

PROMISING INVESTMENT OPPORTUNITIES

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Asia-Pacific region is averaging 6.7% on an annual basis, higher than that (4%) of the global tourism growth rate.

Tourism and Leisure 2008



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Korea's Tourism and Leisure Industry

1. Overview

Korea is located in Northeast Asia, a region which is emerging as the world's largest market for tourism. The country is located at the center of major Asian cities with growing populations and rising expendable income, not to mention a growing desire to travel beyond national borders.

❖ Domestic Tourism Market

◆ Tourists and Tourism Revenue

(Unit: thousand persons)

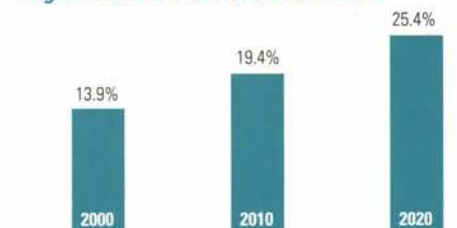
	Inbound Visitors	Outbound Visitors
2004	5,818	8,826
2005	6,023	10,080
2006	6,155	11,610
2007	6,448	13,325

Source: Ministry of Culture, Sports and Tourism (MCST)

► East Asia-Pacific Region Market and Korean Market for Tourism

- Demand for tourism in the East Asia-Pacific region, including China, Japan, and Korea, will likely surge (UNWTO, Tourism 2020 Vision).
- The number of tourists in the East Asia-Pacific region will increase to 109.3 million by 2010 and 224.3 million by 2020, up from 51.7 million in 2000.
- The growth rate of tourism in the East Asia-Pacific region is averaging 6.7% on an annual basis, higher than that (4%) of the global tourism growth rate.
- The Korean tourism market is rapidly growing in size at an annual average of 7.3% as a significantly increasing number of Koreans travel both domestically and overseas.

Market Share of the East Asia-Pacific Region in the Global Tourism Market

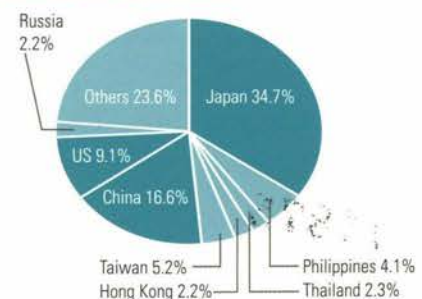


Source: UNWTO (UN World Tourism Organization), "Tourism 2020 Vision"

► Inbound Visitors

- In 2007, the total number of inbound foreign visitors was 6.45 million, up 4.8% from the previous year. By nationality, Japan accounted for the most, 2,236,000, or 34.7%, followed by China 1,069,000, or 16.6% of the total.
 - By purpose, "tours" accounted for 70.9%.
 - By age, visitors to Korea were evenly distributed: 20s (15.6%), 30s (19.3%), 40s (18.4%), and 50s (15.3%).
 - The average period of stay was 10.9 days, up 61% from the previous year (6.8 days).

Inbound Visitors in 2007



Source: Korea Tourism Organization, "Tourism Statistics" (2007)

2. Investment Sectors – Tourism Facilities

► Hotel Sector

- As of December 2007, 65,343 rooms were available in 628 hotels across the nation, with 52% of all rooms concentrated in Seoul, Busan and Jeju. This percentage accounted for hotels operated by 230 companies and 34,254 rooms in total.
- With the recent increase seen in income levels, more Koreans tend to use top-tier hotels, indicating a growing preference for premium hotels among those on the demand side.
- If the number of foreign visitors reaches 10 million by 2012¹⁾, tourist hotels nation-wide will face a shortage of 30,000 rooms per day factored at a per-day demand for 100,000 rooms, thus making the construction of additional tourist hotels of the utmost urgency.

