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## Contents

### I. Foreign Direct Investment (FDI) - Definition and Procedure

<table>
<thead>
<tr>
<th>- Definition -</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Contribution to a Non-profit Corporation / 11</td>
</tr>
<tr>
<td>2</td>
<td>Amendment of the Commercial Act and the Minimum Foreign Investment Amount / 12</td>
</tr>
<tr>
<td>3</td>
<td>Establishment of a Foreign-invested Company by a Foreign Investment Association (Fund) / 12</td>
</tr>
<tr>
<td>4</td>
<td>Investment by a Chinese National Permanently Residing in Korea / 13</td>
</tr>
<tr>
<td>5</td>
<td>Investment through a Holding Company (Paper Company) / 14</td>
</tr>
<tr>
<td>6</td>
<td>Foreigners’ Investment in a Corporate Restructuring Association / 14</td>
</tr>
<tr>
<td>7</td>
<td>Foreigners’ Investment in Mutual Fund / 15</td>
</tr>
<tr>
<td>8</td>
<td>Foreign Investment in a Project Financing Vehicle / 16</td>
</tr>
<tr>
<td>9</td>
<td>Foreigners’ Ownership of Depository Receipt / 16</td>
</tr>
<tr>
<td>10</td>
<td>Acquisition of Preferred Shares and Requirements for Foreign Investment / 17</td>
</tr>
<tr>
<td>11</td>
<td>A Non-resident Foreign Company’s Establishment of a Domestic Branch / 18</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>- Object of Investment -</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>Investment of Profit from Portfolio Investment / 19</td>
</tr>
<tr>
<td>13</td>
<td>Investment of Funds Sourced from a Korean Bank Located Overseas / 20</td>
</tr>
<tr>
<td>14</td>
<td>Investment in-Kind with Used Capital Goods / 20</td>
</tr>
<tr>
<td>15</td>
<td>Investment in-Kind with Patents / 21</td>
</tr>
<tr>
<td>16</td>
<td>Recognition of Computer Program Work as Foreign Investment / 22</td>
</tr>
<tr>
<td>17</td>
<td>Industrial Property Evaluation Agencies / 23</td>
</tr>
<tr>
<td>18</td>
<td>Investment in-Kind with Domestic Real Estate / 24</td>
</tr>
<tr>
<td>19</td>
<td>Investment in-Kind with Bonds / 25</td>
</tr>
<tr>
<td>20</td>
<td>Conversion of Borrowings to Capital / 25</td>
</tr>
<tr>
<td>21</td>
<td>Debt-Equity Swap by Set-off / 26</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>- Long-term Loans -</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>22</td>
<td>Calculation of Long-term Loan Period / 26</td>
</tr>
<tr>
<td>23</td>
<td>Takeover Corporate Bonds through Private Placement / 27</td>
</tr>
<tr>
<td>24</td>
<td>Prepayment of Long-term Loans with a Maturity of Five Years or Longer / 28</td>
</tr>
<tr>
<td>25</td>
<td>Recognition of Loan Contract Extended to Five Years or Longer as Foreign Investment / 29</td>
</tr>
<tr>
<td>26</td>
<td>Introduction of a Long-term Loan with Maturity of Five Years or Longer from a Joint-invested Overseas Company / 30</td>
</tr>
<tr>
<td>27</td>
<td>Transfer of Loan Receivables to a Third Person / 30</td>
</tr>
<tr>
<td>28</td>
<td>Long-term Loans with Maturity of Five Years or Longer Funded by Domestic Borrowing / 31</td>
</tr>
</tbody>
</table>
## Foreign Direct Investment Procedure

<table>
<thead>
<tr>
<th>No.</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>29</td>
<td>Remittance of Investment Funds</td>
</tr>
<tr>
<td>30</td>
<td>Overseas Remittance by a Third-party Person</td>
</tr>
<tr>
<td>31</td>
<td>Cost of Establishing a Stock Company</td>
</tr>
<tr>
<td>32</td>
<td>Registration of a Foreign-invested Company</td>
</tr>
<tr>
<td>33</td>
<td>Partial Registration of a Foreign-invested Company</td>
</tr>
<tr>
<td>34</td>
<td>Administrative Procedure for Merging a Domestic Company with a Foreign-invested Company</td>
</tr>
<tr>
<td>35</td>
<td>Foreign Investment and Notification of Business Combination</td>
</tr>
</tbody>
</table>

## Recovery of Investment Funds and Reinvestment

<table>
<thead>
<tr>
<th>No.</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>36</td>
<td>Guarantee of Foreign Investors’ Overseas Remittance</td>
</tr>
<tr>
<td>37</td>
<td>Foreign Investors’ Sales of Stocks through OTC Transaction</td>
</tr>
<tr>
<td>38</td>
<td>Receipt of Proceeds from the Sale of Stocks in Won Currency</td>
</tr>
<tr>
<td>39</td>
<td>Cancellation of Registration of Foreign-invested Company due to Stock Transfer or Capital Reduction</td>
</tr>
<tr>
<td>40</td>
<td>Recognition of Foreign Investment After Transfer of Shares or Capital Reduction</td>
</tr>
<tr>
<td>41</td>
<td>Re-investment of Won-currency Funds Received through Capital Decrease for Value</td>
</tr>
<tr>
<td>42</td>
<td>Re-investment of a Foreign-invested Company’s Residual Liquidated Assets</td>
</tr>
<tr>
<td>43</td>
<td>Sourcing a Capital Increase for Value with Dividends</td>
</tr>
<tr>
<td>44</td>
<td>A Foreign-invested Company’s Re-investment of Earned Surplus</td>
</tr>
</tbody>
</table>

## Businesses Restricted from Foreign Direct Investment

<table>
<thead>
<tr>
<th>No.</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>45</td>
<td>Permission of Foreigners to Engage in a Housing Site Development and Supply Business</td>
</tr>
<tr>
<td>46</td>
<td>Operation of a Massage Business</td>
</tr>
<tr>
<td>47</td>
<td>Foreigners’ Investment in an Educational Institute for the Purpose of Making Profit</td>
</tr>
<tr>
<td>48</td>
<td>Permission of Foreign Investment in the Automotive Financing Business</td>
</tr>
<tr>
<td>49</td>
<td>Points to Check After Acquisition of Defense Industry Stocks</td>
</tr>
<tr>
<td>50</td>
<td>Foreign-invested Companies’ Acquisition of Stocks of a Company Engaging in Meat Wholesale</td>
</tr>
<tr>
<td>51</td>
<td>A Foreign-invested Finance Company’s Acquisition of Stocks of a Company Engaged in a Business Restricted from Foreign Investment</td>
</tr>
</tbody>
</table>
## II. Incentives for Foreign Direct Investment

### - General -

<table>
<thead>
<tr>
<th>Page</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>52</td>
<td>Permission of Foreign-invested Companies’ Short-term Foreign Borrowings / 55</td>
</tr>
<tr>
<td>53</td>
<td>Special Provision on the Upper Limit on Foreign-invested Companies’ Payment of Dividends with Stocks / 57</td>
</tr>
<tr>
<td>54</td>
<td>Incentives for Establishing a Foreign School / 58</td>
</tr>
<tr>
<td>55</td>
<td>Tax Incentives for Small and Medium-sized Start-ups / 59</td>
</tr>
<tr>
<td>56</td>
<td>Round-trip Investment by a Foreigner / 60</td>
</tr>
<tr>
<td>57</td>
<td>Tax Incentives for Korean Companies that Withdraw from Overseas Markets and Relocate to Korea (i.e. “U-Turn companies”) / 61</td>
</tr>
<tr>
<td>58</td>
<td>Tax Incentives for Foreign Engineers / 63</td>
</tr>
<tr>
<td>59</td>
<td>Tax Reduction/ Exemption for a Korean Company Owning High Technology / 64</td>
</tr>
<tr>
<td>60</td>
<td>Reduction or Exemption of Registration Tax for Registering Capital Increase / 65</td>
</tr>
<tr>
<td>61</td>
<td>Initial Date in Reckoning the Period of Tax Reduction or Exemption for Capital Increase / 66</td>
</tr>
<tr>
<td>62</td>
<td>Initial Date in Reckoning the Period of Tax Reduction and Exemption in the Case that Interest Income is Accrued Before Commencement of Business / 67</td>
</tr>
<tr>
<td>63</td>
<td>Period for which Customs Duties for Capital Goods are Exempted / 68</td>
</tr>
</tbody>
</table>

### - Foreign Investment Zones -

<table>
<thead>
<tr>
<th>Page</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>64</td>
<td>Installment of New Business Facilities to Qualify for Designation as a Foreign Investment Zone / 69</td>
</tr>
<tr>
<td>65</td>
<td>Purchase of Company by M&amp;A and Designation of Foreign Investment Zone / 70</td>
</tr>
<tr>
<td>66</td>
<td>Requirements for a Domestic Company to Move into a Foreign Investment Zone / 71</td>
</tr>
<tr>
<td>67</td>
<td>Businesses Eligible to Move into a Complex-type Foreign Investment Zone / 72</td>
</tr>
<tr>
<td>68</td>
<td>Upper Limit on the Size of Land that can be Leased in Complex-type Foreign-investment Zones / 73</td>
</tr>
</tbody>
</table>

### - Free Economic Zones -

<table>
<thead>
<tr>
<th>Page</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>69</td>
<td>Service Businesses Eligible for Tax Reduction/Exemption in a Free Economic Zone / 74</td>
</tr>
<tr>
<td>70</td>
<td>Designation of a Stand-alone Type Foreign Investment Zone within a Free Economic Zone / 75</td>
</tr>
<tr>
<td>71</td>
<td>Conditions for Opening a Foreigner-only Casino in a Free Economic Zone / 76</td>
</tr>
<tr>
<td>72</td>
<td>Establishment of a Foreign Educational Facility within a Free Economic Zone / 77</td>
</tr>
<tr>
<td>73</td>
<td>Establishment of a Medical Institution within a Free Economic Zone / 78</td>
</tr>
<tr>
<td>74</td>
<td>Establishment of a Foreign Medical Institution in Jeju Special Self-Governing Province / 79</td>
</tr>
</tbody>
</table>
### III. Management of a Foreign-invested Company

#### - Labor -

<table>
<thead>
<tr>
<th>Page</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>75</td>
<td>Social Insurance / 83</td>
</tr>
<tr>
<td>76</td>
<td>Statutory Working Hours / 84</td>
</tr>
<tr>
<td>77</td>
<td>Extended Work Wages / 85</td>
</tr>
<tr>
<td>78</td>
<td>Minimum Wage / 85</td>
</tr>
<tr>
<td>79</td>
<td>Retirement Allowance / 86</td>
</tr>
<tr>
<td>80</td>
<td>Statutory Holidays / 86</td>
</tr>
<tr>
<td>81</td>
<td>Annual Leave with Pay / 87</td>
</tr>
<tr>
<td>82</td>
<td>Rules of Employment / 88</td>
</tr>
<tr>
<td>83</td>
<td>Labor-Management Council / 89</td>
</tr>
<tr>
<td>84</td>
<td>Fixed-term Workers / 90</td>
</tr>
</tbody>
</table>

#### - Acquisition of Land -

<table>
<thead>
<tr>
<th>Page</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>85</td>
<td>Foreign-invested Company’s Acquisition of Farmland / 91</td>
</tr>
<tr>
<td>86</td>
<td>Points to Check when Acquiring Land in Korea / 91</td>
</tr>
<tr>
<td>87</td>
<td>Foreigners’ Notification of Land Acquisition / 92</td>
</tr>
<tr>
<td>88</td>
<td>Land Acquisition Notification by a Domestic Branch of a Foreign Corporation / 92</td>
</tr>
<tr>
<td>89</td>
<td>Land Acquisition Notification by a Company in which No Less than Half of Its Executives are Foreign Nationals / 93</td>
</tr>
<tr>
<td>90</td>
<td>Real Estate Acquisition by a Domestic Corporation in which No Less than 50 Percent of Its Shares is Held by Foreigners / 94</td>
</tr>
<tr>
<td>91</td>
<td>Foreigner’s Land Division / 95</td>
</tr>
<tr>
<td>92</td>
<td>Remittance of Funds from Disposal of Real Estate / 95</td>
</tr>
</tbody>
</table>

#### - Taxation & Accounting -

<table>
<thead>
<tr>
<th>Page</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>93</td>
<td>External Audit Requirements / 96</td>
</tr>
<tr>
<td>94</td>
<td>Taxation for a Private Business vs. Corporation / 96</td>
</tr>
<tr>
<td>95</td>
<td>Collective Payment of Value-added Tax / 98</td>
</tr>
<tr>
<td>96</td>
<td>Value-added Tax Refund / 99</td>
</tr>
<tr>
<td>97</td>
<td>Insufficient Capital Tax System / 100</td>
</tr>
</tbody>
</table>
# Contents

## IV. Settlement

<table>
<thead>
<tr>
<th>Page</th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>98</td>
<td>Foreigner Registration / 103</td>
</tr>
<tr>
<td>99</td>
<td>Change in Status of Sojourn / 104</td>
</tr>
<tr>
<td>100</td>
<td>Extension of Period of Sojourn / 106</td>
</tr>
<tr>
<td>101</td>
<td>Foreigners’ Obligation to Enroll in National Health Insurance / 107</td>
</tr>
<tr>
<td>102</td>
<td>Foreigners’ Registration of Seal Imprint / 109</td>
</tr>
<tr>
<td>103</td>
<td>Drivers’ License / 109</td>
</tr>
<tr>
<td>104</td>
<td>Changes in Foreigner Registration Matters That Require Notification / 110</td>
</tr>
<tr>
<td>105</td>
<td>Notification of Change of Sojourn Place / 111</td>
</tr>
<tr>
<td>106</td>
<td>Child and Infant Welfare / 112</td>
</tr>
<tr>
<td>107</td>
<td>Medical Care Subsidies for Pregnancy and Childbirth / 113</td>
</tr>
<tr>
<td>108</td>
<td>International Data Roaming / 114</td>
</tr>
<tr>
<td>109</td>
<td>Lost or Stolen Cellphone / 116</td>
</tr>
<tr>
<td>110</td>
<td>Emergency Medical Call / 117</td>
</tr>
<tr>
<td>111</td>
<td>Issuance of a Korean Credit Card / 118</td>
</tr>
<tr>
<td>112</td>
<td>Korean Language Classes / 119</td>
</tr>
</tbody>
</table>

## Appendix

Basic Information on Investing in Korea / 121
I. Foreign Direct Investment (FDI) – Definition and Procedure
I. Foreign Direct Investment (FDI) – Definition and Procedure

Definition

1 Contribution to a Non-profit Corporation

Q

Are foreigners permitted to contribute to a non-profit corporation?

A

Yes, provided that certain conditions are met.

Additional Information

A foreigner may contribute to a non-profit corporation in the following cases:

① Where a foreigner contributes to a non-profit corporation pursuant to the Enforcement Decree of the Foreign Investment Promotion Act with the purpose of establishing continuous cooperative relations with the corporation, which is a corporation (including a corporation under establishment) of the Republic of Korea in the field of science and technology and satisfies the following standards regarding research personnel and facilities.

- The corporation should have an independent research facility.
- The corporation should meet either of the following conditions:
  - The regular employment of research staff is five persons or more, consisting of persons with a master's degree or higher in the field of science and technology, or persons with a bachelor's degree in the field of science and technology having not less than three years of research experience.
  - Research and development activities are conducted for a project that accompanies high technology.

② Contributions to a non-profit corporation by a foreigner that meet the following standards on the contribution amount and line of business, and which the Foreign Investment Committee recognized as foreign investment.

- The contribution amount is not less than 50 million won.
- The non-profit corporation's purpose of establishment falls under the following:

1 Article 2(1) 4(c) of the Foreign Investment Promotion Act, Article 2(5) of the Enforcement Decree of the Act
2 Article 116-2 (1) 2 of the Enforcement Decree of the Restriction of Special Taxation Act
3 Article 2(1) 4(d) of the Foreign Investment Promotion Act, Article 2(6) of the Enforcement Decree of the Act

1 Article 2(1) 4(c) of the Foreign Investment Promotion Act, Article 2(5) of the Enforcement Decree of the Act
2 Article 116-2 (1) 2 of the Enforcement Decree of the Restriction of Special Taxation Act
3 Article 2(1) 4(d) of the Foreign Investment Promotion Act, Article 2(6) of the Enforcement Decree of the Act
- The non-profit corporation has been established for the purpose of promoting science, art, medical services or education etc. and continues to conduct business to nurture professionals in the relevant fields and to expand international exchanges, or
- The non-profit corporation is the regional headquarters of an international organization that carries out international cooperation business between civilians or governments.

### Amendment of the Commercial Act and the Minimum Foreign Investment Amount

**Q**

With the amendment of the Commercial Act, the clause on regulations on the minimum capital amount of corporations has been deleted. Does this mean that the requirement on the minimum amount of FDI is also removed?

**A**

The minimum FDI amount requirement remains valid. With the amendment of the Commercial Act in May, 2009, the minimum capital required to establish a corporation has been changed to as little as 100 won. However, the Foreign Investment Promotion Act still stipulates the minimum foreign investment amount as 100 million won.

### Establishment of a Foreign-invested Company by a Foreign Investment Association (Fund)

**Q**

Can a foreign investment fund or investment association which cannot be recognized as a juristic person be recognized as a foreigner under the Foreign Investment Promotion Act?

**A**

As long as the investment fund or investment association has the same form and functions as a juristic person, the investment fund or investment association is recognized as a “foreigner”.

---

1 Articles 3, 31, 32 and 34 of the Civil Act, Articles 170 and 171 (1) of the Commercial Act
I. Foreign Direct Investment (FDI) – Definition and Procedure

Additional Information

- After referring to the OECD’s scope of definition of ‘foreign investor’ and legislating the amendment to the Foreign Investment Promotion Act in Dec. 2003, it has been agreed to decide recognition as a foreigner on a case-by-case basis through administrative interpretation. Under the current trend, the scope of definition of foreigners is widening.

- For example, recognition of an international cooperative organization as a foreigner engaged in foreign investment is decided case-by-case based on an examination of the organization’s roles and functions.

4 Investment by a Chinese National Permanently Residing in Korea

Q Can a Chinese national permanently residing in Korea be recognized as a foreign investor as prescribed by the Foreign Investment Promotion Act?

A Yes.

Additional Information

- In the past, Chinese nationals permanently residing in Korea were granted a residence status (F2 visa) as prescribed by the Immigration Control Act. However, they are now granted a permanent residence status (F5 visa).

- Under the Foreign Investment Promotion Act, a Chinese national permanently residing in Korea is deemed a foreigner with foreign nationality and therefore qualifies as a foreign investor. However, an investment by a Chinese national permanently residing in Korea shall only be recognized as foreign investment as long as: funds are introduced from overseas; the requirements set forth in the Foreign Investment Promotion Act (investment amount, investment ratio, etc.) are met; and investment procedures such as investment notification are carried out.

---

5 Article 2 (1) 1 of the Foreign Investment Promotion Act recognizes an international economic cooperative organization as a foreigner.

6 No. 28-3 of Attached Table 1 of the Enforcement Decree of the Immigration Control Act.


5 Investment through a Holding Company (Paper Company)

If a foreigner establishes a paper company as a holding company in Korea and invests in a domestic corporation through this holding company, can this be recognized as foreign investment?

No.

Additional Information

- According to the Foreign Investment Promotion Act, even if a holding company only plays the role of inducing foreign investment, investment through a holding company cannot be recognized as foreign investment because a holding company is a domestic corporation.

- The Restriction of Special Taxation Act grants exemption of corporate tax and income tax for foreign investors and foreign-invested companies under the Foreign Investment Promotion Act, and therefore investment through a foreign-invested holding company (domestic corporation) is not deemed foreign investment eligible for corporate tax and income tax exemption.8

6 Foreigners’ Investment in a Corporate Restructuring Association

Can a foreigner’s investment in a corporate restructuring association be recognized as foreign investment?

Exceptionally recognized as foreign investment.

---

8 Ministry of Finance and Economy’s administrative interpretation no. 46017-11628, Sep. 2, 2002
In accordance with the Foreign Investment Promotion Act, foreigners may invest in Korea through ownership of stocks or shares of a domestic corporation or a private enterprise, but the Industrial Development Act exceptionally recognizes a foreigner’s investment in a corporate restructuring association as foreign investment.

**Foreigners’ Investment in Mutual Fund**

If a foreigner contributes to no less than 10 percent of a domestic mutual fund’s total outstanding shares with voting rights, can this be recognized as foreign investment?

No. The Foreign Investment Promotion Act does not apply to foreign investment in an investment fund.

**Additional Information**

- The Foreign Investment Promotion Act does not apply to foreign investment in contractual-type or mutual-type funds due to their high liquidity.
- Contribution to a domestic investment association is not considered foreign investment because an investment cooperative is neither a corporation nor a private enterprise. However, at the administrative level, an investment cooperative is considered a foreign-invested company.
- Foreign contributions to the Small and Medium Enterprise Establishment Investment Association, the Korea Venture Fund and the Specialized Component and Materials Investment Association are recognized as foreign investment in accordance with exceptional clauses.

---

9 Article 2 (Definitions) (1) of the Foreign Investment Promotion Act
10 Refer to the Ministry of Commerce, Industry and Energy’s administrative interpretation no. 55121-15, Jan. 22, 2002
11 Article 8 of the Act on Special Measures for the Promotion of Venture Businesses
12 Article 7 of the Act on Special Measures for the Promotion of Specialized Enterprises, Etc. for Components and Materials
8 Foreign Investment in a Project Financing Vehicle

Q Are foreigners permitted to invest in a project financing vehicle?
A Yes, because there are no special restrictions.

9 Foreigners’ Ownership of Depository Receipt

Q Can a foreigner’s ownership of depository receipt circulated overseas be recognized as foreign investment?
A No.

Additional Information

The Foreign Investment Promotion Act stipulates that foreign investment should be notified when depository receipts are converted to stocks.\(^\text{13}\)

\(^\text{13}\) Article 7 (1) 5 of the Foreign Investment Promotion Act
Acquisition of Preferred Shares and Requirements for Foreign Investment

Q

If a foreigner acquires less than 10 percent of a company’s preferred shares without voting rights and awards a contract for dispatching executive officers, can the share acquisition be recognized as foreign investment?

A

Yes.

Additional Information

With the amendment of the Enforcement Decree of the Foreign Investment Promotion Act in Jan. 2004, the requirement “owning less than 10 percent of the total number of voting stocks or total equity investment of a Korean corporation or a company run by a Korean national” was deleted. In this regard, if a foreigner owns stocks or shares - both preferred shares and common shares - of a Korean company and awards a contract for dispatching executive officers, the foreigner is deemed to have a purpose of establishing a continuous economic relationship with the said Korean company and the share ownership shall be recognized as foreign investment.

However, if executive officers are not elected at a general meeting of shareholders until the date set forth in the contract to dispatch or elect executive officers, the company shall retroactively lose its status as a foreign-invested company.

Article 2 (2) 2 of the Enforcement Decree of the Foreign Investment Promotion Act
A Non-resident Foreign Company’s Establishment of a Domestic Branch

Does the Foreign Investment Promotion Act apply to the establishment of a local branch by a non-resident foreign company?

If a foreign company establishes a domestic branch, the Foreign Exchange Transactions Act (Foreign Exchange Transaction Regulations) shall apply instead of the Foreign Investment Promotion Act.

Additional Information

■ Types of domestic branches established by a foreign company\(^\text{15}\)
  
  • A “branch” that carries out sales activities that generate profit in Korea.
  • An “office” that does not carry out sales activities that generate profit in Korea, but instead undertakes a non-sales function involving business contacts, market research, R&D, etc.

