory Establishment Approval Procedure

<table>
<thead>
<tr>
<th>Entity</th>
<th>Applicant (company)</th>
<th>Mayor/County Governor</th>
<th>Applicant (company)</th>
<th>Applicant (company)</th>
<th>Mayor/County Governor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procedure</td>
<td>Application for factory establishment approval</td>
<td>Consultation with relevant authorities</td>
<td>Civil engineering and approval of construction</td>
<td>Notification of completion of factory establishment</td>
<td>Factory registration</td>
</tr>
<tr>
<td>Details</td>
<td>Select factory site candidates</td>
<td>Prepare application form, business plan and other required documents</td>
<td>Submit documents to the department responsible for factory establishment at the relevant Si/Gun office</td>
<td>Deliberation of civil petitions (deliberation of applicable laws)</td>
<td>Installation of manufacturing facilities for factory operation</td>
</tr>
</tbody>
</table>

- **Applicant (company)**
  - Deliberation of civil petitions (deliberation of applicable laws)
  - Environment-related matters
  - Feasibility of construction permission

- **Department responsible for authorization and permission of factory establishment**

- **Mayor/County Governor**
  - Notification of completion of factory establishment and confirmation on whether the notification matches the approved matters

- **Notification within 3 days of acceptance of factory establishment completion notification**