◆ Occupancy Rates (2006)

(Unit: %)

Region	Class	Top 1		Top 2		1st Class		2nd Class		3rd Class		Total	
		Total	Foreign	Total	Foreign	Total	Foreign	Total	Foreign	Total	Foreign	Total	Foreign
Seoul		64	53	69	54	72	51	54	31	45	20	66	52
Busan		57	30	67	37	43	26	34	8	23	8	48	25
Daegu		57	16	53	16	32	10	9	1	59	4	41	12
Incheon		69	34	76	57	45	27	56	22	70	45	66	37
Gwangju		-	-	48	9	47	7	43	13	34	4	44	8
Daejeon		-	-	57	20	50	6	9	1	39	8	41	13
Ulsan		59	44	-	-	-	-	22	10	41	32	40	27
Gyeonggi		-	-	53	42	50	32	51	25	37	19	43	28
Gangwon		62	2	42	9	28	2	18	2	27	1	39	6
N. Chungcheong		-	-	48	3	38	8	15	2	34	18	38	8
S. Chungcheong		-	-	55	31	25	10	39	22	26	6	38	15
N. Jeolla		41	5	11	5	33	10	31	2	-	-	25	3
S. Jeolla		-	-	22	1	40	7	22	6	12	1	26	4
N. Gyeongsang		48	9	46	14	38	15	29	13	30	10	41	11
S. Gyeongsang		53	19	53	29	33	13	24	6	26	4	35	15
Jeju		68	27	63	10	68	19	38	6	13	0	63	22
Nationwide		62	42	60	35	50	26	38	16	36	15	52	32

Source: Korea Hotel Association

◆ Average Room Rate by Class in Tourism Hotels

(Unit: KRW)

Class	2005	2006
Top 1	157,408	146,767
Top 2	89,999	90,085
1st Class	60,837	60,714
2nd Class	50,016	51,321
3rd Class	49,573	47,824
Class Undecided	0	46,283
Total	104,787	100,206

Source: Korea Culture and Tourism Institute (KCTI)

1) Government estimates for 2012; Ministry of Culture, Sports and Tourism (MCST), "Strategy for Advanced Tourism Industry" (2008)

2) Foreign occupancy rate is based on the number of users by class, while the total occupancy rate is referred to as the ratio of actual annual sales to estimated annual sales of rooms by class. The source of information is 504 hotels.

► Theme Parks

- With the era of the 5-day work week in full stride and the introduction of high-speed railways to Korea's transportation infrastructure, visits to theme parks are likely to increase sharply in number.
- Currently, there are 14 theme parks actively in operation in Korea which attract 33,000,000 visitors annually nationwide and 25,000,000 in the metropolitan region alone.
- Everland ranks 7th among the world's top 10 theme parks, while Lotte World is ranked within the top 15³⁾.
- Korea's theme parks are popular among not only local residents but also with foreign visitors, especially those from China and Southeast Asia.
- Even when the domestic population is combined with the number of foreign visitors, however, visits to large-scale theme parks⁴⁾, which account for 60% or more⁵⁾ of total visits, still remain insufficient.

◆ Performance Trends of Large-Scale Theme Parks⁶⁾

		Everland	Lotte World	Seoul Land
2002	Sales (KRW million)	218,160	176,721	34,297
	No. of visits (thousand persons)	8,567	7,847	2,709
	Unit cost per room (KRW)	25,465	22,521	12,659
2003	Sales (KRW million)	226,819	180,573	35,047
	No. of visits (thousand persons)	8,018	7,539	2,415
	Unit cost per room (KRW)	28,289	23,953	14,512
2004	Sales (KRW million)	230,000	180,634	37,034
	No. of visits (thousand persons)	8,197	5,738	2,080
	Unit cost per room (KRW)	28,059	31,480	17,805
2005	Sales (KRW million)	235,000	194,298	40,463
	No. of visits (thousand persons)	8,650	5,062	1,896
	Unit cost per room (KRW)	27,168	38,384	21,341

Source: Korea Leisure Industry Institute (KoLe), 「2006 White Paper on Leisure」

► Casinos

- As of April 2007, casinos in operation domestically totaled 17 in number, with 16 designated for foreign-use only and one (Gangwon Land) for both domestic and foreign visitors.
- The number of foreign visitors to casinos was 630,000 in 2003, 680,000 in 2004, 570,000 in 2005, and 990,000 in 2006. Earnings for 2003, 2004, 2005, and 2006 were 398.6 billion won, 432.3 billion won, 433.7 billion won, and 480.9 billion won, respectively, showing an annual growth rate of 6.7% on average.