■ Notification of branch establishment\(^\text{16}\)
  
  • In order for a foreign company to establish a domestic branch, the head of a designated foreign exchange bank should be notified of such establishment.
  • However, if a foreign company seeks to establish a domestic branch to pursue the following businesses, the Minister of Finance and Strategy should be notified of such establishment.
    - Financial businesses other than banking business, including fund loans, brokering and arranging overseas finance, cards, installment financing, etc.
    - Businesses related to securities and insurances
    - Businesses not permitted under the Foreign Investment Promotion Act or other laws

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\(^{15}\) Article 9-32 of the Foreign Exchange Transaction Regulations

\(^{16}\) Article 9-33 of the Foreign Exchange Transaction Regulations
Object of Investment

12 Investment of Profit from Portfolio Investment

Q

If a foreigner introduces foreign currency into Korea for portfolio investment purpose, disposes the funds and then notifies foreign investment in accordance with the Foreign Investment Promotion Act, are the funds recognized as an object of investment?

A

The funds are recognized as an object of investment within the scope defined by the Foreign Investment Promotion Act.17

Additional Information

- In principle, with the exception of stock dividends, etc. which are explicitly recognized as objects of investment under the Foreign Investment Promotion Act, profit made by a foreigner in Korea is not recognized as an object of investment.

- If profit from portfolio investment is exchanged into foreign currency, deposited in an external account and notified as foreign investment, the profit becomes a means of international payment and is therefore recognized as an object of investment.

17 Article 2 (1) 8 (a) of the Foreign Investment Promotion Act
**13 Investment of Funds Sourced from a Korean Bank Located Overseas**

**Q** If a U.S. company takes out a loan from a Korean bank operating in the U.S. or issues bonds through the bank to make a foreign investment in Korea by acquisition of newly issued stocks, etc., are the investment funds recognized as an object of investment?

**A** Yes.

**Additional Information**

In this case, the investment funds are considered a means of international payment in accordance with the Foreign Exchange Transaction Act, and are therefore recognized as an object of investment.18

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**14 Investment in-Kind with Used Capital Goods**

**Q** A foreign company seeks to disassemble its factory facilities and then send them to Korea in order to operate an auto parts manufacturing business. In this case, is it possible to make an investment-in-kind with the used factory facilities?

**A** Yes. There are no special restrictions on used goods.

---

18 On-line civil petition to the Ministry of Commerce, Industry and Energy; petition no. 23562; reply date: Aug 21, 2002
15 Investment in-Kind with Patents

Can a foreigner make an investment by transferring the patents it owns to a Korean company?

Patents fall under industrial property rights and are thus considered a means of investment. In other words, intangible assets such as patents can become a means of investment if they are evaluated by an authorized technology evaluation agency. To notify foreign investment, evaluation of the patents should be completed.

Additional Information

- **Scope of technologies, etc. falling under a means of investment**
  - Industrial property rights: patent rights, utility model rights, design rights and trademark rights registered in accordance with the Patent Act, the Utility Model Act, the Design Protection Act or the Trademark Act
  - Copyrights as defined by the Copyright Act that are used for industrial activities
  - Semiconductor layout rights
  - Rights pertaining to the use of such rights or technologies

- **Evaluation of technology such as industrial property rights**
  - Technology evaluation agencies: Korea Institute for Advancement of Technology; Korea Technology Finance Corporation; Korea Environment Corporation (evaluation of environment related technology); Korea Agency for Technology and Standards; Korea Institute of Science and Technology; Korea Institute of Science and Technology Information; and National IT Industry Promotion Agency
  - In the case that the price of industrial property rights, etc. has been evaluated by the above technology evaluation agencies, it shall be deemed that the evaluation is performed by a certified appraiser in accordance with the Commercial Act.

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19 Article 2 (1) 8 (d) of the Foreign Investment Promotion Act
20 Article 2 (4) of the Invention Promotion Act
21 Article 2 (5) of the Act on the Layout-Designs of Semiconductor Integrated Circuits
22 Article 4 of the Enforcement Decree of the Act on Special Measures for the Promotion of Venture Businesses
23 Article 30 (4) of the Foreign Investment Promotion Act and Article 4 of the Enforcement Decree of the Act on Special Measures for the Promotion of Venture Businesses
24 Article 299-2 of the Commercial Act
• When carrying out investment-in-kind, an evaluation by a certified appraiser may substitute the investigation of an inspector. In this case, the notary public or appraiser should report the inspection or appraisal result to the court.

### Notification of foreign investment

• To notify foreign investment, technology evaluation should be completed and a copy of documents certifying the evaluated price should be attached (an evaluation report by an accounting firm, etc. cannot be used for investment notification purposes).
• When the evaluated amount is higher than expected and the foreign investment ratio needs to be adjusted, shares can be issued at a premium.

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**Recognition of Computer Program Work as Foreign Investment**

**Q** Can a computer program work be recognized as an object of investment under the Foreign Investment Promotion Act?

**A** A computer program work can be recognized as an object of investment under the condition that it is used for industrial activities.

---

**Additional Information**

A copyright can be recognized as an object of investment under the Foreign Investment Promotion Act only if it is used in industrial activities. Although there are no regulations or guidelines on this matter, technology evaluation and assessment institutes designated by Presidential Decree will make a decision on each case.

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25. Article 299-1 of the Commercial Act
26. Article 299-2 of the Commercial Act
27. Article 2(1) I of the Enforcement Rule of the Foreign Investment Promotion Act
28. Korea’s intellectual property rights laws are follows: Patent Act; Utility Model Act; Design Protection Act; Trademark Act; Copyright Act; Act on the Layout-Designs of Semiconductor Integrated Circuits; Seed Industry Act; and Unfair Competition Prevention and Trade Secret Protection Act
29. Technology valuation institutes stipulated by Presidential Decree: Korea Institute for Advancement of Technology, Korea Technology Finance Corporation, Korea Evaluation Institute of Industrial Technology, Korea Environment Corporation, Korean Agency for Technology and Standards, Korea Institute of Science and Technology, Korea Institute of Science and Technology Information, National IT Industry Promotion Agency
However, computer program works are generally recognized as ‘copyright used for industrial activities’ as long as they do not fall under the cases restricted from foreign investment.30

17 Industrial Property Evaluation Agencies

Is it acceptable for a foreign investor to evaluate its industrial property through an accounting firm before investing the industrial property?

No. It is not lawful to receive property evaluation through an accounting firm instead of an agency prescribed by the relevant law.

Additional Information

If a technology evaluation agency as prescribed by Presidential Decree31 has evaluated the price of a foreign-invested company’s objects of investment such as industrial property rights and copyrights to be utilized in industrial activities and the layout-design rights of semiconductor integrated circuits, the evaluation details shall be regarded as having been appraised by a publicly certified appraiser.32

A total of eight agencies – the Korea Institute for Advancement of Technology, the Korea Technology Finance Corporation, the Korea Evaluation Institute of Industrial Technology, the Korea Environment Corporation, the Korea Institute of Science and Technology, the Korea Institute of Science and Technology Information, the National IT Industry Promotion Agency and the Korean Agency for Technology and Standards – are designated as technology evaluation agencies so that professional evaluation agencies can perform objective evaluation.

30 Article 4 (2) of the Foreign Investment Promotion Act
31 Evaluation agencies as prescribed in Article 39 (Confirmation etc. of Completion of Investment in Kind) (2) of the Enforcement Decree of the Foreign Investment Promotion Act and Article 4 of the Enforcement Decree of the Act on Special Measures for Promotion of Venture Businesses
32 Article 30 (Relations with Other Acts and International Treaties) (4) of the Foreign Investment Promotion Act, Article 299-2 of the Commercial Act
If a foreigner acquires the existing stocks of a Korean company by means of investing the land he/she owns in Korea, is this recognized as foreign direct investment under the Foreign Investment Promotion Act?

Yes, because real estate in Korea owned by a foreigner falls under “object of investment” as prescribed by the Foreign Investment Promotion Act.

Additional Information

Under the Foreign Investment Promotion Act, the following items fall under “object of investment”:

- Foreign means of payment as prescribed by the Foreign Exchange Transactions Act or domestic means of payment by the exchange of the said foreign means of payment
- Capital goods
- Proceeds from stock acquisition in accordance with this Act
- Industrial property rights, intellectual property rights as prescribed by Presidential Decree, other technologies thereto, and rights pertaining to the use of such rights or technologies
- Where a foreigner closes his/her own branch company or office in Korea and then converts the branch company or office into another domestic corporation, or where a domestic corporation the stocks of which are possessed by a foreigner is dissolved, the residual property allotted to the said foreigner upon the liquidation of the said branch company, office, or corporation
- The amount of redemption of long-term loans or other loans from foreign countries
- Stocks prescribed by Presidential Decree
- Real estate located in Korea
- Other means of domestic payment as prescribed by Presidential Decree

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33 Article 2 (1) 8 of the Foreign Investment Promotion Act
19 Investment in-Kind with Bonds

Can investment in-kind with bonds be notified as acquisition of new shares?

Yes, provided that court approval is obtained.

Additional Information

The amount of redemption of loans or of other loans from foreign countries does not only include cash. Thus, when the court recognizes a foreign-invested company’s need to improve its financial structure and approves investment in kind with bonds, the procedure for payment for shares can be skipped and the acquisition of new shares can be notified before registering capital. To notify acquisition of new shares, a document proving that the acquisition of new shares is the redemption of loans from a foreign country should be attached.

20 Conversion of Borrowings to Capital

What is the procedure for converting overseas borrowings to capital?

Overseas borrowings can be converted to capital after payment of the price of shares, or by carrying out a debt-equity swap through investment-in-kind after obtaining court approval.

Additional Information

Required documents: notification of foreign borrowing, debt-equity swap contract, a certified public accountant’s report, etc.

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24 Article 2 (1) 8 (f) of the Foreign Investment Promotion Act
21 Debt-Equity Swap by Set-off

Q Can long-term loans be converted to equity by set-off?

A Yes.

Additional Information

Before amendment of Article 334 of the Commercial Act, the person to subscribe new shares was banned from setting off his/her liability for payment with his/her creditor’s right against the stock company. However, the provision was deleted in the amended Commercial Act (enforced on April 15, 2012) and Article 421, Paragraph 2 of the Act permits the set-off provided that the person to subscribe new shares obtains the consent of the stock company.

Long-term Loans

22 Calculation of Long-term Loan Period

Q If a foreign-invested company takes out a loan worth 10 billion won from a foreign investor and repays the loan in installments under the following plan, is this recognized as foreign investment (foreign investment in the form of long-term loans)?

- Loan Repayment Plan -
  • 3 billion won: Repayment in the fourth year of taking out the loan
  • 4 billion won: Repayment in the fifth year of taking out the loan
  • 3 billion won: Repayment in the sixth year of taking out the loan

A The total loan period comes to five years, and thus the loan is recognized as foreign investment in the form of long-term loan.

  • Calculation method: (4 years x 30/100) + (5 years x 40/100) + (6 years x 30/100) = 1.2 years + 2.0 years + 1.8 years = 5 years
If the overseas parent company of a foreign-invested company takes over the foreign-invested company’s corporate bonds with a maturity of five years or longer through private placement, can this be recognized as foreign investment?

It is becoming more generally recognized as foreign investment.

**Additional Information**

- Private placement[^36] is a transaction in which a company raises money by selling bonds directly to specific institutional investors such as banks, individuals or companies. In this regard, private placement can be considered a cash loan/borrowing transaction in which the lender and borrower can be specified.

- Thus, when a foreign-invested company’s overseas parent company or a company with capital investment relations with the said parent company takes over the foreign-invested company’s corporate bonds whose maturity is five years or longer through private placement, it is, as a trend, becoming increasingly recognized as foreign investment.

- However, in this case, the corporate bonds should be in the form of a registered bond, and transfer of the bonds shall be banned for at least five years.

[^36]: Compared to public offering which issues bonds to the general public, private placement saves bond issuance time and costs and also allows firms to avoid disclosure requirements. Also, the bond holder can purchase large amounts of bonds at a favorable condition.
If a long-term loan with a maturity of five years or longer is prepaid, is the loan still recognized as foreign investment?

Yes.

Additional Information

- In the case that a loan no longer qualifies as foreign investment because part of the loan was prepaid before five years, the remaining loan shall remain qualified as a foreign investment, and convenience in outward remittance will be guaranteed when the loan is repaid.\(^{37}\)

- In this case, the change in foreign investment details must be notified.\(^{38}\)

- However, the remaining loan shall not be eligible for foreign investment incentives, and therefore the investment incentives received, if any, shall be returned retroactively.\(^{39}\)

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\(^{37}\) Refer to Article 2 (1) of the Regulations on Foreign Investment and Introduction of Technology

\(^{38}\) Article 8 (1) [Foreign Investment in the Form of Long Term Loan] of the Foreign Investment Promotion Act

Recognition of Loan Contract Extended to Five Years or Longer as Foreign Investment

Q
If a loan contract, which was initially not recognized as foreign investment as the period for loan was less than five years, is altered and the period for loan is extended to five years or longer, can the loan be recognized as foreign investment?

A
Determined on a case-by-case basis.

Additional Information

In the case that foreign currency funds are already introduced to Korea

The alteration of the contract is not enough for the loan to be recognized as foreign investment. In order for the loan under the new contract to be recognized as foreign investment, the loan should be repaid and a new loan contract with a maturity of not less than five years should be concluded.40

In the case that foreign currency funds are not introduced to Korea yet

The loan shall be recognized as foreign investment if funds are introduced after investment notification.41

40 Interpretations of foreign investment promotion regulations (Ministry of Commerce, Industry and Energy, Dec. 2007)
41 Article 8 (Foreign Investment in the Form of Long Term Loan) (1) of the Foreign Investment Promotion Act
26 Introduction of a Long-term Loan with Maturity of Five Years or Longer from a Joint-invested Overseas Company

Q Foreign companies A and B and domestic company C made joint investments to establish foreign-invested company D in Korea and company E in an overseas country, with A, B and C each paying one thirds of the total investment amount. In this case, if company D introduced a long term loan with a maturity of five years or longer from company E, does the long-term loan need to be notified as foreign investment?

A Yes.

Additional Information

In this case, foreign companies A and B are deemed joint investors of company D, and overseas company E is deemed to have capital investment relations with joint investors A and B. Therefore, company E is deemed a qualified provider of long-term loans to foreign-invested company D, and the long-term loan is subject to foreign investment notification.

27 Transfer of Loan Receivables to a Third Person

Q If a long-term loan is offered as prescribed by the Foreign Investment Promotion Act and the loan receivables are transferred to a third person as part of corporate restructuring efforts, does the third person maintain qualification as a foreign investor?

A Yes.

---

42 Article 2 (Definition of Foreign Investment, etc.) (2) of the Enforcement Decree of the Foreign Investment Promotion Act
43 Article 2 (3) of the Enforcement Decree of the Foreign Investment Promotion Act
Additional Information

Qualification as a foreign investor is maintained as long as capital investment relations as prescribed by related regulations are satisfied.

Long-term Loans with Maturity of Five Years or Longer Funded by Domestic Borrowing

Q
If an overseas parent company A borrows funds from a domestic bank pledging company-owned real-estate as collateral and then provides the funds as a long-term loan of five years or longer to foreign-invested company B, can this be recognized as foreign investment?

A
No.

Additional Information

In principle, foreign investment requires the introduction of foreign capital from overseas unless otherwise prescribed by the Foreign Investment Promotion Act. Therefore, a long-term loan of five years or longer funded by domestic borrowing is not recognized as foreign direct investment.

45 Article 2 (Definition of Foreign Investment, etc.) (3) of the Enforcement Decree of the Foreign Investment Promotion Act
47 Article 2 (Definitions) (1) 4 (b) of the Foreign Investment Promotion Act
48 Online civil petition no. 30813, Apr. 3, 2003
How can a foreign investor remit investment funds to Korea when he/she does not have a bank account in Korea?

Generally, the procedure for opening a bank account is complicated for foreign corporations. In this regard, banks open accounts exclusively for foreign investment to make it more convenient for foreign investors to remit investment funds to Korea.

**Additional Information**

The following is a list of the Korean bank accounts for foreign investors.

<table>
<thead>
<tr>
<th>Bank</th>
<th>SWIFT Code</th>
<th>Account no.</th>
<th>Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gwangju Bank</td>
<td>KWABKRSE</td>
<td>932305200000</td>
<td>15th floor, 7-12, Daerin-dong, Dong-gu, Gwangju</td>
</tr>
<tr>
<td>Kookmin Bank</td>
<td>CZNBKRSE</td>
<td>0015-68-900-9999</td>
<td>#9-1 Namdaemunro 2-ga, Jung-gu, Seoul</td>
</tr>
<tr>
<td></td>
<td>CZNBKRSE</td>
<td>7607-68-900-9999</td>
<td>#1306-6 Seocho-dong, Seocho-gu, Seoul</td>
</tr>
<tr>
<td>Nonghyup</td>
<td>NACFKRSE</td>
<td>0009-00-999999</td>
<td>75, Chungjeong-ro 1 ga, Chung-gu, Seoul</td>
</tr>
<tr>
<td>Daegu Bank</td>
<td>BAEBKR22</td>
<td>N/A</td>
<td>118,2-ga, Suseong-dong, Suseong-gu, Daegu</td>
</tr>
<tr>
<td>Busan Bank</td>
<td>PUSBKR2P</td>
<td>N/A</td>
<td>830-38 Beomil-dong, Dong-gu, Busan</td>
</tr>
<tr>
<td>Suhyup Bank</td>
<td>NFFCKRSEXX</td>
<td>N/A</td>
<td>Ogeumro 62 [Shincheon-dong 11-6], Songpa-gu, Seoul</td>
</tr>
<tr>
<td>Shinhan Bank</td>
<td>SHBKKRSE</td>
<td>1418-999-999999</td>
<td>231 yangjae-dong, Seocho-gu, Seoul</td>
</tr>
<tr>
<td>Woori Bank</td>
<td>HVBKKRSE</td>
<td>8202-2002-3980</td>
<td>203 Hoehyeon 1-ga, Chung-gu, Seoul</td>
</tr>
<tr>
<td>Jeonbuk Bank</td>
<td>JEONKRSE</td>
<td>102-FDI-96330000</td>
<td>17/F, Seorin B/D, 88 Seorin-dong, Chongro-gu, Seoul</td>
</tr>
<tr>
<td>Jeju Bank</td>
<td>JJBKKR22</td>
<td>N/A</td>
<td>1349 E-do 1 Dong, Jeju-si, Jeju-do</td>
</tr>
<tr>
<td>Hana Bank</td>
<td>HNBNKRSXX</td>
<td>195-910001-01805</td>
<td>2F, Seoul Center B/D, 91-1 Sogong-dong, Chung-gu</td>
</tr>
<tr>
<td>Korea Exchange</td>
<td>KOEXKRSE</td>
<td>436-84-09122</td>
<td>IKP B/D, 4THFloor, 300-6 Yeomgok-dong, Seocho-gu, Seoul</td>
</tr>
<tr>
<td>SC Cheil Bank</td>
<td>SCBLKRSE</td>
<td>038-85-000000</td>
<td>100 Kongpyung-dong, Chongro-gu, Seoul</td>
</tr>
</tbody>
</table>
30 Overseas Remittance by a Third-party Person

Q If a foreigner who has notified foreign investment receives remittance or carries in funds from overseas under the name of a third-party person, can this be recognized as foreign investment funds?

A Yes, provided that it can be proven that the funds belong to the notified foreign investor.

Additional Information

In principle, a foreigner should remit or carry in investment funds from overseas under the name of the investor who has notified foreign investment. However, if remittance or carry-in of funds is done under a different name, a document proving that the remitted or carried-in funds belong to the person who has notified foreign investment should be submitted.

31 Cost of Establishing a Stock Company

Q What is the initial cost of establishing a stock company?

A The costs of establishing a stock company include: registration and license tax; local education tax; registration application fee; notarial fee; and legal service fee.

---

49 Conditional clause in Article 17 (Foreign-invested Company’s Application for Registration) (1) 1 of the Enforcement Decree of the Foreign Investment Promotion Act
## Additional Information

### Taxes & fees for establishing a stock company

<table>
<thead>
<tr>
<th>Taxes &amp; Fees</th>
<th>Detail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Registration &amp; License Tax</td>
<td>0.4% of the capital; 3x when a stock company is established in a metropolitan city</td>
</tr>
<tr>
<td>Local education tax</td>
<td>20% of registration tax</td>
</tr>
<tr>
<td>Supreme Court Revenue Stamp</td>
<td>Fee for registration application</td>
</tr>
<tr>
<td>Notarial fee</td>
<td>Articles of association, etc.</td>
</tr>
<tr>
<td>Legal service fee</td>
<td>Fee charged by law firm</td>
</tr>
</tbody>
</table>

### Registration of a Foreign-invested Company

**Q**

What are the disadvantages for not registering a foreign-invested company?

**A**

If a foreign-invested company is not registered, it cannot apply for visa issuance, notify stock transfer, or make an overseas remittance of dividends or proceeds from the sale of stocks. In this regard, a foreign-invested company must be registered.

## Additional Information

A foreign-invested company shall be registered within 30 days from the date of occurrence of any of the following cases:

- Where he/she/it has completed payment for an object of investment to acquire newly issued stocks
- Where he/she/it has completed payment for existing stocks
- Where he/she/it has acquired stocks through merger, etc.
- Where he/she/it has completed a contribution to a non-profit corporation

---

50 Article 21 (1) of the Enforcement Decree of the Foreign Investment Promotion Act
Partial Registration of a Foreign-invested Company

Q
If a foreign investor, who has notified investment of US$ 20 million, completed registration of corporation establishment after arrival of 100 million won, can he/she register a foreign-invested company? The foreign investor needs a certificate of foreign-invested company registration to sign a tenant agreement in a complex-type foreign investment zone.

A
The company may register as a foreign-invested company. Even before the entire notified amount arrives in Korea, a foreign-invested company registration certificate can be issued under the partial registration system for foreign-invested companies, provided that the minimum investment amount (investment of 100 million won or higher) is met.

Additional Information

Registration of a foreign-invested company

- It is stated by law that a foreign investor or foreign-invested company which completed payment for an object of investment should register as a foreign-invested company.

- Partial registration: Any foreign investor or foreign-invested company may register as a foreign-invested company even prior to the completion of payment for an object of investment or the settlement of the price for the acquisition of existing stocks, in case where he/she/it has made a foreign investment (Article 2 (1) 4 (a) of the Foreign Investment Promotion Act) meeting the minimum investment requirements.\(^{51}\)

\(^{51}\) Article 21 (2) of the Foreign Investment Promotion Act
34 Administrative Procedure for Merging a Domestic Company with a Foreign-invested Company

Q If domestic company A merges with foreign-invested company B, with A being the surviving entity and B being extinguished, what is the administrative procedure required under the Foreign Investment Promotion Act?

A The foreign investor B should notify the acquisition of stocks, etc. within 30 days from the day on which B acquired the stocks, etc. of A.\(^\text{32}\)

Additional Information

- When notifying the acquisition of stocks, etc., the foreign investor should attach a merger contract or stock receipt certificate which proves the acquisition of stocks or shares, and when the merger is completed, company A or the foreign investor should register a foreign-invested company by attaching a certified copy of corporate registration, etc.\(^\text{33}\). Also, company B may apply for cancellation of registration of foreign-invested company.\(^\text{34}\)

- The Minister of Trade, Industry & Energy may cancel the registration of foreign-invested company B in accordance with Article 21 of the Foreign Investment Promotion Act. In this case, the original copy of the registration certificate should be returned.