Status of the Korean Casino Industry



Source: MCST, 「2007 Annual Report on the Trend of Tourism」

3) Based on the number of visits as of 2005, 'Amusement Business Magazine'; each company

4) Edited from data from the Korea Association of Amusement Parks & Attractions (KAAPA) as of 2005

5) Investments of at least KRW100 million won, Everland · Lotte World · Seoul Land, 2005 White Paper on Leisure, 「Development Type of Theme Parks」

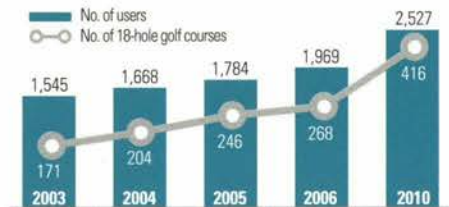
6) Estimated sales at Everland for 2004 and 2005

Prospective Users of Ski Resorts



Source: KoLe, 「2007 White Paper on Leisure」

Prospective Users of Golf Courses



Source: KoLe, 「2007 White Paper on Leisure」

※ The period of reduction and exemption of local taxes may be extended according to the regulations of the local autonomous body.

► Ski Resorts

- A total of 15 ski resorts were operating in Korea as of 2006, with 176 slopes in total. By region, there are 8 in Gangwon Province, 5 in Gyeonggi Province, and 1 in North Chungcheong and North Jeolla Province, respectively.
- The number of users of domestic ski resorts stood at 6,020,000 in total during the 2006-2007 season, up 7.1% from the previous season, while the number of users for the 2008-2009 season is estimated at 6,300,000.

► Golf Courses

- With a 5-day work week now the norm and the increasing popularity of golf among the general public, the demand for golf-oriented tourism has been on the rise.
- As of 2006, there are a total of 267 18-hole golf courses in operation across the nation: 198 private, 65 public⁷⁾, and 4 military. The number of golf courses currently under construction, or under review to construct, stands at 85.
- Estimated demand for golf courses by 2010 is 415, which means an additional 60 will need to be constructed.
- The annual number of users increased from 17,840,000 in 2005 to 19,690,000 in 2006, and predictions for 2010 are for 25,270,000 users, a 28.3% increase from 2006.

3. Promising Investment Regions

► Foreign Investment Zones

- Foreign investment zones have been specially designated to ease administrative regulations and offer a range of incentives, such as tax/rent reduction and exemption, for foreign corporate investors desiring to make a new large-scale investment in the tourism industry.
- **Criteria for designation⁸⁾**
 - Limited to foreign investment of at least US\$20 million in the establishment of a new tourist hotel business, floating tourist hotel business, universal recreation business, universal amusement facility business, and/or international conference facilities, etc.
- **Tax reduction and exemption⁹⁾**
 - National taxes (corporate and income taxes) shall be 100% exempt for the first 5 years of occurrence of income and 50% exempt for 2 years thereafter.
 - Local taxes (acquisition, registration, and property taxes) shall be 100% exempt for the first 5 years of business commencement and 50% exempt for 2 years thereafter.
 - Capital goods, which are to be directly used in business operations, shall be exempt from duties, individual consumption tax, and value added tax.

⁷⁾ Golf courses operating on a non-membership basis, Article 14 of the Act on the Installation and Use of Sports Facilities

⁸⁾ Article 25 ② (ii) of the Implementation Decree on the Foreign Investment Promotion Act

⁹⁾ Article 121 (2) of the Special Tax Treatment Control Act

► Tourism & Leisure Cities

- This designation refers to a self-reliant city where residence-based facilities are set up by private companies relating to home, education, medical care, and culture, with a focus on tourism and leisure facilities.
- Tourism and leisure cities are to be developed on a one-stop basis, under which a wide range of convenient and basic facilities relating to home, education and distribution are concentrated in one place with a focus on tourism, sports and leisure.
- As of April 2008, 3 areas – Taeon, Muju, and Haenam · Yeongam – were designated and are under construction to become tourism and leisure cities.

◆ Status of Tourism and Leisure Cities

Description	Taeon	Muju	Southwest Coast (Haenam · Yeongam)
Location	Nam-myeon, Taeon-eup, Taeon-gun	Ilwon, Ansong-myeon, Muju-gun	Sanyi-myeon, Haenam-gun, Samho-eup, Yeongam-gun
Area	14,644,000m ²	7,672,000m ²	51,567,000m ²
Development Period	2007-2020	2008-2020	2009-2025
Investment Amount (KRW billion)	9,015.6 (project company: 2,239)	1,417.1	9,496.2
Project Operator	Hyundai City Development	Muju Enterprise City	Southwest Coast Leisure, Southwest Coast Enterprise City Development, Sun County
Planned Population	15,000	10,000	48,000

• Tax reduction and exemption¹⁰⁾

- National taxes (corporate and income taxes) shall be 100% exempt for the first 3 years of occurrence of income and 50% exempt for 2 years thereafter.
- Local taxes (acquisition, registration, and property taxes) shall be 100% exempt for the first 3 years of business commencement and 50% exempt for 2 years thereafter.

※ Local taxes may be determined by the rules of a local autonomous body for up to 15 years.

• Support of development projects¹¹⁾

- Reduction of, or exemption from, a range of fees such as development fees, agricultural land preservation fees, substitutive wetland formation fees, and substitutive forestry formation fees
- Exemption from traffic inducement fees and public waters fees
- Reduction of, or exemption from, public and national property lease
- Assistance for some resources necessary to develop and expand basic facilities
- Tourism promotion and development funding (assistance/rental) for the construction of basic facilities necessary to develop tourism business

► Free Economic Zones (FEZ)

- Free economic zones are specially designated areas where exceptional measures such as provision of tax and administrative incentives as well as various basic facilities have been implemented in a bid to promote balanced development among regions, strengthen the nation's competitiveness, and promote foreign investment.
- **Criteria for designation¹²⁾**
 - Limited to foreign investment of at least US\$20 million in the establishment of a new tourist hotel business, floating tourist hotel business, universal

¹⁰⁾ Article 121 (2) of the Special Tax Treatment Control Act

¹¹⁾ Article 25 (2) of the Special Act on Enterprise City Development

¹²⁾ Article 116 (2) of the Implementation Decree on the Special Tax Treatment Control Act

recreation business, universal amusement facility business, and/or international conference facilities, etc.

- **Tax reduction and exemption¹³⁾**

- National taxes (corporate and income taxes) shall be 100% exempt for the first 3 years of occurrence of income and 50% exempt for 2 years thereafter.
- Local taxes (acquisition, registration, and property taxes) shall be 100% exempt for the first 3 years of commencing business and 50% exempt for 2 years thereafter.
- Capital goods, which are to be directly used in the business, shall be exempt from duties, individual consumption tax and value added tax.

- **Support for development projects**

- Provision of funds needed to build convenience facilities for foreign visitors, together with the reduction or exemption of rental fees on national and public properties.



Dol Harubang, or 'Stone Grandfather' of Jeju Island symbolizes a god offering both protection and fertility.

▶ Jeju Free International City

- Jeju Free International City is a specially designated area which institutionally guarantees free cross-border movement of people, goods and capital, and ease of business activities.
- In addition, Jeju Special Self-governing Province, which is currently in operation, will further develop the City into an economic center in Northeast Asia along the lines of Hong Kong and Singapore in terms of competitiveness, by concentrating its resources on the growth of high-tech industries like medical care, education, IT, and BT, in addition to the tourism industry.