\(^{32}\) Article 7 (Acquisition of Stocks, etc. by Mergers, etc.) of the Foreign Investment Promotion Act and Article 4 (Report of Acquisition of Stocks, etc.) of the Enforcement Regulations of the Act

\(^{33}\) Article 21 (Follow-up Management of Foreign Investment) (1) of the Foreign Investment Promotion Act

\(^{34}\) Article 28 (Application for Cancellation of Registration) of the Enforcement Decree of the Foreign Investment Promotion Act
A U.K.-based company seeks to jointly establish a company with a Korean company as follows. In this case, does the company need to notify business combination to the Fair Trade Commission?

- About the joint investment -

- Investor (shareholder)
  - Foreign investor (U.K. company): sales of US$ 500 million, total asset of US$ 100 million
  - Korean partner: sales of 50 billion won, total asset of 10 billion won

- Investment amount
  - Foreign investor (U.K. company): 800 million won (foreign investment ratio of 80%)
  - Korean partner: 200 million won

- Joint invested business: Manufacture of auto parts

The business combination should be notified. In the case where a company with sales or total asset of not less than 200 billion won participates in joint business establishment with another company with sales or total asset of not less than 20 billion won and becomes the jointly established business’s largest investor, the company should notify business combination to the Fair Trade Commission within 30 days from the due date for full subscription price payment. The liability for notification of business combination shall equally apply to foreign investors or foreign invested companies, and the liability will be determined based on the size of the parent company, not the size of the joint enterprise. However, the liability for notification of business combination shall not apply when the foreign investor establishes a business without a counterpart company.
### Notification of business combination

- **Business combinations liable for notification**
  - Company liable for notification: Companies with asset or sales of not less than 200 billion won
  - Counterpart company: Companies with asset or sales of 20 billion won

- **Methods of business combinations under the Monopoly Regulation and Fair Trade Act**

<table>
<thead>
<tr>
<th>Business combination method</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition of stocks</td>
<td>In the case that a company which holds not less than 20% (15% in the case of listed companies) of the total outstanding shares of another company (excluding stocks with no voting rights) becomes the largest shareholder of the company by acquiring additional stocks</td>
</tr>
<tr>
<td>Concurrent holding of executive position</td>
<td>Where the executive of a large-scale company concurrently holds an executive position of another company</td>
</tr>
<tr>
<td>Merger</td>
<td>Merger with another company</td>
</tr>
<tr>
<td>Business transfer</td>
<td>Transfer of a company’s business</td>
</tr>
<tr>
<td>Participation in business establishment</td>
<td>Where a company becomes the largest investor of a newly established company</td>
</tr>
</tbody>
</table>

※ Large-scale companies: Companies with total asset or sales of 2 trillion won or more

- **Due date for notification of business combination**

<table>
<thead>
<tr>
<th>Notification</th>
<th>Entity liable for notification</th>
<th>Business combination method</th>
<th>Notification due date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-notification</td>
<td>Large-scale company</td>
<td>Acquisition of shares</td>
<td>After business combination contract and before business combination is completed</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Merger</td>
<td>After the resolution date of the meeting of shareholders(board of directors) and before the payment of the price of shares</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Business transfer</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Participation in business establishment</td>
<td></td>
</tr>
</tbody>
</table>

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Article 12 of the Monopoly Regulation and Fair Trade Act
I. Foreign Direct Investment (FDI) – Definition and Procedure

<table>
<thead>
<tr>
<th>Notification</th>
<th>Entity liable for notification</th>
<th>Business combination method</th>
<th>Notification due date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Post-notification</td>
<td>Business entities other than large corporations</td>
<td>Acquisition of shares</td>
<td>30 days from the stock certification transfer date</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Merger</td>
<td>30 days from the date of merger registration</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Business transfer</td>
<td>30 days from the date of payment of price of business transfer</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Participation in business establishment</td>
<td>30 days from the following day of the due date for payment for stocks</td>
</tr>
<tr>
<td></td>
<td>Large-scale company</td>
<td>Concurrent holding of executive position</td>
<td>30 days from the date on which resolution of election was approved at the shareholders’ meeting of the company where executive position is concurrently held</td>
</tr>
</tbody>
</table>

- Penalties for failure to comply with regulations on business combination notification (false notification included): 
  - Fine of 100 million won or higher for companies, and fine of 10 million won or higher for executives and employees

Source: Fair Trade Commission (www.ftc.go.kr)

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56 Article 69-2 (1) 2 of the Monopoly Regulation and Fair Trade Act
Q&A on FDI in Korea

Recovery of Investment Funds and Reinvestment

36 Guarantee of Foreign Investors’ Overseas Remittance

Q The Foreign Investment Promotion Act prescribes that overseas remittance will be guaranteed. What is the scope of the guarantee?

A The guarantee of overseas remittance as prescribed by the Foreign Investment Promotion Act is an exception to the safeguard measures on foreign exchange transactions, and is limited to the following four cases: proceeds coming from the stocks acquired by a foreign investor; proceeds from the sale of stocks; the principal, interests and service charges paid in accordance with a loan agreement; and compensation paid in accordance with a license agreement.

37 Foreign Investors’ Sales of Stocks through OTC Transaction

Q Can a foreign investor’s stocks acquired through investment be sold over the counter (OTC)?

A Yes.

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57 Article 6 (4) of the Foreign Exchange Transactions Act
58 Safeguard measures on foreign exchange transactions can be made by the Minister of Strategy and Finance in the following cases (Article 6 (1), (2) of the Foreign Exchange Transactions Act)
   - In cases of the outbreak of natural calamities
   - In cases where international payments and international finance are confronted or are liable to be confronted with serious difficulty
   - In cases where the movement of capital between the Republic of Korea and a foreign country creates or is liable to create serious obstacles in carrying out currency policies, etc.
59 Article 2 (Definitions) (1) (b) of the Foreign Investment Promotion Act
60 Article 3 (Protection of Foreign Investment, etc.) (1) of the Foreign Investment Promotion Act
61 Refer to Article 6-7 of the Regulation on Financial Investment Business
I. Foreign Direct Investment (FDI) – Definition and Procedure

Additional Information

A foreign investor’s stocks acquired through investment can be sold over the counter. Funds from the disposal of stocks are not restricted from overseas remittance, so long as the acquisition of the stocks is recognized as foreign investment.⁶³

38 Receipt of Proceeds from the Sale of Stocks in Won Currency

Q Can a Korean national sell its stocks to a foreigner and receive the proceeds from the sale of stocks in foreign currency?

A After being remitted or carried into Korea, the proceeds from the sale of stocks in foreign currency can be sold to a foreign exchange bank and paid to the original shareholder in won currency. Another option is to pay the proceeds in foreign currency by account transfer through a foreign exchange bank.⁶³

Additional Information

Those who wish to pay the proceeds from current transactions exceeding US$ 1,000 by means of international payment (foreign currency) should notify the Governor of the Bank of Korea.⁶⁴

⁶³ Refer to Article 3 (Protection of Foreign Investment) of the Foreign Investment Promotion Act
⁶⁴ Article 5-11 (3) of the Regulations on Foreign Exchange
A foreign-invested company received foreign investment of 100 million won but its foreign investment amount was reduced to 50 million won after the foreign investor transferred part of its stocks to a Korean national. In this case, does the company need to cancel its registration as a foreign-invested company?

No.

- Where a foreign investor has transferred all of the stocks, etc. held by himself/herself to a Korean national or a Korean corporation, or has ceased to hold any of the stocks, etc. previously held by himself/herself due to the capital reduction of the foreign-invested company concerned, the Minister of Trade, Industry and Energy shall cancel the registration of the foreign-invested company concerned.\(^\text{65}\)

- Even if the foreign investment amount is reduced to less than 100 million won, the registration of foreign-invested company cannot be cancelled immediately because the foreign-invested company registration certificate is still needed for a number of purposes. For example, in the above case, the foreign-invested company registration certificate is needed when the foreign investor remits the proceeds from the sale of its remaining stocks worth 50 million won to his/her home country.

- However, foreign investors may experience limited eligibility for incentives and benefits. For example, when a foreign investor needs to extend his/her visa and his/her foreign-invested company registration certificate bears an investment amount that is below the minimum required amount, the foreign investor may experience difficulty in extending his/her visa.

\(^{65}\) Article 30 [2] of the Enforcement Decree of the Foreign Investment Promotion Act
I. Foreign Direct Investment (FDI) – Definition and Procedure

40 Recognition of Foreign Investment After Transfer of Shares or Capital Reduction

Q If a foreign investor owning an 11 percent stake in a company transfers three percent to a Korean national or a foreigner and then acquires an additional two percent stake in the company to maintain its status as a foreign investor as stipulated in the Foreign Investment Promotion Act, can the eight percent stake already owned by the foreign investor and the two percent stake additionally acquired be recognized as foreign investment?

A Yes.

Additional Information

Where a business fails to meet the requirements for foreign investment due to partial transfer of shares or capital reduction after it is registered as a foreign-invested company, it shall continue to be deemed a foreign investment.66

The above clause has been added to officially stipulate what has been recognized as common practice.

41 Re-investment of Won-currency Funds Received through Capital Decrease for Value

Q Can won-currency funds received by a foreigner through capital decrease for value be recognized as an object of investment?

A Yes.

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

- Capital decrease for value is performed by returning part of the share value to the shareholder or by cancelling the company’s stocks. In this regard, capital decrease for value is considered a disposal of stocks.

- In accordance with the Foreign Exchange Transaction Regulations,\(^6^7\) when funds from foreigners’ disposal of stocks and real estate are converted to foreign currency and remitted, the funds qualify as an object of investment as prescribed by the Foreign Investment Promotion Act.\(^6^8\) In this regard, funds from the disposal of stocks and funds from capital decrease for value are treated equally as objects of investment.

42 Re-investment of a Foreign-invested Company’s Residual Liquidated Assets

Can the residual liquidated assets from a foreign-invested company’s dissolution be used as an object of investment to acquire new or existing stocks of a domestic company?

It is considered possible.\(^6^9\)

Additional Information

- Generally, the residual liquidated assets (in won currency) from the dissolution of a domestic company can be used to acquire both new and existing stocks. However, in the case that a domestic branch or office is closed down and converted to a domestic corporation,\(^7^0\) only the newly issued stocks of the newly established domestic corporation can be acquired with the residual liquidated assets (in won currency).

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\(^6^7\) Article 4-2 of the Foreign Exchange Transaction Regulations
\(^6^8\) Refer to Article 2 (1) 8 (a) of the Foreign Investment Promotion Act
\(^6^9\) On-line civil petition 2006-904, Feb. 2006
\(^7^0\) Interpretation of foreign investment promotion laws, Ministry of Commerce, Industry and Energy, Dec. 2007

\(^6^9\) Article 2 (1) 8 (e) of the Foreign Investment Promotion Act
Residual liquidated assets (in won currency) cannot be recognized as an object of investment if a branch or office is not converted into a domestic corporation after closure. Residual liquidated assets can only be recognized as an object of investment—a means of international payment—when the funds in won currency are exchanged to foreign currency and deposited in an external account.

43 Sourcing a Capital Increase for Value with Dividends

If a foreign-invested company pays out its reserve funds as dividend and then calls on shareholders including foreigners to source a capital increase for value with the dividend, is this recognized as foreign investment?

Yes.

Additional Information

This is recognized as an object of investment prescribed by the Foreign Investment Promotion Act, and due to the capital increase, it is recognized as a foreign investment regardless of the investment ratio.

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71 Article 2 (1) 8 of the Foreign Investment Promotion Act
72 Ministry of Commerce, Industry and Energy’s administrative interpretation no. 55121-159, Jul. 9, 2001
If a foreign-invested company re-invests its earned surplus, can this be recognized as foreign investment under the Foreign Investment Promotion Act?

No.

Additional Information

- Unlike OECD standards, indirect acquisition of stocks or shares, stocks held by a branch, re-investment of earned surplus and inter-company debt (with the exception of long-term loans with a maturity of five years or longer) are not recognized as foreign investment in Korea. However, re-investment of dividends is recognized as foreign investment.

- If earned surplus is re-invested after it is appropriated as dividend, it is recognized as foreign investment. However, if earned surplus is not appropriated as dividend, it shall not be recognized as foreign investment.

- In other words, because earned surplus itself cannot be invested, re-investment of earned surplus does not qualify as foreign investment.

- However, there are moves to expand the scope of objects of foreign investment by applying OECD standards.

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23 Refer to Article 2 (Definitions) (1) 4 of the Foreign Investment Promotion Act
24 Article 2 (Definitions) (1) 6 of the Foreign Investment Promotion Act
I. Foreign Direct Investment (FDI) – Definition and Procedure

45 Permission of Foreigners to Engage in a Housing Site Development and Supply Business

Q Are foreigners permitted to engage in a housing site development and supply business?

A Yes, provided that certain conditions are met.

Additional Information

A foreigner may engage in a housing site development and supply business only through a corporation established through joint investment with the state or local government, the Korea Land and Housing Corporation or local government-invested public corporations (the stake owned shall be less than 50 percent).

46 Operation of a Massage Business

Q Can a Thai individual open a traditional Thai massage business in Korea? If so, can a professional massage therapist be hired from Thailand?

A A foreign investor cannot open a massage business independently, but only through a partnership or a joint investment. Also, a foreigner cannot be hired as a foot massage therapist, esthetician, etc.

Article 7 (2) of the Housing Site Development Promotion Act and Article 6 (4) of the Enforcement Decree of the Act
In Korea, qualification for a massage therapist is limited to visually impaired persons as prescribed by the Welfare of Disabled Persons Act who have completed the required training and certified by the governor of the city or province.  

Currently, the immigration office denies issuance of a visa certificate to a foreigner who intends to engage in a skin massage, foot massage or sports massage business and plans to operate a massage business independently or work as a massage therapist himself/herself. Also, a foreigner cannot be hired as a foot massage therapist, esthetician, etc.

**Foreigners’ Investment in an Educational Institute for the Purpose of Making Profit**

**Q** Can a foreigner invest in a Korean junior or senior high school for the purpose of making profit?

**A** Currently, a foreigner cannot invest in such education institutes if the investment is made by a for-profit corporation.

**Additional Information**

The categories of business in which foreign investment is not permitted are notified by the Regulations on Foreign Investment and Technology Introduction and the Consolidated Public Notice for Foreign Investment.

A foreigner’s investment in education is exceptionally permitted for some lifelong education facilities and private education institutes. However, under the Korean Standard Industry Classification, investment in a junior or senior high school through a for-profit corporation is currently categorized as a business in which foreign investment is not permitted.

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66 Article 82 of the Medical Service Act  
67 Facilities for social education (85630) and other adult and other education n.e.c. (85699) under the Korea Standard Industry Classification  
Since education is a public service and is not a corporate activity for the purpose of making profit, it is not an object of foreign investment and is therefore not subject to the Foreign Investment Promotion Act.

A foreigner is permitted to establish a university in Korea in accordance with the Higher Education Act. However, a university is considered an incorporated foundation as prescribed by the Civil Act and the establishment of a university does not qualify as foreign investment. Therefore, it should be noted that in this case, the introduction of funds by a foreigner shall be governed by the procedures set forth by the Foreign Exchange Transactions Act, not the Foreign Investment Promotion Act.

48 Permission of Foreign Investment in the Automotive Financing Business

Are foreigners restricted from investing in an installment financing business for the sales of foreign-brand cars in Korea?

Installment financing is not restricted from foreign investment, so foreigners are free to invest in this business. However, those who seek to engage in an installment financing business should register at the Financial Services Commission, and there is a minimum capital requirement of 20 billion won.
Q&A on FDI in Korea

49 Points to Check After Acquisition of Defense Industry Stocks

Q If a foreigner obtains approval for the acquisition of existing stocks in a defense industry company, what other points should be checked?

A It should be noted that requirements prescribed by other laws, such as reporting of combination of corporations, should be met.

Additional Information

- Generally, for a foreigner to acquire existing stocks in a defense industry company, an application for permission should be submitted to the Ministry of Trade, Industry and Energy, and the processing period for issuance of permission is 15 days (this period may be extended once by up to 15 days where an unavoidable reason exists).  

- Even if a foreigner notifies or obtains permission for acquisition of existing stocks of a defense industry company, other requirements such as the notification of business combination should also be met.

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79 Article 7 (Procedures for Foreign Investment, etc. by Acquisition of Existing Stocks, etc.) (3) of the Enforcement Decree of the Foreign Investment Promotion Act
80 Article 12 of the Monopoly Regulation and Fair Trade Act
Denmark-based company Danish Meat, which has been considering acquiring a 100 percent stake in Seoul Meat Wholesale, discovered that foreign investment ratio should be less than 50 percent for businesses in the meat wholesale industry (KSIC: 46312). In this regard, the company plans to independently establish Danish Korea and acquire a 100 percent stake in Seoul Meat Wholesale through Danish Korea. Is this kind of investment permitted by law?

No. Foreign-invested company Danish Korea is a domestic company established under the Commercial Act and other Korean laws, and therefore does not qualify as a foreign investor as prescribed by the Foreign Investment Promotion Act. However, the company can be considered a foreign investor if it acquires the stocks of a domestic company engaged in a business restricted from foreign investment. In this regard, Danish Korea is banned from acquiring a stake of 50 percent or more in Seoul Meat Wholesale.

Additional Information

A foreign-invested company which has been registered shall be banned from any of the following:

• Operating a business where foreign investment is restricted beyond its allowed limit
• Acquiring stocks of another domestic company engaged in a business restricted from foreign investment beyond the permitted limit.

\footnote{Article 22 of the Foreign Investment Promotion Act}
A Foreign-invested Finance Company’s Acquisition of Stocks of a Company Engaged in a Business Restricted from Foreign Investment

Can a foreign-invested company engaged in financial business acquire the stocks of a company engaged in a business restricted from foreign investment above the permitted acquisition level?

Yes.

Additional Information

Generally, a foreign-invested company engaged in financial business may acquire the stocks, etc. of a company engaged in a business restricted from foreign investment above the permitted acquisition level. However, this does not apply to private equity funds. (This applies to acquisitions made on July 31, 2009 and beyond.)

Article 29 (2) 2 (b) of the Enforcement Decree of the Foreign Investment Promotion Act
Article 9 (18) 7 of the Financial Investment Services and Capital Markets Act
II. Incentives for Foreign Direct Investment
II. Incentives for Foreign Direct Investment

52 Permission of Foreign-invested Companies’ Short-term Foreign Borrowings

Is a foreign-invested company that is engaged in auto parts manufacturing through investment from a U.S.-based company (foreign investor) permitted to borrow US$ 15 million from its parent company for 10 months? (The company’s foreign-investment amount is stated as US$ 30 million on the foreign-invested company registration certificate, and the foreign investment ratio is 100 percent.)

Yes. The Foreign Exchange Transactions Act does not allow short-term foreign borrowings by residents (this term includes foreign-invested companies), but foreign-invested companies are granted an exception and are thus permitted to borrow short-term foreign funds. If a foreign-invested company accompanies high-technology, the upper limit on the borrowing is 100 percent of the foreign investment amount. In the case of companies engaged in general manufacturing, 50 percent of the foreign investment amount is the borrowing ceiling.

Additional Information

- Foreign borrowing by a resident (for-profit corporation)\(^\text{83}\)
  - When a resident (for-profit corporation) seeks to borrow foreign funds from a non-resident, the head of a designated foreign exchange bank should be notified.
  - However, in the case that the amount of the funds exceeds US$ 30 million (including the loans accumulated over a period of one year leading to the date on which loan notification has been made), the Minister of Strategy and Finance should be notified via a designated foreign exchange bank.
  - Notification form: Form no. 7-2 of the Regulations on Foreign Exchange Transactions (loan agreement notification)

\(^\text{83}\) Article 7-14 of the Regulations on Foreign Exchange Transactions
Permission of foreign-invested companies' short-term foreign borrowings

- Eligibility
  - Companies engaged in general manufacturing as prescribed by the Foreign Investment Promotion Act (“general manufacturers”)
  - Foreign-invested companies which are granted eligibility for tax incentives by the Minister of Finance and Strategy and which engage in businesses accompanying high technology and industry-supporting service businesses (“businesses accompanying high technology”)

- Upper borrowing limit
  - Businesses accompanying high technology: Identical to the foreign investment amount (in foreign currency, referring to the investment amount on the foreign-invested company registration certificate and the unregistered payment for shares). However, in the case of companies engaged in businesses accompanying high-technology with foreign investment ratio of less than 1/3, the upper borrowing limit shall be 75/100 of the foreign investment amount.
  - General manufacturers: 50/100 of the foreign investment amount

- Definition of short-term foreign borrowing
  - Foreign-currency funds with redemption period of one year or less from the date of fund withdrawal.
  - Foreign-currency borrowings with a redemption period of over one year which can be repaid by installments or prepaid within one year from the date of withdrawing the funds (excluding cases in which a borrowing has an average loan period of more than one year and the repaid amount within one year is 20/100 or less).
Special Provision on the Upper Limit on Foreign-invested Companies’ Payment of Dividends with Stocks

Can a foreign-invested company pay dividends with its stocks up to an amount corresponding to more than 50 percent of its total dividend amount?

A foreign-invested company can pay dividends with its stocks up to an amount corresponding to its total dividend amount.

Additional Information

A foreign-invested company can pay dividends with its newly issued stocks after a resolution by a general meeting of shareholders. A foreign-invested company as prescribed by the Foreign Investment Promotion Act can pay out dividends with its newly issued stocks up to an amount equal to its total profit available for dividend.\(^\text{84}\)

The special provision on foreign-invested companies’ payment of dividends with stocks was established to: 1) provide the opportunity for corporate expansion by transferring profit generated through operational activities into capital; and 2) prevent the overseas outflow of dividends paid out to foreign shareholders.

However, the special provision is only limited to stock companies and requires a special resolution by a general meeting of shareholders (adopted by an affirmative vote representing no less than two thirds of the voting rights of the shareholders present at the general meeting of shareholders and at least one third of the total issued and outstanding shares).\(^\text{85}\)

\(^{84}\) Article 30 (Relations with Other Acts and International Treaties) (2) of the Foreign Investment Promotion Act, Article 462-2 (1) of the Commercial Act, Article 434 of the Commercial Act

\(^{85}\) Article 434 of the Commercial Act
Does the government provide incentives for establishing a foreign school?

Yes. The Foreign Investment Committee makes decisions on granting incentives for medical facilities, educational facilities and housings that contribute to foreign investment promotion.

Additional Information

- In principle, the Foreign Investment Committee decides whether to grant incentives to educational facilities that contribute to foreign investment promotion, and also determines the amount of the incentives.\(^{86}\)

- Schools eligible for incentives: Foreign schools whose school establishment plan has been approved\(^{87}\) by the superintendent of education of the city or province.

- Costs covered by incentives: land purchase cost, facility construction cost

- Incentive amount: The incentive amount shall be identical to that provided by the local government (in the case that a local government provides land for lease, etc., the incentive amount shall be determined by the Foreign Investment Committee).
  - In the case that the sum of the incentives provided by the central and local governments is or exceeds 5 billion won, the incentive amount shall be 40/100 of 5 billion won for metropolitan areas, and 50/100 for non-metropolitan areas. For the amount in excess of 5 billion won, the Foreign Investment Committee shall determine the incentive ratio based on the local government’s foreign investment attraction performance, financial independence, number of foreign residents’ children, etc.\(^{88}\)
  - In the case that a local government covers one or more of the following expenses in order to enhance the quality of education in a foreign school, the central government may provide incentives equal to the amount of the expense covered by the local government.\(^{89}\)
    - Expense for acquisition of a certification by an international certification organization
    - Expense for introduction of an education course on international standardization
    - Expense for establishing an additional multinational education course

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\(^{86}\) Article 15 (1) of the guidelines for the central government’s monetary support for local governments’ activities to attract foreign investment

\(^{87}\) Article 15 of the regulations on the establishment and operation of elementary, middle and high schools

\(^{88}\) Article 15 (2) of the guidelines for the central government’s monetary support for local governments’ activities to attract foreign investment

\(^{89}\) Article 15 (3) of the guidelines for the central government’s monetary support for local governments’ activities to attract foreign investment
If a foreigner invests in a tourist hotel business in Jeju island, can the foreigner be recognized as a small and medium-sized start-up and become eligible for tax incentives?