Investment Promotion Zone

A business of a certain size or larger, in which domestic and foreign investors desire to invest, may be designated as an investment promotion zone, the purpose of which is to promote investment in tourism-related areas in Jeju Island. This is the first initiative of its kind in Korea to offer special treatment regarding the lease or sale of national and public properties, and tax reduction/exemption.

Top 7 Leading Projects

Focusing on the development of high-tech science and technology complexes, recreational residence complexes, ecological/mythological/history parks, Seogwipo Port, shopping outlets, airport free trade area, Jungmun tourism resort, and health care city.

- **Criteria for designation¹⁴⁾**

- Limited to investment of at least US\$5 million made by domestic or foreign investors in the facilities necessary to operate businesses relating to tourism (excluding golf), cultural events, alternative energy development, education, medical care, biology, and information and communications.

- **Tax reduction and exemption¹⁵⁾**

- National taxes (corporate and income taxes) shall be 100% exempt for the first 3 years of occurrence of income and 50% exempt for 2 years thereafter.

¹³⁾ Article 121 (2) of the Special Tax Treatment Control Act

¹⁴⁾ Article 116 (15) of the Implementation Decree on the Special Tax Treatment Control Act

¹⁵⁾ Article 121 (2) of the Special Tax Treatment Control Act

- Local taxes (acquisition and registration taxes) shall be 100% exempt on an unlimited basis, provided that property tax shall be 100% exempt for 10 years only.
- Capital goods, which are to be introduced within 3 years, shall be exempt from duties, individual consumption tax and value added tax.
- **Support for development projects¹⁶⁾**
 - Reduction of, or exemption from, development fees, substitutive forestry formation fees, substitutive wetland formation fees, agricultural land formation fees, public waters fees, and sewage fees
 - National and public property may be leased or sold on a free contract basis, and may be leased and renewed for up to 50 years.

※ Local taxes may be extended during the reduction/exemption period under the rules of the local autonomous body.

※ Approval for casinos¹⁷⁾: Foreign nationals with an investment of US\$500 million or more in a tourism business in Jeju can obtain approval for the operation of a casino only for foreign nationals.



Jungmun Beach Golf Club in Jeju Province

¹⁶⁾ Article 220 and Article 238 of the Special Act on Establishment of Jeju Special Self-governing Province and Free International City

¹⁷⁾ Article 172 of the Special Act on Establishment of Jeju Special Self-governing Province and Free International City

4. Development Procedures for Major Tourism Business¹⁸⁾

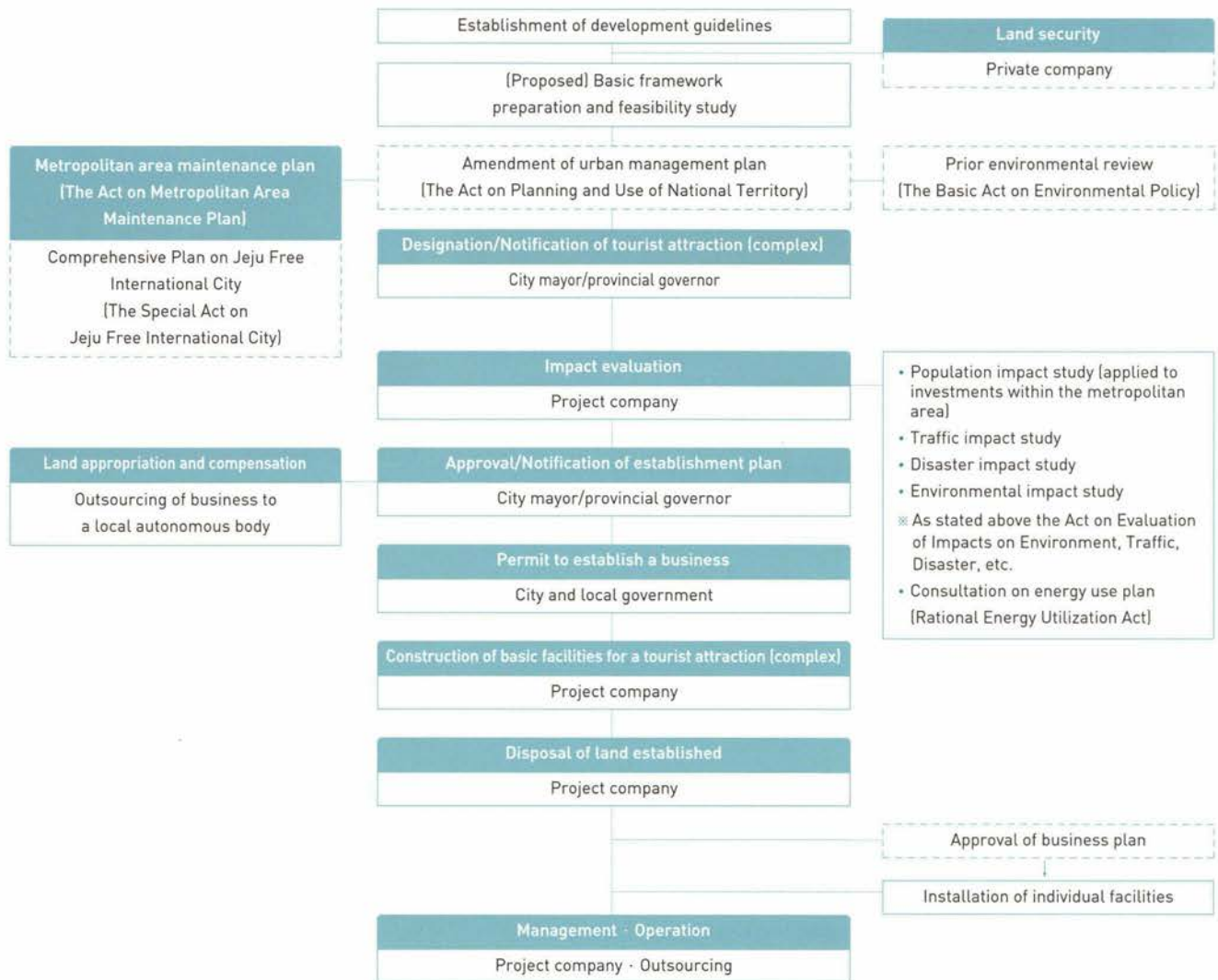
❖ Establishment Procedures for Tourist Attraction (Complex)

▶ Establishment of Tourist Attraction (Complex) by a Foreign National

- Foreign nationals may establish a business as a project company¹⁹⁾ or by obtaining a permit to establish a business as a project company.²⁰⁾

◆ Establishment Procedures

※ The contents in [] shall be applied, if necessary.



¹⁸⁾ Currently, no separate regulations or entry barriers for foreign nationals exist.

¹⁹⁾ Those obtaining approval for the establishment plan, Article 55 ① of the Tourism Promotion Act