In accordance with the Foreign Investment Promotion Act, regulations on tax incentives in the laws on taxation applied to a Korean national or a Korean company shall be equally applied to a foreigner or foreign-invested company unless otherwise stated by law. Therefore, a foreign-invested company is eligible for the same tax incentives granted to a domestic company so far as it satisfies the conditions for qualifying as a small and medium-sized start-up.

Additional Information

Tax incentives for small and medium-sized start-ups

Eligible businesses

- Tourist accommodation businesses (hotel business and recreational condominium business), international conference business, amusement facility business, special recreation service business, resort complex business, etc. (eligible since Jan. 1, 2010)
- Manufacturing business, construction business, publishing business, businesses engaged in operation of welfare facilities for senior citizens, restaurant business, etc.

Location of business: Businesses established outside of overpopulation control regions within the Seoul Metropolitan area on or before Dec. 31, 2015.

Tax incentives

- Corporate tax reduction
  - Tax reduction ratio: 50 percent
  - Tax reduction period: From the taxable year in which income has accrued for the first time from the relevant business (where no income accrued from the relevant business for five years from the date of business commencement, the taxable year to which the date marking the fifth year of commencing business belongs) through the taxable year that finishes within four years from the beginning of the following taxable year.

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90 Article 3 (3) of the Foreign Investment Promotion Act
91 Article 6 (1) of the Restriction of Special Taxation Act
Q&A on FDI in Korea

- Exemption of license and registration tax\(^{92}\)
  - Registration of business establishment (including capital or investment amount increase within four years from the date of business establishment)
  - Registration due to change in the company or company representative’s address within four years from the date of business establishment

- Exemption of acquisition tax\(^{93}\)
  - Acquisition tax will be exempted for business-purpose properties acquired within four years from the date of business establishment.
  * However, the exempted tax shall be paid in the case that: the properties have not been used for the relevant business or have been used or sold (or leased) for other purposes within two years from the acquisition date without justifiable reason; or the properties have been used for other purposes or sold without justifiable reason within two years from the first day the properties were used.

- Reduction of property tax\(^{94}\)
  - In regard to properties used for business purposes, an amount equal to \(\frac{50}{100}\) of the property tax shall be reduced for five years from the date of business establishment.

56 Round-trip Investment by a Foreigner

Q
A domestic corporation jointly established a local company in Los Angeles with a U.S. company. If the local company in LA invests in Korea, can this be recognized as foreign investment as prescribed by the Foreign Investment Promotion Act?

A
Yes. However, eligibility for incentives may be limited for such round trip investment by a foreigner.

\(^{92}\) Article 119 (2) of the Restriction of Special Taxation Act  
\(^{93}\) Article 120 (3) of the Restriction of Special Taxation Act  
\(^{94}\) Article 121 of the Restriction of Special Taxation Act
II. Incentives for Foreign Direct Investment

57 Tax Incentives for Korean Companies that Withdraw from Overseas Markets and Relocate to Korea (i.e. “U-Turn companies”)

Q If a foreign-invested company’s subsidiary in China withdraws from the Chinese market and relocates to Korea, is the company eligible for tax reduction and exemption?

A Yes, so long as the company satisfies certain conditions.

Tax incentives for “U-Turn companies”

- Qualification as a “U-Turn company”: A Korean national or a company established under Korean law (including foreign-invested companies as prescribed by the Foreign Investment Promotion Act) which owns or has control over a business that has been in operation for two years or longer in a foreign country.
- Applicable period: Up to Dec. 31, 2015
- Areas eligible for incentives: Areas outside the metropolitan area (Seoul Metropolitan City, Incheon Metropolitan City and Gyeonggido Province) as defined under the Seoul Metropolitan Area Readjustment Planning Act
- Eligible businesses: The line of business under the Korea Standard Industry Classification before and after relocation to Korea should be identical.
• Details of tax reduction and exemption

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<th>Type of relocation</th>
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<th>Sale/closure of overseas business establishment</th>
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| Relocating a business that has been in operation in a foreign country for two years or longer (Type I) | - From the taxable year in which the date of relocation belongs through the taxable year that finishes within four years from the beginning of the following taxable year: 100/100 of the income tax or corporate tax shall be reduced for the income incurred after relocation.  
- For the taxable years that finish within two years thereafter, 50/100 of the income tax or corporate tax will be reduced. | - The overseas business establishment that has been in operation should be sold or closed down within four years from the date of establishing a business or commencing business outside the metropolitan area.  
- A business should be established outside the metropolitan area within one year from the date of sale or closure of the overseas business establishment. |
| A small and medium-sized company relocating to Korea while maintaining or reducing the size of its overseas business establishment that has been in operation for two years or longer. Additionally, the company should not have a business establishment already in operation in Korea. (Type II) | - From the taxable year in which the date of relocation belongs through the taxable year that finishes within two years from the beginning of the following taxable year: 100/100 of the income tax or corporate tax shall be reduced.  
- For the taxable years that finish within two years thereafter, 50/100 of the income tax or corporate tax will be reduced. | Not applicable [*] |

*In the past, a company had to sell or close down its overseas business establishment to be eligible for tax reduction. If not, the company was considered making a round trip investment and was therefore not eligible for tax reduction. However, under the conditions for tax reduction established on Jan. 1, 2013, Type II relocation does not require the sale or closure of an overseas business establishment. Therefore, round-trip investments which satisfy the conditions for U-turn investment are eligible for tax reduction.
Are foreign engineers eligible for earned income tax reduction or exemption?

For a foreign engineer’s earned income incurred from the first day of providing service to a Korean national in Korea to the month on which the second year of such date belongs, a 50 percent reduction of income tax is granted.

Additional Information

Earned income tax reduction for foreign engineers

• A foreign engineer (as prescribed by Article 16 of the Enforcement Decree of the Restriction of Special Taxation Act) employed by a Korean national in Korea is eligible for earned income tax reduction equal to the 50/100 of the tax amount from the first day of providing service (on or before Dec. 31, 2014) to the month on which the second year of such date belongs.

• In the case that a foreign engineer provides high technology to a foreign-invested company under a technology introduction contract and receives earned income in return, an amount equal to 50/100 of the earned income tax shall be reduced for income incurred from the date of providing service (on or before Dec. 31, 2014) to the month on which the second year of such date belongs. In this case, the foreign-invested company should be engaged in a business eligible for reduction or exemption of corporate income tax, etc. in accordance with Article 121-2 (1) 1 of the Restriction of Special Taxation Act. Also, the technology should meet the conditions set forth in Article 116-2 (2) of the Enforcement Decree of the said Act and should also fall under high technology granted eligibility for tax reduction/exemption by the Minister of Strategy and Finance.

For reference: Special taxation for the earned income of foreign employees

The tax for foreign employees’ earned income paid on or before Dec. 31, 2014 may be equal to the amount calculated by multiplying his/her earned income by 17/100. In this case, the Income Tax Act and its provisions on income tax reduction and exemption shall not apply.

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95 Article 18-2 of the Restriction of Special Taxation Act
96 Article 116-3 of the Enforcement Decree of the Restriction of Special Taxation Act
Q&A on FDI in Korea

59 Tax Reduction/Exemption for a Korean Company Owning High Technology

Is a Korean company owning high technology eligible for tax reduction or exemption when it receives foreign investment?

A No. The purpose of offering tax incentives to foreign-invested companies engaged in businesses accompanying high technology is to develop Korea’s industries by introducing advanced technology from overseas. Therefore, tax incentives are not provided for technologies that already exist in Korea.

Additional Information

Submission of application for tax reduction or exemption and decision on whether to grant tax reduction or exemption97
- The application for tax reduction or exemption shall be submitted to the Minster of Strategy and Finance no later than the closing date of the taxable year whereof belongs the date of commencing the business of the relevant foreign-invested company.
- The Minister of Strategy and Finance shall, upon receipt of an application for tax reduction or exemption, discuss with the competent Minister, make a decision on whether to grant the tax reduction or exemption within 20 days, and notify the applicant.

Deadline for application for tax reduction or exemption98
Application for tax reduction or exemption should be made by the closing date of the taxable year whereof belongs the date of commencing the business of the relevant foreign-invested company. For example, a company established on Jan. 1, 2010 and a company established on Dec. 25, 2010 should both apply for tax reduction or exemption by Dec. 31, 2010.

Application for tax reduction or exemption after the deadline99
Where a foreign investor or a foreign-invested company obtains a decision on reduction or exemption by applying for reduction or exemption after the deadline for application, reduction or exemption shall apply only to the taxable year whereof belongs the date of such application, and to the remainder of the reduction or exemption period thereafter. In such cases, where there exists any amount of tax already paid prior to a decision on reduction or exemption, the relevant amount of tax shall not be refunded.

97 Article 121-2 (10) of the Restriction of Special Taxation Act
98 Article 121-4 of the Restriction of Special Taxation Act
99 Ministry of Finance and Economy’s administrative interpretation no. 2560, Dec. 8, 2004
60  Reduction or Exemption of Registration Tax for Registering Capital Increase

Q
If a foreign-invested company receiving tax reduction or exemption increases capital, is the company eligible for reduction or exemption of registration tax for registering capital increase?

A
The registration tax for registering a foreign-invested company’s capital increase is not eligible for reduction or exemption.

Additional Information

- Standards for interpretation

  - As prescribed by Article 121-4 (1) of the Restriction of Special Taxation Act, where a foreign-invested company increases its capital, the provisions on tax reduction or exemption for initial investment in Article 121-2 of the same Act shall apply mutatis mutandis to tax reduction or exemption for the portion of relevant capital increase. In this case, the date of commencing a business shall be the date on which a modified registration of the capital increase is filed, and acquisition tax and property tax for business properties shall be additionally reduced or exempted in proportion to the foreign investment ratio. Therefore, registration tax for registering capital increase is not subject to reduction or exemption.

  ※ While the registration tax for registering increased business property is subject to reduction or exemption, registration of corporation (registration of increase in capital or investment amount, etc.) shall be excluded.
Initial Date in Reckoning the Period of Tax Reduction or Exemption for Capital Increase

Q If a foreign-invested company increases capital, what is the initial date in reckoning the period of tax reduction or exemption?

A In principle, the initial date in reckoning the period for tax reduction or exemption shall be the date of registering the capital increase. However, in the case that no income is accrued from the relevant business from the date of registering modifications in capital increase to the taxable year whereon belongs the day on which five years lapse from the date of registering modification, the first day of the said taxable year shall be the initial date in reckoning the period of tax reduction or exemption for capital increase.

Additional Information

Where a foreign-invested company increases its capital, provisions on initial investment shall apply mutatis mutandis.

The date of commencing a business shall be the date on which a modified registration on the capital increase is filed.

However, in cases where a foreign-invested company increases its capital - within the scope of the notified foreign investment amount that is confirmed when the decision on the tax reduction or exemption is made - prior to the date on which three years lapse from the date on which the first notice concerning the decision on the tax reduction or exemption is served after notifying the foreign investment, even if no application is filed for reducing or exempting the tax pursuant to the provisions of Article 121-2 (6) of the Restriction of Special Taxation Act, the foreign-invested company shall be deemed eligible for tax reduction or exemption provided for in Article 121-2 (8) of the same Act for the portion of the increased capital.

As for the stocks, etc. acquired by a foreign investor due to the capitalization of a reserve, a reserve for revaluation under Article (1) 1 of the Foreign Investment Promotion Act or the reserves under other Acts or subordinate statutes; and the stocks acquired...
by investing the proceeds (limited to stocks, etc.) from the stocks acquired by a foreign investor in accordance with Article 7 (1) 4 of the Foreign Investment Promotion Act, the reduction or exemption shall be made during the remainder of their reduction or exemption period and by the ratio of reduction or exemption for the relevant remaining period, in conformity with the examples of reduction or exemption for the stocks, etc. which form a ground for such occurrences.

62 Initial Date in Reckoning the Period of Tax Reduction and Exemption in the Case that Interest Income is Accrued Before Commencement of Business

Q If a foreign-invested company earns interest income from depositing paid-in capital at a financial institute before commencement of a business eligible for tax reduction or exemption, should the date on which the interest income was accrued be considered the initial date in reckoning the period of tax reduction and exemption?

A The interest income that a foreign-invested company earned by depositing paid-in capital at a financial institute before commencement of business shall not be considered income eligible for tax reduction or exemption.

Additional Information

- The period for corporate tax reduction/exemption for foreign-invested companies shall start from the taxable year on which a foreign-invested company commenced a business eligible for tax reduction/exemption in accordance with Article 121-2 (2) of the Restriction of Special Taxation Act and accrued income from the business (In the case that no income is accrued from the relevant business for five years from the date of business commencement, the taxable year whereto belongs the date on which five years lapse from the date of commencing business shall be the initial year of corporate tax reduction/exemption.) The interest income accrued by foreign-invested companies by depositing paid-in capital to a financial institute before commencement of business shall not be considered income eligible for tax reduction/exemption.

Ministry of Finance and Economy’s administrative interpretation no. 2560, Dec. 8, 2004
Q&A on FDI in Korea

Period for which Customs Duties for Capital Goods are Exempted

Q

How long is the period for which customs duties, etc. are exempted for capital goods imported by foreign-invested companies eligible for tax reduction or exemption?

A

Customs duties, etc. are exempted for capital goods for which import declaration has been completed, for five years from the date on which foreign investment has been notified.

Additional Information

- Capital goods exempt from customs duties
  - Capital goods that a foreign-invested company brings in with a foreign or domestic means of payment it has obtained as equity investment from a foreign investor
  - Capital goods that a foreign investor brings in as objects of investment falling under Article 2 (1) 8 of the Foreign Investment Promotion Act

- Documents required
  - For a foreigner to be eligible for exemption from customs duties, etc., he/she should obtain an approval from the Ministry of Finance and Strategy.
  - To become exempt from customs duties, etc., the following documents should be submitted to the customs collector before the acceptance of import declaration.
    - Application for customs duties, individual consumption tax and value-added tax
    - Documents certifying that the business is subject to exemption from corporate tax, etc. (a copy of certification of tax reduction or exemption decision)
    - Documents certifying that the capital goods are imported with cash invested by a foreign investor (a copy of the foreign investment notification certificate, a copy of the certificate of foreign currency purchase, etc.)
    - Confirmation certificate of the specification of the imported capital goods

- Application procedure
  For a foreign-invested company to be eligible for exemption from customs duties, etc. when importing capital goods, an application for tax reduction or exemption should be made to the Ministry of Strategy and Finance to confirm whether the business is subject to tax reduction or exemption. Afterwards, a confirmation certificate of the specification of imported capital goods should be issued from a delegated agency (a foreign exchange bank or KOTRA) and an application for customs duties exemption should be made when importing equipment.

102 Article 121-3 of the Restriction of Special Taxation Act
Foreign Investment Zones

Installment of New Business Facilities to Qualify for Designation as a Foreign Investment Zone

Q

If a foreign-invested company acquires a factory, disassembles the existing facilities and newly installs manufacturing facilities to manufacture new products, can this be recognized as “installment of new factory facilities”, making the company eligible for designation as a Foreign Investment Zone? The foreign-investment amount is US$ 50 million and the company is engaged in manufacturing.

A

In principle, yes. However, the final decision will be made by the Foreign Investment Committee.

Additional Information

Installment of new facilities/new factory facilities refers to the following:

• When factory facilities (referring to a workplace in case of any business other than a manufacturing industry on the Korean Standard Industrial Classification; the same shall apply hereinafter) are newly constructed, or a machine/facility equipment is newly installed in the factory building.

• When a company installs factory facilities or machine/facility equipment that can be accounted for separately from its existing factory facilities.

• When acquiring a building whose construction has not been completed and carrying out business operations in the building after gaining approval for the use of the building in accordance with the Building Act; note, however, that the Foreign Investment Committee may not recognize this as installment of new facilities/new factory facilities depending on the completion stage of the building construction.

103 Article 23 (3) of the Foreign Investment Zone Operation Guideline
104 Article 18 of the Building Act
If a foreigner, by means of M&A, purchases a company by acquiring its existing stocks, is the foreign-invested company eligible for designation as a foreign investment zone?

No.

Additional Information

- If a foreigner, by means of M&A, purchases a company by acquiring its existing stocks or if a foreigner relocates its factory, the foreign-invested company is not eligible for designation as a stand-alone type foreign investment zone.\(^{105}\) Neither is the company eligible to move into a complex-type foreign-investment zone.

- However, in the case that a foreign-invested company relocates from one foreign investment zone to another, the company is eligible to move into a complex-type foreign investment zone.\(^{106}\)

\(^{105}\) Article 25 (Designation, etc. of Foreign Investment Zones) (2) of the Enforcement Decree of the Foreign Investment Promotion Act.

\(^{106}\) Article 12 (Qualification and Priority for Occupancy) (1) 3 of the Foreign Investment Zone Operation Guideline
Requirements for a Domestic Company to Move into a Foreign Investment Zone

Q Can a domestic company move into a foreign investment zone?

A Yes. A tenant company of a foreign investment zone with foreign investment ratio of 30 percent or higher may allow its domestic supplier to use part of its factory in order to save costs and to shorten the manufacturing process, after gaining the approval of the Minister of Trade, Industry and Energy.

Additional Information

- On receiving a tenant company (companies with foreign investment ratio of 30 percent or higher)’s request to allow its domestic supplier to use part of the company’s factory facilities for the purpose of cutting costs and shortening the manufacturing process, the managing authority of the Foreign Investment Zone may grant permission after a review by the Evaluation Committee and obtaining the consent of the Minister of Trade, Industry and Energy in accordance with the provisions of the Foreign Investment Operation Guideline.

- At the request of the tenant company, the managing authority may sign a move-in contract with the tenant company’s domestic supplier within the tenant company’s remaining lease period, and the contract should be renewed every five years.

- The total land area permitted to be occupied by the supplier shall not exceed 30 percent of the total factory area, and rent shall be applied to the supplier in proportion to the area it occupies within the total factory area.

- The rent specified in the Foreign Investment Zone Operation Guideline shall not be applied: the rent shall be decided at an amount similar to that of other factory plots in nearby industrial complexes (the Evaluation Committee shall decide the details on rent).

- The Evaluation Committee shall consist of 10 experts or less and shall be operated by the managing authority.

107 Article 22 of the Foreign Investment Operation Guideline
108 Article 16 (4) of the Foreign Investment Operation Guideline
109 Article 17 (1), (2) of the Foreign Investment Operation Guideline
Are there special restrictions on businesses eligible to move into a complex-type foreign investment zone?

Yes.

Businesses eligible to move into a complex-type foreign investment zone

- The businesses eligible to move into a complex-type foreign investment zone are as follows. The businesses permitted in each zone shall be determined by the basic management plan.111
  - Businesses accompanying high-technology and eligible for tax reduction/exemption under the Foreign Investment Promotion Act
  - Businesses that involve high technology or manufacture high-tech products as prescribed by Article 5 of the Industrial Development Act
  - Other businesses determined by the managing authority considering the industrial characteristics of the relevant zone.
  - Research institutes affiliated with enterprises under Article 2 (3) c of the Special Act on Support of Scientists and Engineers for Strengthening National Science and Technology Competitiveness and research and development businesses under Article 2 (4) a of the same Act
  - Businesses under Article 25 (1) 3 (a) and (b) of the Enforcement Decree of the Foreign Investment Promotion Act (complex logistics terminal business and business creating and operating a joint collection and delivery complex)

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110 Article 11 of the Foreign Investment Zone Operation Guideline
111 Article 10 of the Foreign Investment Zone Operation Guideline
68 Upper Limit on the Size of Land that can be Leased in Complex-type Foreign-investment Zones

Q A foreign investor plans to invest US$ 50 million to establish a foreign-invested company in a complex-type foreign investment zone. Is there an upper limit on the size of land that can be leased in the zone?

Yes.\textsuperscript{112}

Additional Information

• The area of a factory building to be occupied by a tenant company shall be the site area calculated by applying the area ratio obtained by doubling the standard factory area ratio by type of manufacturing business publicly announced based on Article 8 (2) of the Industrial Cluster Act (as for a type of business whose doubled area ratio is 15 percent or less, 15 percent shall be applied as area ratio). Where a tenant company hopes to occupy an area of a factory building less than the area calculated by the method above, occupancy may be granted based on the site area calculated according to the same provision.

• The upper limit on the size of the area that can be leased by a company in a complex-type investment zone shall be determined by the Basic Management Plan, taking into consideration the characteristics of each complex. The upper limit shall be equal to or below the size of the area that is valued at 50 percent of the tenant company’s foreign investment amount.

• The managing authority shall calculate the proper size of the area to be leased by a tenant company when examining an occupancy contract so that land in excess of the proper size is not leased.

\textsuperscript{112} Article 15 of the Foreign Investment Zone Operation Guideline
Is a foreign-invested company engaged in services businesses such as engineering within a free economic zone eligible to apply for tax reduction/exemption?

A foreign-invested company is eligible for tax reduction/exemption as long as the foreign investment amount is US$ 10 million or higher and the company establishes a new facility to engage in a service business.

Additional Information

- A company engaging in the following businesses can apply for tax reduction/exemption, provided that the company's foreign investment amount is US$ 10 million or higher and the company establishes a new facility within a free economic zone (businesses additionally added to the list of businesses eligible for application for tax reduction/exemption on Feb. 2, 2012).
  - Engineering business
  - Telecommunications business
  - Computer programming and system integration and management
  - Information service business
  - Other science technology service businesses
  - Movie, video and broadcasting program production business; movie, video and broadcasting program production service businesses; recording facility operating business; music and other audio publication business
  - Game software development and supply business
  - Performance facility operating business, performance group, other creative and art related services
II. Incentives for Foreign Direct Investment

Designation of a Stand-alone Type Foreign Investment Zone within a Free Economic Zone

Q

A foreign investor has invested US$ 30 million to manufacture pharmaceuticals in a free economic zone, thus qualifying for corporate tax reduction for five years. Can this foreign-invested company apply for designation as a stand-alone type foreign investment zone to extend the period of corporate tax reduction?

A

Yes. Tenant companies within a free economic zone are eligible to receive corporate tax reduction for five years. However, a company making a large-scale investment that qualifies the company for designation as a stand-alone type foreign investment zone within a free economic zone may be treated the same as tenant companies in a stand-alone type foreign investment zone and receive corporate tax reduction for seven years after acquiring the approval of the Free Economic Zone Committee.

Additional Information

- Incentives for foreign-invested companies making large-scale investments in a free economic zone

  - A foreign-invested company in a free economic zone is eligible to receive the same tax incentives as a company in a stand-alone type foreign investment zone, provided that the company meets the investment requirements for designation as a stand-alone type foreign investment zone and acquires the approval of the Free Economic Zone Committee.

- Application for tax incentives

  - Application to be submitted by: Foreign investor or foreign-invested company
  - Application to be submitted to: Minister of Strategy and Finance

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113 Article 116-2 (19) of the Enforcement Decree of the Restrictions on Special Taxation Act
114 Article 2, Item 1 of the Special Act on Designation and Management of Free Economic Zones
115 Article 25 of the Special Act on Designation and Management of Free Economic Zones
116 Article 5 of the Regulations on 7-Year Tax Reduction and Exemption within a Free Economic Zone
• Request for free economic zone’s deliberation and approval: When a foreign investor or foreign-invested company has submitted an application for tax reduction or exemption to the Minister of Strategy and Finance and it is deemed that the foreign investor or foreign-invested company is eligible for tax reduction or exemption, the Minister of Strategy and Finance may request the Minister of Trade, Industry and Energy to have the Free Economic Zone Committee decide on whether to grant tax reduction or exemption.