²⁰⁾ Article 55 of the Tourism Promotion Act

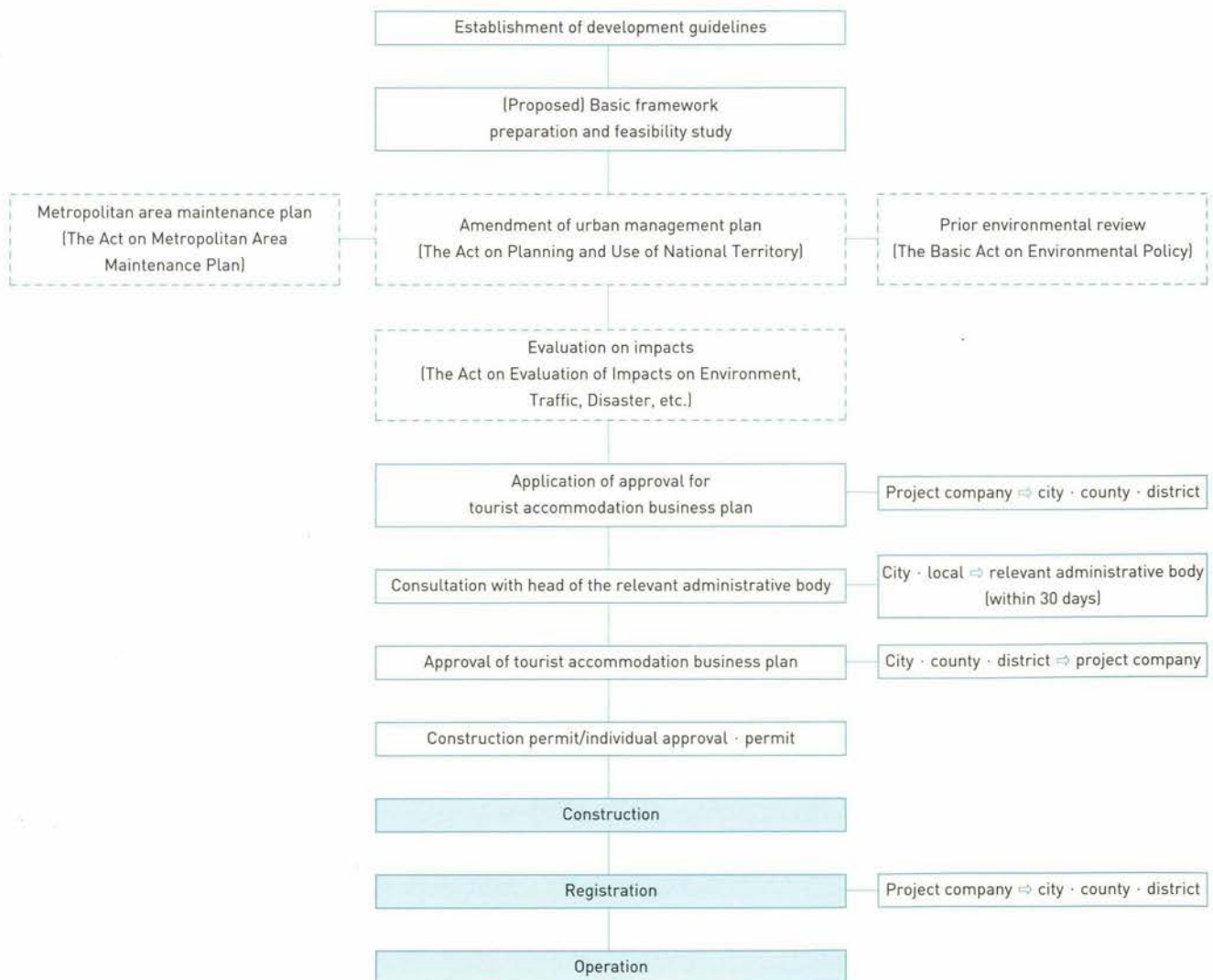
❖ Establishment Procedures of Tourist Accommodation Facility

► Establishment by Foreign Nationals

- Foreign nationals wanting to establish the relevant facility may implement the business after obtaining approval from the relevant city, local and county government authorities²¹⁾.
- Barring reason for disqualification²²⁾, foreign nationals may do business by registering with the relevant city, local, and county government through preparation of necessary documentation²³⁾ after completion of construction.