Q&A on FDI in Korea

71 Conditions for Opening a Foreigner-only Casino in a Free Economic Zone

Q The regulations for opening a foreigner-only casino in a free economic zone have been eased in 2012. What are the details?

A Originally, when seeking permission to open a casino, it was required to submit documents evidencing the establishment of incidental business facilities (i.e. 5-star hotel or international conference facility). However, with the amendment of related laws on Sep. 21, 2012, an application for advance ruling can be made before investing in hotels, etc. if 10/100 or more of the minimum investment amount of US$ 500 million has been paid up.
Establishment of a Foreign Educational Facility within a Free Economic Zone

**Q**
Are foreigners permitted to establish a foreign educational institution within a free economic zone?

**A**
Permitted under the condition that the institution is not operated for profit.

**Additional Information**

- A foreign education foundation is permitted to establish a foreign educational institution in a free economic zone after acquiring the approval of the Minister of Education. The Minister of Education may grant approval\(^{117}\) after the Free Economic Zone Committee deliberates and makes a resolution on such approval.\(^{118}\)

- The term “foreign education foundation” refers to the state government, a local government or a non-profit juristic person who establishes and manages a preschool/elementary/secondary/higher education institution under the provisions of foreign legislation in a foreign country.\(^{119}\) In this regard, if a foreign investor is a for-profit foundation, it is not permitted to establish a foreign educational institution in a free economic zone.

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\(^{117}\) Article 3 of the Enforcement Decree of the Special Act on Establishment and Management of Foreign Education Institutions in Free Economic Zones and Jeju Free International City

\(^{118}\) Article 22 (1) and (2) of the Special Act on Designation and Management of Free Economic Zones

\(^{119}\) Article 2, Item 1 of the Special Act on Establishment and Management of Foreign Education Institutions in Free Economic Zones and Jeju Free International City
Establishment of a Medical Institution within a Free Economic Zone

Q Is a foreigner permitted to establish a for-profit medical institution within a free economic zone?

A Yes.¹²⁰

Additional Information

A foreigner may establish a for-profit medical institution within a free economic zone if it satisfies the following conditions:

1) The medical institution is located within a free economic zone
2) The foreign investment ratio is no less than 50/100
3) The capital amount is no less than 5 billion won

Foreign medical institutions or foreigner-only pharmacies are considered medical institutions or pharmacies established under the Medical Service Act or the Pharmaceutical Affairs Act. However, they shall not be considered medical care institutions under the National Health Insurance Act.

Therefore, the national health insurance program shall not be applied to foreign medical institutions or foreigner-only pharmacies.

Foreign medical institutions are permitted to operate a rest hot spring,¹²¹ a public bath business,¹²² a tourist accommodation business,¹²³ a tourist-use facility business, or an international conference business¹²⁴ as affiliated businesses within a free economic zone.

¹²⁰ Article 23 (1) of the Special Act on Designation and Management of Free Economic Zones and Article 20-2 of the Enforcement Decree of the Act
¹²¹ Article 9 of the Hot Spring Act
¹²² Article 2 (1) 3 of the Public Health Control Act
¹²³ Article 3 (1) 2 of the Tourism Promotion Act
¹²⁴ Article 3 (1) 3 of the Tourism Promotion Act
Establishment of a Foreign Medical Institution in Jeju Special Self-Governing Province

Is it possible to establish a foreign medical institution in Jeju Special Self-Governing Province?

Yes. A corporation established by a foreigner may, notwithstanding the provisions of the Medical Service Act, establish a foreign medical institution in Jeju Special Self-Governing Province after acquiring the approval of the Governor of Jeju, so far as the amount to be invested in the medical institution is no less than US$ 5 million.

Additional Information

- Special provisions on the establishment of a medical institution, etc.

  • Notwithstanding the provisions of the Medical Service Act, a corporation established by a foreigner may establish a medical institution (“foreign medical institution”) in Jeju Special Self-Governing Province after acquiring the approval of the Governor of Jeju.

  • In this case, the types of medical institutions permitted to be established are: general hospitals, hospitals, dental hospitals and long-term care hospitals.

  • Notwithstanding the provisions of the National Health Insurance Act, foreign medical institutions shall not be deemed to be convalescence institutions under the same Act.

  • The types of corporations permitted to establish a medical institution shall be limited to stock companies and limited companies that meet the conditions for establishment of a commercial company.

  • The foreign investment ratio of a corporation shall be no less than 50/100 and Article 25 (3) of the Enforcement Decree of the Foreign Investment Promotion Act shall be applied mutatis mutandis in calculating the foreign investment ratio.

  • The minimum amount to be invested for establishing a medical institution shall be US$ 5 million.

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125 Article 33 (2) of the Medical Service Act
126 As defined in Article 2 (1) 1 of the Foreign Investment Promotion Act
127 Article 3 (2) 3 of the Medical Service Act
128 Article 192 (4) of the Special Act on Designation and Management of Free Economic Zones
129 Article 14 of the Ordinance on Special Provisions on Medical Services, etc. in Jeju Special Self-Governing Province
III. Management of a Foreign-invested Company
What are the types of social insurance an employer must provide employees?

A company employing more than one employee should offer national pension, health insurance, employment insurance and industrial accident compensation insurance.

Additional Information

- The employer should make monthly contributions to the four types of insurance as follows. Employees' contributions shall be deducted from their wages.
  - National pension: Standard monthly income\(^{130}\) X 9% (Employer's contribution: 4.5%)
  - Health insurance: Monthly wage\(^{131}\) X 5.89% (Employer's contribution: 2.945%)
  - Employment insurance: Average monthly wage\(^{132}\) X 1.1% (Employer's contribution: 0.55%). The employer shall make additional contributions for employment security and vocational skill development programs, with an insurance premium rate of 0.25% for businesses employing less than 150 employees.\(^{133}\)
  - Industrial accident compensation insurance: Average monthly wage X 0.006 - 0.34 (contribution rate differs by business sector)

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\(^{130}\) Standard monthly income: [monthly wage x 12 months/365 days (366 days) x 30 days]

\(^{131}\) Monthly wage: Earned income that is taxable under the Income Tax Act

\(^{132}\) An individual employee’s average monthly wage for a taxable year is calculated based on the aggregate wage of the previous year.

\(^{133}\) Premium rate for employment security and vocational skill development programs: 0.25% for businesses with less than 150 employees; 0.65% for businesses with 150 - 999 employees; 0.85% for businesses with 1,000 employees or more
What are the statutory working hours in Korea?

According to the Labor Standards Act, the statutory hours of work is eight hours a day and 40 hours a week.

Additional Information

As of April 2013, the 40-hours-per-week policy applies to workplaces with five or more workers. Working hours per day shall not exceed eight hours excluding recess hours, and working hours per week shall not exceed 40 hours. In the case of a workplace with less than five workers, the provisions about working hours and holidays stipulated in the Labor Standards Act are not applicable, which leaves it not bound by the obligation to implement a 40-hours-per-week policy in principle.

- Extended work hours permissible by law

Extended work is allowed up to 12 hours per week under an agreement between the employer and the employee.

※ In the case of the types of work listed below, extended working hours may exceed 12 hours per week through a written agreement reached with the representative of the workers.

- Transportation, merchandise and storage, finance and insurance
- Film production and promotion, communications, educational research and investigation
- Advertising, medical practice and sanitary services, hotels and restaurants, incineration and cleaning services
- Barber, social welfare services
**Extended Work Wages**

**Q**  How much should a worker be additionally paid for extended work?

**A**  In the case of extended work exceeding the statutory working hours, workers should be paid 50 percent of the ordinary wages.  
A workplace applying a 40-hours-per-week policy for the first time can pay 25 percent instead of 50 percent of the ordinary wages for the first four hours of extended work for the first three years.

**Additional Information**

As for night work (10 p.m. to 6 a.m.) and holiday work, workers should be paid their original wages plus an additional 50 percent of their ordinary wages. When the work applies to two or three of the following types of work — night work, extended work or holiday work — workers should be additionally paid for each type of work.

**Minimum Wage**

**Q**  What is the minimum wage in 2014?

**A**  The minimum wage that applies from Jan. 1, 2014 to Dec. 31, 2014 is as follows:
- Hourly wage: 5,210 won
- Daily wage: 41,680 won (based on eight hour workday)
- Monthly wage: 1,088,890 won (based on 40 hour workweek)

**Additional Information**

- **Average starting annual salary of university graduates in 2013**

  The average starting annual salary of the top 1,000 companies in 2013 is 33.52 million won. According to data released by job search site Saramin on Mar. 7, 2013, the average starting annual salary of 448 companies registered as top 1,000 companies in 2013 was 33.52 million won.

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\(^{134}\) The term ‘ordinary wages’ means hourly wages, daily wages, weekly wages, monthly wages, or contract wages which are determined to be paid periodically or in lump sum to a worker for his/her prescribed work or whole work. (Article 6 (1), Enforcement Decree of the Labor Standards Act)
79 Retirement Allowance

Q Should an employer pay retirement allowance to a retiring employee?

A An employer should provide a retiring employee with 30 days’ average wage \(^{135}\) for every year of consecutive service. As there is no limit on the qualifying reasons for retirement, the retirement pay shall be given in any case when the employment contract is terminated due to the employee’s resignation or death, arrival of the retirement age or the company’s extinction.

Additional Information

Retirement benefit scheme

With the introduction of the retirement benefit scheme on Dec. 1, 2005, all employers are required to adopt either retirement annuity \(^{136}\) or a lump-sum retirement benefit. If any employer intends to decide on a type of retirement benefit scheme, the employer shall, if a majority trade union exists at the business concerned, obtain the consent of the union, and if no such trade union exists, obtain the consent of a majority of workers.

80 Statutory Holidays

Q What are the statutory holidays for employees?

A Under the Labor Standards Act, the statutory holidays are weekly holidays and Labor Day (May 1).

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\(^{135}\) Average wage: The amount calculated by dividing the total amount of wage paid to a relevant worker during three months immediately before the day on which a cause for calculating his/her average wage occurred by the total number of days during those three months.

\(^{136}\) Under the retirement annuity scheme, retirement allowance funds are managed by a financial company and retirement benefits are paid either in installments or lump-sum at the time of retirement.
III. Management of a Foreign-invested Company

Additional Information

■ Weekly holidays

An employer shall grant a weekly holiday with pay at least once a week on average, provided that the employee concerned has worked all of the contractual working days (as determined in the rules of employment, etc.) for the preceding week. An employee who has worked on a weekly holiday shall be paid an additional 50 percent of the ordinary wage rate for the hours worked.

■ Contractual holidays

Contractual holidays refer to holidays other than the statutory holidays provided by the employer specified in a collective agreement or rules of employment. Examples are company foundation day or public holidays. Whether the additional holidays will be paid or unpaid will be determined by an agreement between the employer and employees.

81 Annual Leave with Pay

How many days are designated as annual leave with pay by law?

An employer shall grant 15 days of annual leave with pay to an employee who has recorded 80 percent or higher in attendance.

Additional Information

■ Employees who have worked less than one year

An employer shall grant one day of annual leave with pay per month of full attendance to his/her employees who have worked less than one year. The number of leave days used in the first year of employment shall be deducted from the 15 days of annual leave with pay granted in the following year.

■ Addition of days of annual leave with pay

For an employee who has worked for three years or longer, the employer shall grant 16 days of annual leave with pay from the fourth year, and an additional one day shall be granted every two years following the fourth year. The number of additional holidays shall be limited to 25 days.
Q&A on FDI in Korea

82 Rules of Employment

How many persons should be employed at a business for an employer to prepare rules of employment?

An employer that employs ten or more employees must have rules of employment.

Additional Information

Modification of the rules of employment

Rules of employment are regulations on working conditions or rules that are prepared by the employer and applied to the employment contract of all employees.

To prepare or modify the rules of employment, the employer shall hear the opinion of a majority trade union, or, if there exists no such union, the opinion of the majority of the employees. If an employer wishes to modify the rules of employment to the disadvantage of his/her employees, the employer shall obtain consent.

When an employer notifies the local labor office of the rules of employment, he/she shall attach a document containing the above opinion or consent and bearing the signatures of employees.
B. Labor-Management Council

How many people should be employed at a business for the establishment of a labor-management council?

A. The labor-management council shall be established at a business employing 30 persons or more.

Additional Information

Establishment of a labor-management council

The labor-management council shall be composed of 3-10 members each from the employee side and employer side, and shall meet every three months. The members from the employer side shall be comprised of the representative of the business and those appointed by the representative. The members from the employee side shall include those elected in a direct or secret vote. If there exists a majority trade union, the members shall be the representative of the trade union and those appointed by the union.

Agenda items for labor-management council

- Matters for consultation: employment, dispatch and training of workers, working hours and recess hours, introduction of new machinery or technology, improvement of work processes, establishment or modification of work rules
- Matters for resolution: establishment of basic plan for employee training and skills development, establishment and management of employee welfare facilities, establishment of company welfare fund, establishment of labor-management committees
- Matters for reporting: overall business plan and performance, quarterly production plan and performance, personnel policy, company’s financial state

137 Agenda items for labor-management council

Korea Trade-Investment Promotion Agency
Fixed-term Workers

How long can a fixed-term worker be employed?

A fixed-term worker cannot be employed for more than two years.

Additional Information

- A fixed-term worker who has been employed for a term exceeding two years shall be considered to have signed a contract of an indefinite term (regular employment contract).

- A fixed-term worker employed for a period exceeding two years shall not be considered as having signed a contract of an indefinite term in the following cases:
  - When the employer has predetermined the period of time required to complete a particular business or task
  - When an employee is on leave or dispatched to another workplace, and there is a need to hire a substitute to replace the employee until he/she returns to work
  - When an employee takes schooling or vocational training and he/she sets a period of time required to complete the schooling or training
  - When the employer needs to hire workers with professional knowledge or skills as prescribed by Presidential Decree\(^\text{138}\)
    - When a worker who has obtained a doctorate degree engages in a relevant field
    - When a worker who has obtained national technical qualifications as a technician or equivalent level and engages in a relevant field
    - When a worker who has obtained professional qualification as an architect, accountant, lawyer, tax accountant, doctor, etc. engages in a relevant field
**Acquisition of Land**

**85 Foreign-invested Company’s Acquisition of Farmland**

A Hong Kong-based company established a company in Jeju Island and is planning to acquire land to develop a resort. However, 60 percent of the land that the company plans to acquire is farmland, and foreigners are restricted from owning farmland. In this regard, how can the company acquire the land?

**A** The company is able to acquire the land if it satisfies certain requirements: A foreign company can acquire farmland if it establishes an agricultural corporation under the Act on Fostering and Supporting Agricultural and Fisheries Enterprises and registers as a foreign-invested company.

**86 Points to Check when Acquiring Land in Korea**

What should a foreigner check before concluding a land acquisition contract in Korea?

**A** A foreigner should check whether the process will require post-contract notification or pre-contract permission (penalties are imposed for violations).

**Additional Information**

If a foreigner mistakes pre-contract permission for a post-contract notification and concludes a land-acquisition contract without obtaining permission, the contract shall be considered invalid and the foreigner shall face fine or imprisonment.  

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139 Article 7 (2) of the Housing Site Development Promotion Act and Article 6-4 of the Enforcement Decree of the same Act
87 **Foreigners’ Notification of Land Acquisition**

**Q** If a foreigner concludes a contract for acquiring land in Korea, should he/she notify the acquisition?

**A** In principle, yes, but there are exceptions.

**Additional Information**

In general, if a foreign individual, foreign government, or international organization concludes a contract for acquiring land in the territory of Korea, the head of the Si/Gun/Gu should be notified within 60 days from the conclusion date of the contract. However, the same shall not apply in the following cases:

- Where transaction of real estate has been notified in accordance with Article 27 of the Business Affairs of Licensed Real Estate Agents and Report of Real Estate Transactions Act
- Where transaction of a house has been notified in accordance with Article 80-2 of the Housing Act.

88 **Land Acquisition Notification by a Domestic Branch of a Foreign Corporation**

**Q** Is a domestic branch of a foreign corporation required to notify land acquisition? Also, how should the land acquisition fund be introduced?

**A** Land acquisition notification is required.

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140 Article 4 [1] of the Foreigner’s Land Acquisition Act
Additional Information

Because a domestic branch of a foreign corporation is deemed a foreigner under the Foreigner’s Land Acquisition Act, land acquisition should be notified.

If the domestic branch seeks to acquire domestic real estate by introducing funds from overseas, the branch may introduce operational funds from its overseas headquarters through a designated foreign exchange bank without having to notify real estate acquisition under the Foreign Exchange Transaction Act because it is deemed a “resident” under the Act.141

89 Land Acquisition Notification by a Company in which No Less than Half of Its Executives are Foreign Nationals

Q Is land acquisition notification required for a domestic corporation in which no less than half of its executives are foreign nationals?

A Yes.

Additional Information

A domestic company is deemed a “foreigner” in accordance with the Foreigner’s Land Acquisition Act142 if no less than half of its executives are foreigners or if a foreign company owns no less than half of its shares. Therefore, the domestic corporation should notify land acquisition.

141 Article 9-34 of the Regulations on Foreign Exchange Transaction
142 Article 2, Sub-paragraph 2, Items b, c, d of the Foreigner’s Land Acquisition Act
In the case that a domestic corporation in which no less than 50 percent of its shares is held by foreigners acquires land in Korea, does the corporation need to notify real estate acquisition in accordance with the Foreign Exchange Transaction Act?

No.

Additional Information

- In this case, although the domestic corporation is deemed a foreigner under the Foreigner’s Land Acquisition Act, it is considered a “resident” under the Foreign Exchange Transaction Act, and therefore does not need to notify real estate acquisition.

- It should be noted that the Foreign Investment Promotion Act applies to foreign investors planning to register a foreign-invested company, therefore foreign investors seeking to acquire real estate by introducing investment funds or long-term loans should carry in funds after notifying foreign investment.
If a foreigner seeks to divide land within a Foreign Investment Zone, is a permission from the head of the local government required?

No.

Additional Information

A person who intends to engage in certain development activities in an urban area (e.g., constructing buildings, altering the form and quality of land, gathering earth and rocks, division of land) should obtain permission for the activities from the Special Metropolitan City Mayor, the Metropolitan City Mayor, or the head of a Si/Gun. However, permission is not required to divide land inside a Foreign Investment Zone.

If a foreign-invested company disposed of its real estate in Korea, how can the funds from disposal be remitted to the investor's home country?

If real estate is acquired for practical purposes, the funds required for acquisition are not remitted from overseas each time real estate is acquired, but are instead appropriated from the foreign-invested company's capital, etc. Likewise, when remitting funds from the disposal of real estate, the funds are not remitted each time real estate is disposed of. Instead, a foreign-invested company may remit the funds as reduced capital or dividends, and a domestic branch of the foreign-invested company may remit the funds as operating profit.

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143 Article 56 (1) 4 of the National Land Planning & Utilization Act
144 Article 20 [Special Cases Concerning Other Acts] (1) of the Foreign Investment Promotion Act
145 Article 9-35 to 9-37 of the Regulations on Foreign Exchange Transaction
**External Audit Requirements**

**Q**
Is a foreign-invested company required to be audited by an external auditor?

**A**
Both domestic and foreign-invested stock companies should be audited by an external auditor, if they satisfy certain conditions. Foreign-invested companies that are not in the form of a stock company (e.g. limited company) are not obligated to be audited by an external auditor.

---

**Taxation for a Private Business vs. Corporation**

**Q**
What is the difference between a private business and a corporation when it comes to taxation?

**A**
The opening, and temporary and permanent closure of a private business are less complex compared to a corporation. Also, if tax base is below a certain level, an income tax rate of six percent is applied to a private business, which is lower than the rate applied to corporations. However, if the tax base is higher, corporations are subject to a lower tax rate.
## Income Tax Rate for Private Businesses and Corporations

<table>
<thead>
<tr>
<th>Private business</th>
<th>Corporation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Taxable income</strong></td>
<td>Income listed in the Income Tax Act</td>
</tr>
<tr>
<td><strong>Tax obligation</strong></td>
<td>Limited to income of the applicable tax year</td>
</tr>
</tbody>
</table>

### Tax Rate

<table>
<thead>
<tr>
<th>Tax base (won)</th>
<th>Tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ 12 mil.</td>
<td>6% of tax base</td>
</tr>
<tr>
<td>&gt; 12 mil. and ≤ 46 mil.</td>
<td>720,000 won + (the amount exceeding 12 mil. won x 15%)</td>
</tr>
<tr>
<td>&gt; 46 mil. and ≤ 88 mil.</td>
<td>5.82 mil. won + (the amount exceeding 46 mil. won x 24%)</td>
</tr>
<tr>
<td>&gt; 88 mil. and ≤ 300 mil.</td>
<td>15.9 mil. won + (the amount exceeding 88 mil. won x 35%)</td>
</tr>
<tr>
<td>&gt; 300 mil.</td>
<td>90.1 mil. won + (the amount exceeding 300 mil. won x 38%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tax base (won)</th>
<th>Tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤ 200 mil.</td>
<td>10% of tax base</td>
</tr>
<tr>
<td>&gt; 200 mil. and ≤ 20 bil.</td>
<td>20 mil. won + (the amount exceeding 200 mil won x 20%)</td>
</tr>
<tr>
<td>&gt; 20 bil.</td>
<td>3,980 mil. won + (the amount exceeding 20 bil. won x 22%)</td>
</tr>
</tbody>
</table>

**Tax cuts from transition to corporation**

If the tax base is not high, the tax amount is lower for private businesses. However, if the tax base is higher than a certain amount, the tax amount is lower for corporations. Therefore, in this case, a private business may save tax by transitioning to a corporation.
Collective Payment of Value-added Tax

Q

If an entrepreneur who has two or more business places carries out the goods manufactured or acquired in one business place to another business place for the purpose of direct sales of the goods, does he/she need to file a value-added tax return?

A

In this case, the carrying out of goods shall be deemed as the supply of goods. Therefore, the place of business from which the goods have been carried out shall file value-added tax return and the place of business which receives the goods shall file value-added tax refund. However, in the case of an entrepreneur who has two or more business places and has registered as a business unit, his/her main office or principal office may collectively file value-added tax returns and pay the tax.

Additional Information

Place of tax return & payment

• In principle, value-added tax shall be returned and paid at each business place.
• In the event that any entrepreneur has two or more business places, such entrepreneur may pay value-added tax in lump-sum at his/her principal business place after filing an application to the head of the tax office having jurisdiction over his/her principal business place.
• An entrepreneur who is registered as a business unit under Article 5 (2) and (3) of the Value Added Tax Act (per-business unit taxable entrepreneur) may consolidate his/her tax returns for such different places of business into his/her main office or principal office to collectively file a single tax return and pay the value-added tax. In such case, the main office or principal office of the entrepreneur shall be deemed as each business place when the Value Added Tax Act applies to in connection with tax return and payment of value-added tax.

146 Article 4 of the Value Added Tax Act
Can a foreign company (foreign business operator) visiting Korea for a business meeting claim a refund for the value-added tax imposed on the goods and services it received in Korea for business purpose?

Yes. The company can receive refund for value-added tax imposed on food and lodging service or advertising service.

**Additional Information**

A foreign company that has no place of business in Korea (“foreign business operators”) may claim a refund for value-added tax applied to the following goods or services, provided such goods or services are business-related. However, the refund is not available to a foreign business operator whose total refundable amount for the calendar year is 300 thousand won or less.

- Food and lodging service (included on Jan. 1, 2010)
- Advertising service (included on Jan. 1, 2010)
- Electricity or communications service
- Real-estate lease service
- Certain goods or services necessary for the operation and maintenance of a domestic office of a foreign business as prescribed by the ordinance of the Ministry of Strategy and Finance.

The refund of value-added tax applies only when a relevant foreign country makes the same refunds to Korean businessmen, diplomats and diplomatic envoys.

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107 Article 107 (6) and (8) of the Restriction of Special Taxation Act and Article 107 of the Enforcement Decree of the Act
What is the insufficient capital tax system?

While interest expense is recognized as expense and therefore has the effect of reducing tax, dividend does not reduce tax because it is not recognized as expense. In this regard, instead of contributing capital, a company chooses to increase borrowings to pay for interest expenses, in order to reduce tax by increasing its expenses. In order to prevent this practice, the insufficient capital tax system does not recognize interest for excess borrowing used to pay foreign controlling shareholders, etc. as expense.

Additional Information

Insufficient capital tax system

- Where a domestic company borrows funds from a foreign controlling shareholder, or from a third party under a payment guarantee by the foreign controlling shareholder, and such borrowings exceed three times (six times in the case of finance industries) as much as the equity shares contributed with shares, etc. by the relevant foreign controlling shareholder, the interest paid and discount fee for the relevant amount in excess shall be deemed to have been disposed of as a dividend or an outflow of income, and shall not be included in deductible expenses of the relevant domestic company.\(^{148}\)

- A foreign controlling shareholder refers to one of the following and which has control over a domestic company or a foreign company’s domestic place of business.
  - When a domestic company is controlled: foreign shareholders and contributors (“foreign shareholders”) and foreign companies in which the foreign shareholders contributed in
  - When a foreign company’s domestic place of business is controlled: the headquarters or branches (branches located overseas) of a foreign company, foreign shareholders of the foreign company and a company in which the foreign company and foreign shareholders contributed.

\(^{148}\) Article 14 (1) of the Adjustment of International Taxes Act
Korea Trade-Investment Promotion Agency

IV. Settlement
**Foreigner Registration**

Is foreigner registration required for foreigners residing in Korea?

**A**

Foreigners who intend to stay in Korea for 91 days or longer are subject to foreigner registration and therefore should apply for a foreigner registration card. Also, foreigners should receive permission to extend the period of stay before his/her visa expires.

**Additional Information**

- In order to obtain a visa or a foreigner registration card, a fee should be paid to the immigration office. However, foreigners qualified for a D-8 visa are exempted from visa issuance fee.

- Foreigners applying for a visa should bring their passport and foreigner registration card and should fill out an application form, which can be downloaded at www.investkorea.org or www.hikorea.go.kr or obtained at an immigration office.

- Failure to comply with relevant rules may result in a fine.

<table>
<thead>
<tr>
<th>Obligations for a registered foreigner</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Foreigner registration and status of sojourn (visa)</strong></td>
</tr>
<tr>
<td>Foreigners who intend to stay in Korea for 91 days or longer should register their status as a foreigner, within 90 days of his/her entry, with the immigration office having jurisdiction over his/her place of sojourn (address of residence).</td>
</tr>
<tr>
<td>* If a foreigner gives birth in Korea, the baby should be granted status of sojourn within 90 days from the date of birth.</td>
</tr>
<tr>
<td>* A 3x4cm photograph is required to make a foreigner registration card</td>
</tr>
<tr>
<td>- A photograph is required only for foreigner registration cards.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Extension of period of stay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applications can be made during the two month prior to the date on which the period of stay expires.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change of place of sojourn</th>
</tr>
</thead>
<tbody>
<tr>
<td>A registered foreigner should who has changed his/her place of sojourn should notify an immigration control office having jurisdiction over the sojourn place or the head of the relevant Si/Gun/Gu office of the new place of sojourn within 14 days.</td>
</tr>
<tr>
<td>* Documents required: a copy of housing lease contract, application form, passport, foreigner registration card (processing fee: none)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other matters that require notification</th>
</tr>
</thead>
<tbody>
<tr>
<td>The following changes in foreigner registration matters should be notified within 14 days from the date on which the change occurs:</td>
</tr>
<tr>
<td>* A change in the holder’s name, date of birth or company name</td>
</tr>
<tr>
<td>* Issuance of new passport</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Return of foreigner registration card</th>
</tr>
</thead>
<tbody>
<tr>
<td>A registered foreigner should return his/her foreigner registration card to the immigration office at the airport or port when leaving Korea at the end of his/her sojourn (e.g. due to expiration of dispatch period).</td>
</tr>
</tbody>
</table>

Where to acquire information on visa and documents required for visa application:

- Invest KOREA website: www.investkorea.org
- Government portal for foreigners: www.hikorea.go.kr
- Korea Immigration Service: www.immigration.go.kr
- Dial 1345 (※ consulting available in 18 languages)
What are the documents required to acquire a D-8 visa?

(1) For individual foreign investors:
- Certificate of foreign-invested company registration
- Certificate of business registration
- Copy of corporation registration certificate
- Certificate of foreign exchange purchase
- Incoming remittance details: In the case funds are remitted
- Declaration of foreign currency: In the case funds are carried in
- A certificate certifying that foreign currency outflow has been permitted by (or notified to) the applicable customs office or bank
- A document certifying normal business operation, if applicable
  - Certificate of tax payment for corporate taxpayers
  - Income statement
  - Certificate of tax payment: ① Value-added tax, ② Income tax
  - Certificate of tax base for value-added tax
  - Certificate of export declaration
  - A document certifying that export proceeds have been collected
    ① Incoming remittance details
    ② Bankbook
  - Tax invoice
  - Business plan: expenditure of investment funds, future business plans
  - Office lease contract
  - Photos of company office and building
  - Housing lease contract
  - Passport
  - Application form
  - A 3.5 x 4.5cm color photo

(2) For corporate foreign investors:
- Certificate of foreign-invested company registration
- Certificate of business registration
- Dispatch order or assignment letter, letter explaining the reason for invitation
The dispatch order should be issued by the company headquarters. Even if an employee is dispatched from a branch, the dispatch order should be issued by the investor listed on the foreign invested company registration certificate (i.e. Headquarters). The dispatch period should be specified in the dispatch order.

- Documents certifying qualification as essential professional: diploma, qualification certificate, certificate of career experience, organizational chart, etc.
- Certificate of tax payment
- Income statement
- Copy of corporation registration certificate
- Office lease contract: Not required for registered foreigners
- Passport
- Application form
- A 3.5 x 4.5cm color photo

*Note*
When deemed necessary, the immigration office may request documents that are not listed above (Enforcement Regulation of the Immigration Control Act).

### Additional Information

#### Immigration offices issuing the D8 visa

<table>
<thead>
<tr>
<th>Office</th>
<th>Address</th>
<th>Contact no.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seoul Branch</td>
<td>121 Dong-ro, Mok-dong, Yangcheon-gu, Seoul 2nd fl Unhyeongung SK Hub Bldg, 12 Samil-ro [89-4 Gyeongun-dong], Jongno-gu, Seoul</td>
<td>82-2-2650-6212</td>
</tr>
<tr>
<td>Gimhae Branch</td>
<td>108 Gonghang Jinip-ro, Gangseo-gu, Busan</td>
<td>82-51-979-1300</td>
</tr>
<tr>
<td>Incheon Branch</td>
<td>272 Gonghang-ro, Junggu, Incheon</td>
<td>82-32-740-7015</td>
</tr>
<tr>
<td>Suwon Branch</td>
<td>39 Bandal-ro, Yeongtong-gu, Suwon</td>
<td>82-31-695-3800</td>
</tr>
<tr>
<td>Jeju Branch</td>
<td>277 Imhang-ro, Jeju-si</td>
<td>82-64-722-3494</td>
</tr>
<tr>
<td>Daegu Branch</td>
<td>71 Deungchon-ro, Dong-gu, Daegu-si</td>
<td>82-53-980-3505</td>
</tr>
<tr>
<td>Daejeon Branch</td>
<td>26-7 Mokjung-ro, Jung-gu, Daejeon</td>
<td>82-42-220-2001</td>
</tr>
<tr>
<td>Yeosu Branch</td>
<td>Museon-ro, Yeosu-si, Jeonnam</td>
<td>82-61-689-5518</td>
</tr>
<tr>
<td>Yangju Branch</td>
<td>1475-23 Pyeonghwa-ro, Yangju-si, Gyeonggi-do</td>
<td>82-31-828-9303</td>
</tr>
<tr>
<td>Gwangju Branch</td>
<td>196 Hwajeong-ro, Seo-gu, Gwangju</td>
<td>82-62-381-0015</td>
</tr>
<tr>
<td>Changwon Branch</td>
<td>166 Haeandaero, Happo-gu, Changwon-so, Gyeongnam</td>
<td>82-55-240-8620</td>
</tr>
<tr>
<td>Chuncheon Branch</td>
<td>12 Saam-gil, Dongnae-myeon, Chuncheon-si, Gangwon-do</td>
<td>82-33-244-7351</td>
</tr>
<tr>
<td>Cheongju Branch</td>
<td>12-52 Biha-ro, Heungdeok-gu, Cheongju-si, Chungbuk</td>
<td>82-43-230-9000</td>
</tr>
<tr>
<td>Jeonju Branch</td>
<td>Dongbudaero, Deokjin-gu, Jeonju-si, Jeonbuk</td>
<td>82-63-245-6164</td>
</tr>
</tbody>
</table>
**Q & A on FDI in Korea**

**Extension of Period of Sojourn**

What are the documents that are required to extend a D8 visa?

**(1) For individual foreign investors:**
- Certificate of foreign-invested company registration
- Certificate of business registration
- Copy of corporation registration certificate
- Documents certifying normal business operation
  - Certificate of tax payment (corporate taxpayers)
  - Income statement
  - Certificate of tax payment: 
    ① Value-added tax, ② Income tax
  - Certificate of tax base for value-added tax
  - Certificate of export declaration, import & export permit
  - A document certifying that export proceeds have been collected
    ① Incoming remittance details
    ② Bankbook
- Tax invoice
- A document certifying that Korean nationals have been employed:
  - employment insurance contract, etc.
- Office lease contract
- Photos of company office and building
- Housing lease contract
- Passport
- Application Form
- Foreigner registration card

**(2) For corporate foreign investors:**
- Certificate of foreign-invested company registration
- Certificate of business registration
- Dispatch order, assignment letter or certificate of employment
  ※ The dispatch order should be issued by the company headquarters.
  Even if an employee is dispatched from a branch, the dispatch order should be issued by the investor listed on the foreign invested company registration certificate (i.e. Headquarters). The dispatch period should be specified in the dispatch order.
- Certificate of tax payment (corporate taxpayers)
- Certificate of tax payment (individual taxpayers) or withholding income tax payment receipt
- Income statement
- Copy of corporation registration certificate
- Passport
- Application form
- Foreigner registration card

**Note**
When deemed necessary, the immigration office may request documents that are not listed above (Enforcement Regulation of the Immigration Control Act).
Does a foreigner who is an executive of a foreign-invested company obligated to enroll in National Health Insurance? (The foreigner frequently travels overseas for business and has no dependent families residing in Korea.)

In principle, foreigners residing in Korea are obligated to enroll in National Health Insurance. However, foreigners who meet certain conditions may become exempt from enrolling in National Health Insurance. It should be noted that de-enrollment is not possible if insurance premium has been paid at least once.

**Additional Information**

**Special treatment of foreigners, etc.**

- If an agreement is reached with the foreign government, the Korean government may arrange for a separate health insurance for workers at a workplace where a foreign government is the employer.

- Overseas Korean nationals or foreigners who are eligible for employment-provided policyholders shall be the following persons who work at a place of business where the employees become employment-provided policyholders or who are employed or appointed as public officials, teachers or school staff. (However, daily-paid workers who are employed for a period of less than one month, etc. shall be excluded).
  - A person who has filed for foreigner registration
  - A person who has reported on his/her place or residence in Korea

**Foreigners’ exemption from enrollment**

- In the case that a foreigner is able to receive medical coverage under foreign law, a foreign insurance plan, or a contract with the employer and the amount of the coverage is equal to or better than the coverage provided by National Health Insurance, the foreigner may be exempt from enrolling in National Health Insurance.

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149 Article 93 of the National Health Insurance Act
150 Article 64 (1) of the Enforcement Decree of the National Health Insurance Act
151 Article 6 (2) of the National Health Insurance Act
152 Article 31 of the Immigration Control Act
153 Article 6 of the Act on the Immigration and Legal Status of Overseas Koreans
154 Article 45 (4) of the Enforcement Rule of the National Health Insurance Act
to or matches the amount of medical coverage provided under the National Health Insurance Act, the foreigner is exempted from enrollment in National Health Insurance.

- For workers whose monthly wage is 78.1 million won or less, National Health Insurance applies the same contribution rate.

- Minimum and maximum monthly wage applied
  - For workers whose monthly wage is less than 280,000 won: monthly wage of 280,000 won shall be applied in calculating the insurance premium
  - For workers whose monthly wage exceeds 78.1 million won: monthly wage of 280 thousand won shall be applied in calculating the insurance premium

How to apply for exclusion from enrollment: Submit a form of notification of disqualification for workplace-based insurance with the following documents attached.

- In the case that the applicant is insured based on foreign laws and regulations or a foreign insurance plan.
  - A document certifying that the applicant is eligible to receive medical benefits under foreign laws or regulations, or an insurance contract that certifies that he/she is eligible to receive medical benefits.
  - A document that bears the applicant’s intention to de-enroll from National Health Insurance.

- In the case that the applicant is insured based on a contract with the employer, etc.
  - A document such as an employment contract, etc. certifying that the applicant is eligible to receive medical insurance.
  - A document certifying that medical expenses have been paid to workers in the workplace.
  - A document that bears the applicant’s intention to de-enroll from National Health Insurance.

- Other details pertaining to foreigners and overseas Koreans’ eligibility for insurance coverage, etc. shall be announced through a notice of the Minister of Health and Welfare.

- Ministry of Health and Welfare’s notice no. 2012-110 “Standard for applying the National Health Insurance system to Korean nationals residing overseas and foreigners” (Aug. 31, 2012)

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155 Article 39 of the National Health Insurance Act
156 Article 64 (4) of the Enforcement Decree of the National Health Insurance Act
157 Article 32 of the Enforcement Decree of the National Health Insurance Act
158 Attached form 4-2 of the Enforcement Rule of the National Health Insurance Act
159 Article 45 (5) of the Enforcement Rule of the National Health Insurance Act
102 Foreigners’ Registration of Seal Imprint

Q Can a foreigner residing in Korea register his/her seal imprint in order to make the procedure for real estate transaction, inauguration as executive of foreign-invested company, etc. more convenient?

A A foreigner who is registered may register his/her seal imprint in accordance with the Immigration Control Act.

103 Drivers’ License

Q Can a foreigner exchange his/her driver’s license into a Korean driver’s license?

A A foreigner who holds a driver’s license issued by an authorized foreign agency can exchange the foreign driver’s license with a Korean driver’s license after submitting a certificate from his/her home country’s embassy proving the authenticity of the foreign driver’s license and undergoing a physical exam and/or taking a written test.

Additional Information

- A foreigner who was issued a driver’s license from a country which recognizes Korean driver’s license may only undergo the physical exam. To see the list of countries which recognize Korean driver’s license, visit the Road Traffic Authority Driver’s License Examination Office at http://dl.koroad.or.kr.

- To exchange a driver’s license which was issued in a country which does not recognize Korean driver’s license, the license holder should undergo a physical exam and take a written test. The written test has 20 questions, and foreigners can choose from Korean, English, Chinese and Russian.
Only foreign driver’s licenses which are not expired are deemed valid, and temporary driver’s licenses, learner’s permits and driving permits cannot be exchanged into Korean driver’s license.

Documents required to exchange into Korean driver’s license (for licenses issued by countries recognizing the Korean driver’s license): foreign driver’s license, passport, foreigner registration card, three color photos (3x4cm), certificate from home country’s embassy proving the authenticity of foreign driver’s license, 10,000 won (processing fee).

### 104 Changes in Foreigner Registration Matters That Require Notification

**Q** When a foreigner’s passport is reissued, is notification required?

**A** In the case that a foreigner’s passport number, passport issuance date or date of expiration has changed, he/she should notify the immigration control office within 14 days from the date on which the new passport was issued.

### Additional Information

- In addition to the reissuance of a passport, the following changes are subject to notification to the immigration control office.
  - Change in name, sex, date of birth or nationality
  - Change in D-1, D-2, D-4 visa holders’ organization (including change in organization’s name)
  - Change in D-5, D-6, D-7, D-8 or D-9 visa holders’ organization name.

- The above changes should be notified within 14 days from the date of occurrence.

- Documents required for notification of change: passport and foreigner registration certificate, notification form, documents certifying that changes have been made

- A registered foreigner should notify changes in foreigner registration matters to the immigration control office within 14 days from the date on which such changes occur. Failure to make a notification within the deadline is a violation of Article 35 of the Immigration Control Act and shall result in a fine.
If a foreigner changes his/her place of sojourn, is a notification of change of address required?

Yes.

Additional Information

- A registered foreigner who has changed his/her place of sojourn should notify the immigration control office having jurisdiction over the sojourn place or the head of the relevant Si/Gun/Gu office within 14 days.

- Deadline for notification: Within 14 days from the change of place of sojourn

- Documents to submit: passport, foreigner registration certificate, notification form, lease contract

- Failure to make a notification within 14 days from the date on which change in place of sojourn occurred is a violation of Article 36 of the Immigration Control Act and shall result in a fine of up to 1 million won.
106 Child and Infant Welfare

Q Are the children of foreigners residing in Korea eligible for childcare subsidies?

A No. Only children who are Korean nationals are eligible for childcare subsidies (for daycare) offered by local governments.

Additional Information

- The child and welfare system operated by local governments does not apply to registered foreigners.
- However, foreigners are eligible to use toy or book rental services.
  - How to apply for the service: register at the relevant local government’s childcare service website and receive a membership card
  - Membership fee: 10,000 - 20,000 won (varies by local government)
107 Medical Care Subsidies for Pregnancy and Childbirth

Are foreigners eligible for subsidies for medical expenses relating to pregnancy and childbirth?

Yes, if a foreigner is insured or is a dependent under Korea’s National Health Insurance scheme.

Additional Information

The Gounmom card is an electronic voucher card for pregnant women which provides benefits to cover pregnancy and childbirth related medical expenses for the purpose of helping women deliver healthy babies and maintain pre- and post-natal health.

About the Gounmom card

- Eligibility: Women who have verified their pregnancy with a written confirmation of pregnancy and applied for such support, among the insured and their dependents under the National Health Insurance scheme.
- Scope of coverage: Medical expenses relating to pregnancy and childbirth
- How to use the card: The card can be used to pay for medical expenses at a designated medical care institution in connection with pregnancy and childbirth.
- Amount of benefits: 500,000 won per pregnancy (700,000 won for multiple pregnancies)
- Period of use: From the date of receiving the card to 60 days after the due date ※ The amount that has not been used within the above period shall expire.
- Where to submit an application: a branch of the National Health Insurance Corporation, Shinhan Bank (Shinhan Card), Kookmin Bank (Kookmin Card), or a post office
- Required documents: application for support for payment of medical expenses for pregnancy and childbirth and written confirmation of pregnancy
Q&A on FDI in Korea

108 International Data Roaming

How can I use my smartphone to access the Internet in a foreign country?

It is recommended to subscribe to an unlimited data plan before departing the country.

Additional Information

SK Telecom’s data unlimited data roaming plans

• The T Roaming Unlimited One-Pass

<table>
<thead>
<tr>
<th>Data Plan</th>
<th>Daily Fare</th>
<th>Data Offered</th>
<th>Serviced Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>T Roaming Data Unlimited One-Pass</td>
<td>9,000 won/day (9,900 won including VAT)</td>
<td>Unlimited</td>
<td>149 service providers in 108 countries (Subscribers should manually select the designated network operator in each serviced country)</td>
</tr>
</tbody>
</table>

• The Bridge DataRoam Unlimited

<table>
<thead>
<tr>
<th>Data Plan</th>
<th>Service Charge</th>
<th>Data Offered</th>
<th>Data Use Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bridge 1</td>
<td>9,000 won (9,900 won including VAT)</td>
<td>Unlimited</td>
<td>1 day</td>
</tr>
<tr>
<td>Bridge 3</td>
<td>25,000 won (27,500 won including VAT)</td>
<td>Unlimited</td>
<td>3 days</td>
</tr>
<tr>
<td>Bridge 5</td>
<td>40,000 won (44,000 won including VAT)</td>
<td>Unlimited</td>
<td>5 days</td>
</tr>
</tbody>
</table>
#### Olleh KT’s data roaming plans

- Unlimited data roaming service

<table>
<thead>
<tr>
<th>Data Plan</th>
<th>Service Charge</th>
<th>Data Offered</th>
<th>Serviced Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Olleh unlimited data roaming</td>
<td>10,000 won/ day (11,000 won including VAT)</td>
<td>Unlimited</td>
<td>133 network operators in 91 countries</td>
</tr>
</tbody>
</table>

- Data roaming - 10,000 won / 30,000 won plan

<table>
<thead>
<tr>
<th>Data Plan</th>
<th>Service Charge</th>
<th>Data Offered</th>
<th>Serviced Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data roaming - 10,000 won plan</td>
<td>10,000 won/14 days (11,000 won including VAT)</td>
<td>10MB</td>
<td>133 network operators in 91 countries</td>
</tr>
<tr>
<td>Data roaming - 30,000 won plan</td>
<td>30,000 won/14 days (33,000 won including VAT)</td>
<td>50MB</td>
<td>133 network operators in 91 countries</td>
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</tbody>
</table>

#### LG U+ Data Roaming Plans

- Unlimited data roaming plan

<table>
<thead>
<tr>
<th>Data Plan</th>
<th>Service Charge</th>
<th>Data Offered</th>
<th>Serviced Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unlimited data roaming</td>
<td>10,000 won/ day (11,000 won including VAT)</td>
<td>Unlimited</td>
<td>85 countries</td>
</tr>
</tbody>
</table>

- Data roaming plan – flat rates for 10MB/30MB

Data roaming and Wi-Fi roaming in 12 countries in Europe and North America for 14 days
- Serviced countries: U.S.A., Canada, U.K., France, Germany, Netherlands, Belgium, Italia, Spain, Switzerland, Austria, the Czech Republic

<table>
<thead>
<tr>
<th>Data Plan</th>
<th>Service Charge</th>
<th>Data Offered</th>
<th>Wi-Fi Roaming</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data roaming – flat rate for 10MB</td>
<td>15,000 won/14 days (16,500 won/14 days)</td>
<td>10MB</td>
<td>500MB</td>
<td>Data roaming is deactivated when data limit is reached.</td>
</tr>
<tr>
<td>Data roaming – flat rate for 30MB</td>
<td>40,000 won/14 days (44,000 won/14 days)</td>
<td>30MB</td>
<td>500MB</td>
<td></td>
</tr>
</tbody>
</table>
What should be done when a cellphone is lost or stolen?

Contact your mobile service provider to report loss and suspend service (incoming calls can be answered).

Additional Information

- Report loss and request originating call denial immediately to avoid excessive cellphone bills.

- The Korea Association for ICT Promotion (KAIT) operates an on-line lost cellphone finding service (http://www.handphone.or.kr/ph1_search_grobal.php, in English) free of charge, which locates any phone that is sent to the local post office, lost & found center, or the police.

- If a cellphone was lost in a department store or a subway station, contact the department store’s customer service center or the subway station’s lost & found center.
**110 Emergency Medical Call**

**Q** What number should I call in case of medical emergency?

**A** Dial 119 without an area code or call the BBB free interpretation service (1588-5644). Services are available 24 hours a day.

**Additional Information**

- The emergency call number 1339 has been integrated to 119 in June, 2013. Call 119 to request emergency medical aid or an ambulance.

- In Seoul, 119 response centers provide emergency medical interpretation services in English, Japanese, Chinese, Vietnamese and Mongolian, but the languages available in other cities may differ. If the language you use is not available, it is advised to use the BBB free interpretation service to call the center.

**BBB free interpretation service**

- Serviced languages: English, Japanese, Chinese, French, Spanish, Italian, Russian, German, Portuguese, Arabic, Indonesian, Mongolian.
- Service hours: 24 hours
- Main phone number: 1588-5644
- Website: www.bbbkorea.org
Can a foreigner apply for a Korean credit card?

Yes. A foreigner may apply for a Korean credit card by visiting a branch of a credit card company. The criteria for issuing a credit card differ by company.

**Additional Information**

**How to apply for a credit card**

- Eligibility: foreigners who hold a foreigner registration card, are 20 years or older, are employed in Korea and own an account at the applicable bank
- Required documents: income certificate (recent three months), employee contract, foreign registration card, and passport
- Issuance process: The credit card review team will evaluate the applicant’s documents. If the application is rejected, a credit card can be issued by making a deposit at the applicable bank (KEB Bank). In this case, the credit card limit will be 90 percent of the deposit, and the deposit will be returned after the credit card is cancelled.
Where can foreigners learn Korean, and are there free language classes?

The KOTRA Korean Language School, Korean language schools in major universities, foreigner support centers or on-line courses offer Korean language classes.

Additional Information

Commissioned by the Ministry of Trade, Industry and Energy, the KOTRA Korean Language School (KLS) has been providing free Korean language courses in order to address the language barrier experienced by foreign investors, which has often been one of the biggest problems faced by foreigners living in Korea.

About KOTRA’s KLS courses

- Eligibility: A-1, D-4, D-8, E-3, F-2, F-3 visa holders
  (Holders of other types of visa should check with the KLS for eligibility.)
- Venue: Invest Korea Plaza Building
- Inquiries: 82-2-3497-1148

Fee-based Korean classes

<table>
<thead>
<tr>
<th>Offline Only</th>
<th>Online/Offline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kyung Hee University Institute of International Education</td>
<td><a href="http://eng.iie.ac.kr/">http://eng.iie.ac.kr/</a></td>
</tr>
<tr>
<td>Korea University Institute of Foreign Language Studies</td>
<td><a href="http://klcc.korea.ac.kr/">http://klcc.korea.ac.kr/</a></td>
</tr>
<tr>
<td>Pusan International University International Language Institute</td>
<td><a href="http://ili.pusan.ac.kr/_English/2001001.asp">http://ili.pusan.ac.kr/_English/2001001.asp</a></td>
</tr>
<tr>
<td>Hansei University Korea Language Institute</td>
<td><a href="http://www.hskli.com/eng/">http://www.hskli.com/eng/</a></td>
</tr>
<tr>
<td>Easy Korean Academy</td>
<td><a href="http://www.edukorean.com/english/">http://www.edukorean.com/english/</a></td>
</tr>
<tr>
<td>King Sejong Institute</td>
<td><a href="http://www.sejonghakdang.org/">http://www.sejonghakdang.org/</a></td>
</tr>
<tr>
<td>Seogang Korean Program</td>
<td><a href="http://korean.sogang.ac.kr/">http://korean.sogang.ac.kr/</a></td>
</tr>
<tr>
<td>Yeonsei University Korean Language Institute</td>
<td><a href="http://www.yskli.com/">http://www.yskli.com/</a></td>
</tr>
</tbody>
</table>
### Free Korean classes

<table>
<thead>
<tr>
<th>Category</th>
<th>Course</th>
<th>Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online Only</td>
<td>KBC Let's Learn Korean</td>
<td><a href="http://world.kbs.co.kr/learn_korean2/">http://world.kbs.co.kr/learn_korean2/</a></td>
</tr>
</tbody>
</table>
This section is a summary of the ‘50 Questions Foreign Investors Most Frequently Ask’ in the UNCTAD Survey of Best Practices in Investment Promotion.
1. Inbound Foreign Direct Investment

![Graph showing Inbound Foreign Direct Investment from 2009 to 2012. The graph indicates a general trend of increase in investment amounts over the years.]

[Unit: US$ 1 mil.]

2. Restrictions and Prohibitions on Foreign Direct Investment

- **Unpermitted Category of Business**

Business categories in which foreign direct investment is not permitted have public features, and hence there are difficulties in applying the Foreign Investment Promotion Act. The prohibition of foreign investment in the said categories is notified by the Regulations on Foreign Investment and Technology Introduction and Consolidated Public Notice for Foreign Investment.
Q&A on FDI in Korea

(4 Unpermitted Category of Business)

• Postal services, central banking, individual mutual aid organizations, pension funding, administration of financial markets, services supporting financial businesses, etc.
• Legislative, judiciary, administrative bodies, foreign embassies, extra-territorial organizations and bodies
• Education (pre-school, primary, secondary, universities, graduate schools, schools for the handicapped, etc.)
• Artists, religious groups, business, professional, environmental advocacy, political, and labor organizations

Restricted Category of Business

In principle, foreign direct investment is not permitted in restricted categories of business as well. However, when there are standards for permission, foreign investment is partially permitted. The restriction of foreign investment is notified by the Regulations on Foreign Investment and Technology Introduction and the Consolidated Public Notice for Foreign Investment.

No foreigner shall make an investment in any company concurrently running both a category of business in which foreign investment is not permitted and a category of business in which foreign investment is only partially permitted. And where intending to make an investment in any company running not less than two categories of business in which foreign investment is only partially permitted, a foreigner shall be prohibited from making an investment in the company in excess of the ratio of foreign investment in the category of business in which the ratio of permissible foreign investment is lowest.

<table>
<thead>
<tr>
<th>Category of Business (KSIC)</th>
<th>Standards for Permission</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growing of cereal crops and other crops for food [01110]</td>
<td>- Growing of rice and barley is prohibited</td>
</tr>
<tr>
<td>Farming of beef cattle [01212]</td>
<td>- Permitted where the foreign investment ratio is less than 50%</td>
</tr>
<tr>
<td>Inshore and coastal fishing [03112]</td>
<td>- Permitted where the foreign investment ratio is less than 50%</td>
</tr>
<tr>
<td>Manufacture of other basic inorganic chemicals [20129]</td>
<td>- Permitted with the exception of manufacture and distribution of nuclear fuel</td>
</tr>
<tr>
<td>Manufacture of other smelting, refining and alloys of non-ferrous metals [24219]</td>
<td>- Permitted with the exception of manufacture and distribution of nuclear fuel</td>
</tr>
<tr>
<td>Nuclear power generation [35111]</td>
<td>- Prohibited</td>
</tr>
<tr>
<td>Hydroelectric power generation [35112]</td>
<td>- The sum of power plant facilities purchased by foreigners from Korea Electric Power Corporation (KEPCO) must not surpass 30% of the total domestic power plant facilities</td>
</tr>
<tr>
<td>Firepower generation [35113]</td>
<td>- The foreign investment ratio must be less than 50%</td>
</tr>
<tr>
<td>Other power generation [35119]</td>
<td>- The number of voting stocks held by foreign investors should not exceed the number of stocks held by the largest Korean shareholder</td>
</tr>
<tr>
<td>Transmission and distribution of electric power [35120]</td>
<td>- The foreign investment ratio must be less than 50%</td>
</tr>
</tbody>
</table>

Category of Business (KSIC) Standards for Permission
### Category of Business (KSIC) | Standards for Permission
--- | ---
Disposal of radioactive waste (38240) | - Radioactive waste management business under Article 9 of the Radioactive Waste Control Act is prohibited
Wholesale of meat (46312) | - Permitted where the foreign investment ratio is less than 50%
Coastal water passenger transport (50121)  
Coastal water freight transport (50122) | Permitted when the following conditions are satisfied:  
- Transport of passengers or freight between South and North Korea  
- Joint venture with a shipping company of the Republic of Korea  
- The foreign investment ratio is less than 50%
International air transportation (51)  
Domestic air transportation (51)  
Small aircraft transportation (51) | - Permitted where the foreign investment ratio is less than 50%
Publishing of newspapers (58121) | - Permitted where the foreign investment ratio is less than 30%
Publishing of magazines and periodicals (58122) | - Permitted where the foreign investment ratio is less than 50%
Radio broadcasting (60100) | - Prohibited
Over-the-air broadcasting (60210) | - Prohibited
Program distribution (60221) | - Permitted where foreign investment ratio is 49% or less
Cable networks (60222) | - CATV broadcasting business is permitted where foreign investment ratio is 49% or less
Broadcasting via satellite and other broadcasting (60229) | - Permitted where foreign investment ratio is 49% or less
Wired telecommunications (61210) | - Permitted where the sum of shares (limited to voting shares, including depositary receipt (DR) and other share equivalents and equity interests) held by a foreign government or a foreigner (including fictitious corporation of foreigners) is 49% or less of the total issued shares of the company (Foreigners are not allowed to become a majority shareholder of KT. However, they may invest in KT where they own less than 5% of the total shares.)
Mobile communications (61220) | - Fictitious corporation of foreigners: a corporation whose largest shareholder is a foreign government or a foreigner (including a specially-related person as referred to in Article 2 (20) 1 of the Financial Investment Services and Capital Markets Act), and not less than 15/100 of the gross number of whose issued stocks are owned by the said foreign government or foreigner.  
- Supplementary communications business is not restricted
Satellite communications (61230) | - Permission is limited to commercial banks and local banks (*Specialized banks, and agricultural/fisheries/livestock cooperatives are prohibited.*
Other electronic communications (61299) | - Permission is limited to commercial banks and local banks (*Specialized banks, and agricultural/fisheries/livestock cooperatives are prohibited.*
News agency activities (63910) | - Permitted where the foreign investment ratio is less than 25%
Domestic commercial bank (64121) | - KTX (Korea Expressway Corporation)
3. Countries Having Double Tax Avoidance Agreement with Korea

(As of Jan. 31, 2013)

**Agreements in Effect (79 countries)**

<table>
<thead>
<tr>
<th>Countries</th>
<th>Year(s)</th>
</tr>
</thead>
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<td>Denmark</td>
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<td>Finland</td>
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<td>Sweden</td>
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<td>Italy</td>
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<td>Spain</td>
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<tr>
<td>Spain</td>
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<td>Republic</td>
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<td>4 African countries</td>
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<td>U.S.A.</td>
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<td>Venezuela</td>
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<td>Panama</td>
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<tr>
<td>7 countries in the Americas</td>
<td></td>
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</table>

**Signatories (7 countries)**

<table>
<thead>
<tr>
<th>Countries</th>
<th>Year(s)</th>
</tr>
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<tbody>
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<td>Bahrain</td>
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**Amended Agreements (20 countries)**

<table>
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<td>Austria</td>
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</tr>
<tr>
<td>Poland</td>
<td>'12</td>
</tr>
</tbody>
</table>

Source: Guide to Taxation for Foreign Companies and Foreign-Invested Companies in Korea 2013

4. Foreign Direct Investment Procedure

The foreign investment procedure consists of foreign investment notification, remittance of investment funds, registration of incorporation & business, and registration of a foreign-invested company. The procedures applied to foreigners are basically the same as for Koreans with the exception of two additional steps: foreign investment notification and registration of a foreign-invested company. Where a foreign investor registers a privately-owned business, ‘registration of incorporation’ is not required.
5. Restrictions on Foreign Investors’ Stock Ownership

A foreign-invested company shall not conduct any of the following acts (Article 22 (3), (4) of the Foreign Investment Promotion Act and Article 29 (2) of the Enforcement Decree of the same Act):

1. Conducting a business in which foreign investment is restricted, beyond the permitted limit.

   <Exception> Permitted where the foreign investment ratio is below 10 percent

2. Acquiring the stocks or shares of another domestic company which conducts business, beyond the allowed limit, where foreign investment is restricted.

   <Exception> In the following cases, acquisition of stocks or shares are permitted as an exception:

   A. Where a company, whose foreign investment ratio is less than 50 percent and its largest shareholder is not a foreign investor (including specially related persons under Article 7 (1) of the Enforcement Decree of the Foreign Investment Promotion Act), acquires the stocks or shares of a domestic company

   B. Where a foreign-invested company, which partially or entirely engages in the acquisition of the stocks or shares of another company while operating a finance or insurance business (excluding private equity funds under Article 9 (18) of the Financial Investment Services and Capital Markets Act), acquires the stocks or shares of another company in accordance with another law.

   C. Where 10 percent or less of a domestic company’s total outstanding shares or total equity investment is acquired

3. Using the investment funds for a purpose other than those that have been notified or approved
6. Guarantee of Foreign Currency Exchange and Remittance

■ Liberalization of Foreign Investment

Except as otherwise prescribed by the Acts of the Republic of Korea, a foreigner may conduct, without restraint, various activities of foreign investment in the Republic of Korea. Foreigners are restricted from foreign investment in the following cases: where it threatens the maintenance of national safety and public order; where it has harmful effects on public hygiene or environmental preservation or is against Korean morals and customs; and where it violates the Acts and subordinate statutes of the Republic of Korea.

■ Protection of Foreign Investment

Protection of foreign direct investment has become stronger than that of indirect investment such as investment in securities and bonds, as prescribed by the Foreign Investment Promotion Act.

(1) Guarantee of Remittance to Foreign Countries

With respect to the proceeds that come from the stocks, etc. acquired by a foreign investor, proceeds from the sales of stocks, etc., the principal, interests, and service charges paid in accordance with the loan contract as prescribed by the Foreign Investment Promotion Act, and the compensation paid in accordance with a license agreement, their remittance to foreign countries shall be guaranteed in accordance with the details of the permission or notification of the foreign investment contract or the license agreement at the time when the said remittance is made.

(2) Exceptions to the Safeguard Clause on Foreign Currency Transactions

The Minister of Strategy and Finance may temporarily suspend or restrict foreign exchange transactions, if such measures are deemed inevitable on account of the outbreak of natural calamities, war, conflicts of arms, grave and sudden changes in domestic and foreign economic conditions, or other situations equivalent thereto (Article 6 (1) ~ (3) of the Foreign Exchange Transactions Act). However, such measures shall not apply to foreign investment as provided for in the Foreign Investment Promotion Act (Article 6 (4) of the Foreign Exchange Transactions Act).

(3) National Treatment

Except as otherwise prescribed by the Acts of the Republic of Korea, foreign investors and foreign-invested companies shall be treated in the same way as nationals of the Republic of Korea and Korean corporations in respect of their business operation.
7. FDI Incentives

■ Cash Grant

(1) Qualifications: businesses accompanying high technology, industry support businesses, parts & materials businesses, businesses with high job creation effects, R&D businesses employing five or more researchers, regional headquarters, strategic businesses

(2) Purpose of Cash Grant
- Purchase of land and payment of rent for factory facilities, research facilities, construction, capital goods purchase, etc.
- Subsidies for education & training
- Subsidies for employment

* Cash grant shall be paid after a review of investments executed during the investment period.

(3) Requirements
- Foreign investment ratio of 30 percent or higher
- The Foreign Investment Committee shall decide whether to provide cash grants after deliberation and review.

■ Rent Exemption/Reduction in Government-owned Land

(1) Qualifications
- Individual-type FIZ, businesses accompanying high technology & investing US$ 1 million or more, manufacturing businesses investing US$ 5 million or more

(2) Rent Reduction Ratio
- Individual-type FIZs: 10 percent
- Businesses accompanying high technology & investing US$ 1 million or more: 100 percent for complex-type FIZs, 50 percent for industrial complexes
- Manufacturing businesses investing US$ 5 million or more: 100 percent for parts & materials businesses/ 75 percent for other businesses in FIZs, 50 percent for industrial complexes

* Rent reduction or exemption on public properties shall be stipulated by the ordinances of the local government.

(3) Requirements
- The foreign investment ratio is 30 percent or higher, and the lease contract should be executed.
### Tax Reduction/Exemption

1. **Qualifications:**
   ① businesses accompanying high technology & industry support services,
   ② tenant companies in an individual-type FIZ,
   ③ tenant companies (manufacturing businesses investing US$ 10 million or more, logistics businesses investing US$ 5 million or more) in a complex-type FIZ,
   ④ tenant companies in FEZs, FTZs, enterprise cities, and Jeju Free Int’l City which meet requirements

2. **Tax Reduction Ratio**
   - ① & ②: Seven-year reduction (100 percent reduction for five years, 50 percent reduction for the following two years)
   - ③: Five-year reduction (100 percent reduction for three years, 50 percent reduction for the following two years)
   * For ①, ②, ③, the upper limit of tax reduction or exemption is 50-70 percent of the total investment amount
   - For ①, ②, ③ & ④, local tax can be reduced or exempted up to 15 years
   - Tax reduction for capital goods introduced
     - Companies eligible for seven-year reduction: exemption of customs duty, VAT, special excise tax
     - Companies eligible for five-year reduction: exemption of customs duty

3. **Requirements**
   - Companies eligible for seven-year tax reduction
     - Companies in FEZs, Jeju Science Park, Jeju Investment Promotion Zone: manufacturing businesses investing US$ 30 million or more (same as individual-type FIZs)
   - Companies eligible for five-year tax reduction
     - Companies in FEZs, FTZs and enterprise cities: manufacturing businesses investing US$ 10 million or more (same as individual-type FIZs)
   * In the case of FEZs, tourism businesses investing US$ 10 million or more, foreign medical institutes investing US$ 5 million or more shall also be included.
   - Executors of development projects
     - FEZs, enterprise cities: Companies with foreign investment amount of US$ 30 million or more or foreign investment ratio of 50 percent or higher and whose total development project investment is US$ 500 million or more
     - Jeju Investment Promotion Zone: companies with foreign investment amount of US$ 10 million or more or foreign investment ratio of 50 percent or higher and whose total development project investment is US$ 100 million or more
8. Intellectual Property Rights (Patent Right, Copyright, etc.)

Intellectual property rights are defined as the legal rights bestowed upon a person’s intellectual creation that is considered worthy of receiving legal protection. Intellectual property rights can be largely classified into industrial property rights and copyrights. With the advance of technology and culture, new forms of intellectual property rights are emerging such as trade secret rights and semiconductor layout rights. Industrial property rights and copyrights are governed by the Korean Intellectual Property Office and the Ministry of Culture, Sports and Tourism, respectively, in Korea.

- Protection of Intellectual Property Rights
  - Korea’s intellectual property rights protection policies are comparable to that of advanced countries.
  - The Korean government is cooperating with local governments, the prosecutor’s office and the police to better prevent the piracy of patented products. Also, the government is strengthening the protection of intellectual property rights by establishing a patent dispute forecast system that provides the latest news on patent disputes from major countries.
  - As a result of continuous implementation of policies for improving the intellectual property rights system, Korea was excluded from the U.S. Trade Representative’s annual Watch List for the first time in 20 years in 2009.

9. Requirements and Restrictions for Using Foreign Workers

In principle, foreigners should receive a visa from a Korean embassy or consulate to enter Korea, and the Republic of Korea treats the entry visa merely as a ‘consul’s recommendation for a foreigner’s entry’. Usually, a visa is issued in the form of a sticker or a rubber stamp in a passport, along with a statement of purpose (status of sojourn) and the period of sojourn.

- How to Enter Korea
  (1) A foreigner may enter Korea without a visa and undergo an entry inspection at the port of entry to obtain the status of sojourn and the maximum period of sojourn.
(2) A foreigner may enter Korea when holding a visa issued at a diplomatic mission abroad

(3) In the event that the authority to issue a visa is not delegated to the head of the diplomatic mission abroad, a foreigner may enter Korea after he/she obtains a visa issuance certificate (or a visa issuance certificate number) issued by the immigration control office having jurisdiction over the inviter’s sojourn place, presents the said certificate to the diplomatic mission abroad, and obtains a visa.

All foreigners entering Korea shall obtain the status of sojourn under Presidential Decree (the Immigration Control Act, Article 10). Status of sojourn is classified into 36 items, depending on the activity scope. Essential professionals and foreign investors fall into the category of a business investment (D-8) status of sojourn.

Foreigners’ sojourns in Korea are divided into long-term stays and short-term stays based on a ninety-day criterion. Changes to the status of sojourn may be permitted or restricted depending on his/her status of sojourn. Most short-term visas are issued immediately by a diplomatic mission abroad, since the authority to issue short-term visas is delegated to a consul. However, the issuance of a long-term visa may take longer, as it is issued at a diplomatic mission abroad after the approval of the Minister of Justice is obtained.

10. Minimum Wage Policy and Average Hourly Wage

- Labor Law

There are various laws in Korea for protecting the rights of workers and promoting their welfare. Such laws include the Labor Standards Act enacted to enhance the lives of workers and promote a balanced national economy, and the Minimum Wage Act for the guarantee of workers’ minimum wage.

- Laws on Dismissal

When dismissing a worker, a notice should be given at least 30 days prior to the actual dismissal. If not, the employer is obligated to pay more than 30 days’ worth of ordinary wage.
Working Conditions in Korea

<table>
<thead>
<tr>
<th>Statutory Work Hours Per Week</th>
<th>Maternity Leave</th>
<th>National Holidays Per Year</th>
<th>Work-free Saturday System</th>
</tr>
</thead>
<tbody>
<tr>
<td>40 hrs</td>
<td>90 days</td>
<td>16 days</td>
<td>In effect</td>
</tr>
</tbody>
</table>

Source: Ministry of Employment & Labor, Korea Ministry of Government Legislation

Note: 1) The statutory weekly working hours is 44 hours in some businesses in which application of the amended Labor Standard Act is deferred.
2) Out of the 90-day maternity leave, at least 45 days should be used after giving birth. Maternity leave can be used up to 45 days before the due date.
3) The number of annual national holidays includes Labor Day, and does not include weekend holidays.

11. Environmental Regulations (Regulations on Disposal of Industrial Waste and Prevention of Pollution)

Korea has established and implemented various environmental regulations. The environmental regulations imposed on companies are as follows:

- Regulations imposed on companies discharging environmental pollutants
  - Regulations on installment and operation of air pollutants emission facilities
  - Regulations on the designation and training of environmental engineers
  - Regulations applied on the four major river areas

- Regulations imposed on companies discharging and disposing wastes
  - Regulations on the appropriate discharge and disposal of wastes
  - Regulations on promoting the recycling of resources and prevention of waste

- Regulations on the management of hazardous materials
  - Regulations on the manufacture, use and import of chemical materials
  - Regulations on the manufacture, use and import of toxic materials
  - Regulations on the manufacture, use and import of restricted and banned materials
  - Regulations on the manufacture, use and import of observational materials

- Others
  - Regulations for maintaining a clean and comfortable living environment
  - Regulations for ensuring eco-friendly and sustainable development
  - Regulations on the management of drinking water
  - Regulations for the preservation of soil and underground water
12. Dispute Arbitration and Resolution through International Arbitration Committees, etc.

In general, Korea respects international laws and international dispute arbitration processes. Korea plans to open the Seoul International Dispute Resolution Center (Seoul IDRC) in 2013 in order to enhance the convenience of Korean companies and foreign-invested companies in Korea.

13. International Organizations Operating in Korea

A total of 43 international organizations including the 25 organizations listed below have a presence in Korea as of Nov. 2012.

- **Organizations hosted by the central government**

  World Bank Korea Office, Trans-Eurasia information Network Cooperation Center (TEINCC), International Vaccine Institute (IVI), Asia-Pacific Center of Education for International Understanding under the auspices of UNESCO (APCEIU), Green Growth Fund, Asian and Pacific Training Center for Information and Communication Technology for Development (UN-APCICT), United Nations Memorial Cemetery in Korea (UNMCK), Northwest Pacific Action Plan (NOWPAP) Secretariat

- **Organizations hosted by local governments**


- **NGOs**

  International Bar Association (IBA) Asia Headquarters, Church Growth International (CGI), World Taekwondo Federation (WTF), Asian Rowing Federation (ARF), Asia Taekwondo Union (ATU), etc.
14. International Banks, Foreign Accounting and Law Firms, and Foreign Insurance Firms in Korea

As of end-Dec. 2012, there are a total of 152 foreign finance companies with a presence in Korea: 56 banks; 22 security firms; 23 fund management firms; 6 investment consulting firms; 13 specialized credit finance firms; and 32 insurance companies.

- No. of banks: 56 (39 branches, 17 offices)
  - Goldman Sachs, Macquarie Bank, Bank of America, HSBC, etc.

- No. of security firms: 22 (9 local subsidiaries, 11 branches, 2 offices)
  - Deutsche Securities, BNP Paribas, Standard Chartered Securities Korea, etc.

- No. of insurance firms: 32 (21 non-life insurance firms, 11 life insurance firms)
  1. Non-life insurance firms: 21 (4 local subsidiaries, 13 branches, 4 offices)
     - Ergo Daum Direct General Insurance, AXA General Insurance, AIG General Insurance, etc.
  2. Life insurance firms: 11 (8 local subsidiaries, 1 branch, 2 offices)
     - Allianz Life Insurance, LINA Life Insurance, MetLife Life Insurance, Prudential Life Insurance, etc.

15. Ports and Airports

- Marine Transportation

The major ports in Korea are located in Busan, Incheon, Gwangyang, Pyeongtaek, Dangjin, Daesan, Gunsan, Mokpo, Jeju, Masan and Ulsan.

<table>
<thead>
<tr>
<th>Port</th>
<th>'11</th>
<th>'12</th>
<th>Previous 3 Months</th>
<th>Jan. '13</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Nov. '12</td>
<td>Dec. '12</td>
</tr>
<tr>
<td>Busan</td>
<td>16,185</td>
<td>17,046</td>
<td>1,390</td>
<td>1,424</td>
</tr>
<tr>
<td>Gwangyang</td>
<td>2,073</td>
<td>2,154</td>
<td>189</td>
<td>181</td>
</tr>
<tr>
<td>Incheon</td>
<td>1,998</td>
<td>1,982</td>
<td>184</td>
<td>174</td>
</tr>
</tbody>
</table>

Source: Ministry of Land, Infrastructure & Transport [as of Jan. '13]
Air Transportation

Korea has 15 airports, and international airports are located in Incheon, Kimpo, Gimhae, Jeju, Daegu, Cheongju, Yangyang and Muan.

Service | Objective
--- | ---
Air logistics information portal | - Distribution and sharing of logistics information
- Provision of information on logistics policies and news
- Provision of global airport weather information and plane schedules

Air cargo information system | - Cargo reservation and tracking
- Inbound/outbound cargo information management and online payment
- Issuance of air way bill number

Collaboration support system | - Creation of framework for sharing and exchanging information between companies
- Forwarder system, shipping list, cargo tracking, etc.

Source: Incheon International Airport Corporation

<table>
<thead>
<tr>
<th>(Air Transportation)</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of flights</td>
<td>211,102</td>
<td>198,918</td>
<td>214,835</td>
<td>229,580</td>
<td>254,037</td>
</tr>
<tr>
<td>No. of passengers</td>
<td>29,973,522</td>
<td>28,549,770</td>
<td>33,478,925</td>
<td>35,062,366</td>
<td>38,970,864</td>
</tr>
<tr>
<td>Air cargo (ton)</td>
<td>2,423,717</td>
<td>2,313,001</td>
<td>2,684,499</td>
<td>2,539,222</td>
<td>2,456,724</td>
</tr>
</tbody>
</table>

Source: Incheon International Airport Corporation

16. Telecommunication Service

Getting a Mobile Phone

(1) Mobile Phone Service Providers

<table>
<thead>
<tr>
<th>Company</th>
<th>Website</th>
<th>Phone no.</th>
</tr>
</thead>
<tbody>
<tr>
<td>olleh KT</td>
<td><a href="http://www.olleh.com">www.olleh.com</a></td>
<td>82-2-2190-1180</td>
</tr>
<tr>
<td>LG U+</td>
<td><a href="http://www.uplus.co.kr">www.uplus.co.kr</a></td>
<td>82-1544-0010</td>
</tr>
<tr>
<td>SK Telecom</td>
<td><a href="http://www.tworld.co.kr">www.tworld.co.kr</a></td>
<td>82-80-252-5011</td>
</tr>
</tbody>
</table>

(2) How Foreigners can Subscribe to a Mobile Phone

- olleh KT
  - Required documents: foreigner registration certificate
  - If handset is purchased in installments, the monthly payment differs by type of handset
  - One-time subscription fee: 24,000 won (can be paid either as a lump-sum or over three months)
• LG U+
  - Required documents: foreigner registration certificate
  - Foreigners can purchase a handset in installments if he/she has an account in a Korean bank or a Korean credit card
  - One-time subscription fee: 30,000 won

• SK Telecom
  - Required documents: foreigner registration certificate
  - Installment plan guarantee insurance fee: 25,000 won (refunded at the end of service contract)
  - One-time subscription fee: 39,600 won

(3) Time required to subscribe to a mobile phone service: around 30 minutes

Getting a Fixed-line Telephone

(1) Telecom Service Provider

<table>
<thead>
<tr>
<th>Company</th>
<th>Website</th>
<th>Phone no.</th>
</tr>
</thead>
<tbody>
<tr>
<td>olleh KT</td>
<td><a href="http://www.olleh.com">www.olleh.com</a></td>
<td>100</td>
</tr>
<tr>
<td>LG U+</td>
<td><a href="http://www.uplus.co.kr">www.uplus.co.kr</a></td>
<td>101</td>
</tr>
<tr>
<td>SK Broadband</td>
<td><a href="http://www.skbroadband.com">www.skbroadband.com</a></td>
<td>106</td>
</tr>
</tbody>
</table>

(2) How to Subscribe

• olleh KT
  1) Fixed-line phone
     - One-time subscription fee: 60,000 won (exempted if application is made on-line, but is fee charged if subscription is cancelled within the first three months)
  2) Internet phone
     - Required documents: foreigner registration certificate
     - Installation fee: 10,000 won (exempted if contract period is one year or longer)
     - Device purchase cost: 60,500 won (30,000 won discounted if contract period is two years or longer, the remaining 30,500 won is paid in 24 month installments)
     - Wireless AP device rental cost: 3,000 won per month

• LG U+
  1) Internet phone
     - Required documents: foreigner registration certificate
     - Wireless AP device rental cost: 2,750 won/month under a three-year contract
     - Device purchase cost: Depends on payment plan
     - Installment cost: 11,000 won
SK Broadband

1) Fixed-line phone
   - Required documents: foreigner registration certificate, copy of bankbook
   - One-time subscription fee: exempted if three-year contract is signed and standing order is requested

2) Internet phone
   - Required documents: foreigner registration certificate, copy of bankbook
   - One-time subscription fee: exempted if three-year contract is signed and standing order is requested
   - Device purchase cost: 104,500 won
   - Wireless AP device rental cost: 1,650 won per month

(3) Time required to subscribe to a fixed-line phone: around 30–40 minutes

17. Cost of Utilities - Electricities, Water

Overall Service Quality

The basic infrastructure of utilities such as water, gas and electricity is well established around the nation.

| Public Utility Prices |

<table>
<thead>
<tr>
<th>Utility Service</th>
<th>Price</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Electricity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Household (Low voltage)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Use</td>
<td>Power used</td>
<td>Basic fee</td>
</tr>
<tr>
<td>0-100kw</td>
<td>400</td>
<td>59.10</td>
</tr>
<tr>
<td>101-200kw</td>
<td>890</td>
<td>122.60</td>
</tr>
<tr>
<td>201-300kw</td>
<td>1,560</td>
<td>183.00</td>
</tr>
<tr>
<td>Industrial</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Use</td>
<td>Power used</td>
<td>Basic fee</td>
</tr>
<tr>
<td>4-300kw</td>
<td>5,270-7,140</td>
<td>76.8-76.7</td>
</tr>
<tr>
<td>300-1,000kw</td>
<td>6,990-7,830</td>
<td>59.1-156.50</td>
</tr>
<tr>
<td><strong>Gas</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>For households</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cooking</td>
<td>20.8064</td>
<td>MJ</td>
</tr>
<tr>
<td>Heating</td>
<td>20.9316</td>
<td></td>
</tr>
<tr>
<td>For businesses</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>21.7264</td>
<td></td>
</tr>
<tr>
<td>Industrial</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Winter</td>
<td>19.9078</td>
<td>MJ</td>
</tr>
<tr>
<td>Summer</td>
<td>19.3750</td>
<td></td>
</tr>
<tr>
<td><strong>Water</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Raw water</td>
<td>223</td>
<td>m³</td>
</tr>
<tr>
<td>Treated water</td>
<td>413</td>
<td></td>
</tr>
<tr>
<td>Settled water</td>
<td>313</td>
<td></td>
</tr>
<tr>
<td><strong>Oil</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gasoline</td>
<td>1,898.06 / Diesel</td>
<td>1,697.57</td>
</tr>
<tr>
<td>※ Average national price, regular gasoline inclusive of VAT</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LPG</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1,062.07</td>
<td>kg</td>
<td></td>
</tr>
<tr>
<td>※ Average national price, butane gas for automobiles inclusive of VAT</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Korea Electric Power Corp., Opinet [information portal for gas stations], Korea Gas Corporation, Korea Water Resources Corporation

Note: The figures above are as of May 2013
18. Road Network/ Land Transportation

Land Transportation

- Railway

  - There are regular trains (Mugunghwa, Saemaeul) and the KTX (Korea Train Express) high speed train in Korea. The KTX is the most expensive, followed by Saemaeul and Mugunghwa.
  - With the operation of the KTX in 2004, Korea became the 5th country in the world to have a high speed train system.

(Passenger Capacity by Train Type)

(Unit: 1,000 passengers)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>KTX</th>
<th>Saemaeul</th>
<th>Mugunghwa</th>
<th>Commuter train</th>
<th>Bidulgi</th>
<th>Subway</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>823,563</td>
<td>119,075</td>
<td>0</td>
<td>14,807</td>
<td>73,299</td>
<td>30,204</td>
<td>765</td>
</tr>
<tr>
<td>2002</td>
<td>837,268</td>
<td>115,914</td>
<td>0</td>
<td>15,534</td>
<td>73,809</td>
<td>26,478</td>
<td>93</td>
</tr>
<tr>
<td>2003</td>
<td>850,971</td>
<td>117,618</td>
<td>0</td>
<td>16,041</td>
<td>76,089</td>
<td>25,488</td>
<td>0</td>
</tr>
<tr>
<td>2004</td>
<td>851,716</td>
<td>109,935</td>
<td>0</td>
<td>15,362</td>
<td>70,539</td>
<td>24,034</td>
<td>0</td>
</tr>
<tr>
<td>2005</td>
<td>894,621</td>
<td>105,524</td>
<td>0</td>
<td>14,537</td>
<td>67,510</td>
<td>23,477</td>
<td>0</td>
</tr>
<tr>
<td>2006</td>
<td>921,223</td>
<td>111,214</td>
<td>19,882</td>
<td>12,490</td>
<td>63,569</td>
<td>15,273</td>
<td>0</td>
</tr>
<tr>
<td>2007</td>
<td>950,995</td>
<td>115,002</td>
<td>32,370</td>
<td>10,625</td>
<td>58,665</td>
<td>13,342</td>
<td>0</td>
</tr>
<tr>
<td>2008</td>
<td>969,145</td>
<td>114,331</td>
<td>36,490</td>
<td>9,690</td>
<td>55,914</td>
<td>12,237</td>
<td>0</td>
</tr>
<tr>
<td>2009</td>
<td>989,294</td>
<td>110,630</td>
<td>37,315</td>
<td>10,015</td>
<td>55,320</td>
<td>7,980</td>
<td>0</td>
</tr>
<tr>
<td>2010</td>
<td>1,018,977</td>
<td>113,098</td>
<td>38,016</td>
<td>10,814</td>
<td>57,383</td>
<td>6,885</td>
<td>0</td>
</tr>
<tr>
<td>2011</td>
<td>1,117,609</td>
<td>120,757</td>
<td>49,646</td>
<td>10,136</td>
<td>60,232</td>
<td>743</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Korea Railroad Corporation

- Highway

  - Korea has a vast and convenient highway network, and as of end-2010, the combined length of the country’s highways is 105,565 km. In all, there are 29 highway routes in Korea.

(Highway Traffic in 2012)

(Unit: 1,000 cars)

<table>
<thead>
<tr>
<th>Expressway</th>
<th>No. of cars</th>
<th>Expressway</th>
<th>No. of cars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gyeongbu</td>
<td>379,008</td>
<td>Jungang</td>
<td>130,405</td>
</tr>
<tr>
<td>Seoul Outer Ring</td>
<td>306,870</td>
<td>West Coast</td>
<td>117,062</td>
</tr>
<tr>
<td>Yeongdong</td>
<td>179,416</td>
<td>Gyeongin</td>
<td>51,190</td>
</tr>
<tr>
<td>Jungbu</td>
<td>125,685</td>
<td>Honam</td>
<td>100,095</td>
</tr>
</tbody>
</table>

Source: Korea Expressway Corporation
19. Tax Level and Structure

- The ratio of amount of taxes to national income stands at 19.7 percent (as of 2009), which is lower than that of OECD member nation’s average of 24.6 percent (as of 2009).
  * Source: OECD Revenue Statistics (2011 edition)

- For corporate income exceeding 200 million won, the income tax rate is 20 percent. For corporate income of 200 million won or less, the income tax rate is 10 percent.

<table>
<thead>
<tr>
<th>Basic Tax Rate for Consolidated Income Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Base</td>
</tr>
<tr>
<td>--------------------------------------------</td>
</tr>
<tr>
<td>Not more than 12 mil. won</td>
</tr>
<tr>
<td>More than 12 mil. won and not more than 46 mil. won</td>
</tr>
<tr>
<td>More than 46 mil. won and not more than 88 mil. won</td>
</tr>
<tr>
<td>More than 88 mil. won and not more than 300 mil. won</td>
</tr>
<tr>
<td>More than 300 mil. won</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Basic Tax Rate for Corporate Income Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Base</td>
</tr>
<tr>
<td>-----------------------------------------</td>
</tr>
<tr>
<td>The amount less than or equal to 200 mil. won</td>
</tr>
<tr>
<td>The amount exceeding 200 mil. won and less than or equal to 20 bil. won</td>
</tr>
<tr>
<td>The amount exceeding 20 bil. won</td>
</tr>
</tbody>
</table>
20. Population and GDP

- Population (as of 2012)
  - Population of 48,955,203, 25th highest in the world (statistics by CIA)

- 2012 GDP
  - Nominal GDP: US$ 1.1635 trillion, 15th highest in the world (as of 2012, statistics by IMF)
  - Per capita GDP: US$ 23,679, 34th highest in the world (as of 2012, statistics by IMF)

- 2012 Per Capita GNI and GDP Growth (statistics by Bank of Korea)
  - Per capita GNI: US$ 22,708
  - GDP growth rate: 2.0%
21. Schools and Hospitals (Medical System) for Foreigners

**Foreign Schools**

Most of the children of foreigners residing in Korea receive education from a school for foreigners.

| Number of Foreign Schools and Foreign Education Institutes in Korea |
|-------------------|---------------|--------------|-------------|------------------|
| Curriculum         | Seoul         | Gyeonggi - Incheon | Busan       | Other areas | Sum |
| Foreign schools    | English       | 13            | 6           | 2          | 5   | 26  |
|                    | Others        | 8             | 3           | 3          | 6   | 20  |
| Foreign education institutes* | - | 2 | 1 | 2 | 5 |

Source: KOTRA [Mar. 2013]
Note: Foreign education institutes have been established in accordance with the Special Act on Establishment and Management of Foreign Educational Institutions in Free Economic Zones and Jeju Free International City to improve the living conditions of foreign investors in Korea.

<table>
<thead>
<tr>
<th>Annual Tuition in Foreign Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Unit: won)</td>
</tr>
<tr>
<td>Seoul Foreign School</td>
</tr>
<tr>
<td>---------------------</td>
</tr>
<tr>
<td>Pre-school</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Elementary school</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Middle school</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>High school</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

Source: Seoul Foreign School, Korea Kent Foreign School
Note: as of Aug. 2011

**Medical System**

Korean hospitals have high-tech medical equipments, and provide high quality medical service. With the increase in foreigners living in Korea, the demand for medical services for the foreign population increased, and many hospitals are providing services of global standards to attract foreign patients.

**Medical Services for Foreigners**

- There are currently 38 general hospitals that provide medical service for foreign patients. Among the 38 hospitals, 12 are located in Seoul and provide 24 hour medical service to foreigners. Also, at the Seoul Foreigner Support Center, volunteers provide medical service information for foreigners 24 hours a day.
The Seoul National University Hospital, Severance Hospital, Gangnam Severance Hospital, Samsung Medical Center, Soonchunhyang University Hospital, and Gangnam CHA General Hospital provide an emergency medical hotline in English.

(Hospitals Providing Medical Service to Foreigners (Seoul))

<table>
<thead>
<tr>
<th>Hospital</th>
<th>Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seoul National University Hospital</td>
<td><a href="http://www.snuh.org">www.snuh.org</a></td>
</tr>
<tr>
<td>Soonchunhyang University Hospital</td>
<td><a href="http://www.schuh.ac.kr">www.schuh.ac.kr</a></td>
</tr>
<tr>
<td>Korea University Hospital</td>
<td>anam.kumc.or.kr</td>
</tr>
<tr>
<td>Gangnam Severance Hospital</td>
<td>gs.iseverance.com</td>
</tr>
<tr>
<td>KyungHee University Hospital</td>
<td><a href="http://www.khmc.or.kr">www.khmc.or.kr</a></td>
</tr>
<tr>
<td>Severance Hospital</td>
<td><a href="http://www.severance.or.kr">www.severance.or.kr</a></td>
</tr>
<tr>
<td>Seoul Samsung Medical Center</td>
<td><a href="http://www.samsunghospital.com">www.samsunghospital.com</a></td>
</tr>
<tr>
<td>Gangnam CHA General Hospital</td>
<td>kangnam.chamc.co.kr</td>
</tr>
<tr>
<td>Seoul Asan Hospital</td>
<td><a href="http://www.amc.seoul.kr">www.amc.seoul.kr</a></td>
</tr>
<tr>
<td>Seoul St. Mary’s Hospital</td>
<td><a href="http://www.cmckangnam.or.kr">www.cmckangnam.or.kr</a></td>
</tr>
<tr>
<td>Jaseng Hospital of Korean Medicine</td>
<td><a href="http://www.jaseng.co.kr">www.jaseng.co.kr</a></td>
</tr>
<tr>
<td>Hanyang University International Hospital</td>
<td>ih.hyumc.com</td>
</tr>
<tr>
<td>Migrant Workers’ Hospital</td>
<td><a href="http://www.mwhospital.com">www.mwhospital.com</a></td>
</tr>
</tbody>
</table>

Source: Guide to Living in Korea

22. Housing

Convenience of Living

According to Statistics Korea, Yeongdeungpo-gu district has the highest foreign population in Seoul, followed by Guemcheon-gu and Guro-gu. This is attributable to the high concentration of foreign companies in Yeongdeungpo-gu and the industrial complexes in Guemcheon-gu and Guro-gu. The foreign population is also high in Hannam-dong where many embassies are located, and foreign villages such as the French Village and the Japanese Village. In these foreign communities, the living environment is quite convenient as hospitals, schools and shopping centers cater to the needs of foreigners.

Cost of Living

Foreigners generally prefer monthly rent, and the rent in foreign communities is relatively higher than in other areas.
### Rent in Major Foreign Communities (Seoul)

<table>
<thead>
<tr>
<th>District (gu)</th>
<th>Apartment</th>
<th>Deposit</th>
<th>Monthly rent</th>
<th>Brokerage fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gwangak-gu</td>
<td>500~21,000</td>
<td>30~160</td>
<td>70~1,000</td>
<td>- Transaction value x Maximum brokerage fee rate (0.3<del>0.5%). The amount may not exceed the upper limit of 200,000</del>300,000 won (US$ 186~279.3)</td>
</tr>
<tr>
<td></td>
<td>[US$ 4,656~195,534]</td>
<td>[US$ 461~1,490]</td>
<td>[US$ 652~9,311]</td>
<td></td>
</tr>
<tr>
<td>Yongsan-gu</td>
<td>Hannam-dong: 2,000~10,000</td>
<td>70~1,000</td>
<td>50~700</td>
<td>- Transaction value of 300 mil. won or higher (US$ 279,335): Amount negotiated with real estate agent. The maximum brokerage fee rate is 0.8%</td>
</tr>
<tr>
<td></td>
<td>[US$ 18,622~93,112]</td>
<td>[US$ 652~9,311]</td>
<td>[US$ 466~3,724]</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Itaewon: 500~10,000</td>
<td>50~700</td>
<td>50~700</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[US$ 4,656~93,112]</td>
<td>[US$ 466~3,724]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yeongdeungpo-gu</td>
<td>2,000~16,000</td>
<td>20~150</td>
<td>20~150</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[US$ 18,622~148,979]</td>
<td>[US$ 186~1,397]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Geumcheon-gu</td>
<td>5,000~15,000</td>
<td>20~460</td>
<td>20~460</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[US$46,556~139,667]</td>
<td>[US$ 186~4,283]</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gangnam-gu</td>
<td>1,000~65,000</td>
<td>50~1,000</td>
<td>50~1,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[US$ 9,311~605,225]</td>
<td>[US$ 466~9,311]</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Office (Officetel) in Major Foreign Communities (Seoul)

<table>
<thead>
<tr>
<th>District (gu)</th>
<th>Officetel</th>
<th>Deposit</th>
<th>Monthly rent</th>
<th>Brokerage fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gwangak-gu</td>
<td>3,000~8,000</td>
<td>15~170</td>
<td>60~280</td>
<td>Amount negotiated with real estate agent. The maximum brokerage fee rate is 0.9%</td>
</tr>
<tr>
<td></td>
<td>[US$ 27,933~74,489]</td>
<td>[US$ 140~1,583]</td>
<td>[US$ 559~2,607]</td>
<td></td>
</tr>
<tr>
<td>Yongsan-gu</td>
<td>1,000~5,000</td>
<td>60~280</td>
<td>30~120</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[US$ 9,311~46,556]</td>
<td>[US$ 186~1,117]</td>
<td>[US$ 279~1,117]</td>
<td></td>
</tr>
<tr>
<td>Yeongdeungpo-gu</td>
<td>500~10,000</td>
<td>30~120</td>
<td>20~70</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[US$ 4,656~93,112]</td>
<td>[US$ 186~652]</td>
<td>[US$ 279~1,117]</td>
<td></td>
</tr>
<tr>
<td>Geumcheon-gu</td>
<td>500~3,000</td>
<td>20~70</td>
<td>50~270</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[US$ 4,656~27,933]</td>
<td>[US$ 186~652]</td>
<td>[US$ 466~2,514]</td>
<td></td>
</tr>
<tr>
<td>Gangnam-gu</td>
<td>1,000~5,000</td>
<td>50~270</td>
<td>50~270</td>
<td></td>
</tr>
<tr>
<td></td>
<td>[US$ 9,311~46,556]</td>
<td>[US$ 466~2,514]</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Budongsan 114, Onnara Real Estate Portal, Seoul City Search Portal, Daum Real Estate Information

Note: 1) Area size: 90~120m² (32 pyeong = 105m²)
2) Area: net area + common living area + other common areas + underground parking lot

This appendix mostly consists of excerpts from "2013 Guide to Living in Korea" and "Major Asian Countries’ Investment Environment" published by KOTRA.