◆ Establishment Procedures

※ The contents in [] shall be applied, if necessary



21) Article 15 of the Tourism Promotion Act

22) Article 7 of the Tourism Promotion Act

23) Article 2 ① of the Implementation Rules of the same Act

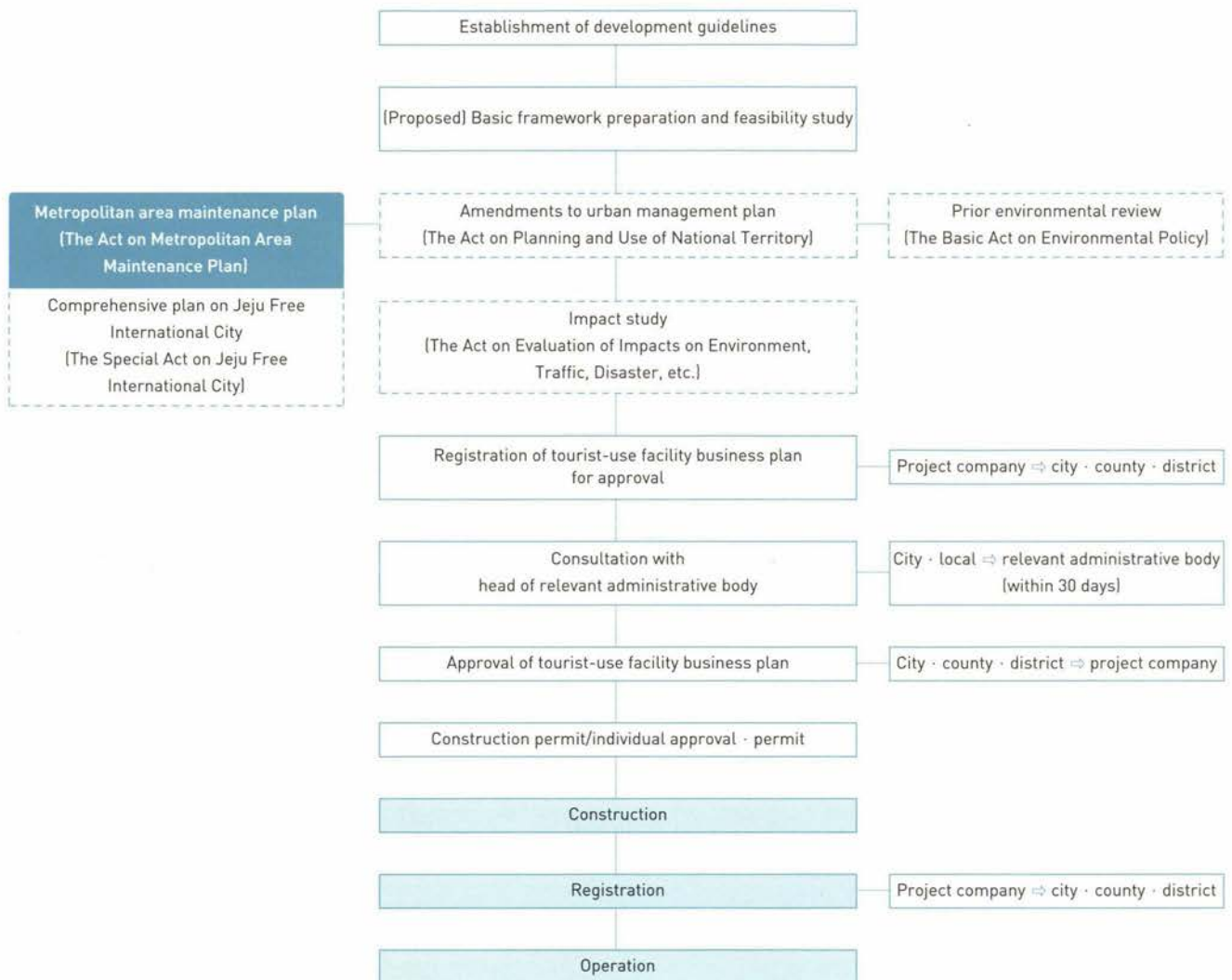
◆ Establishment Procedures of Tourism Facilities

▶ Establishment by Foreign Nationals

- Foreign nationals planning to establish facilities for use by tourists may do so after obtaining approval from the relevant city, local, and county government²⁴⁾.
- Barring any reason which may preclude them from receiving approval²⁵⁾, foreign nationals may begin business operations after registering with the relevant city, local, and county government through preparation of necessary documentation²⁶⁾ following the completion of construction.

◆ Establishment Procedures

※ The contents in [] shall be applied, if necessary



24) Article 15 of the Tourism Promotion Act

25) Article 7 of the Tourism Promotion Act

26) Article 2 ① of the Implementation Rules of the same Act

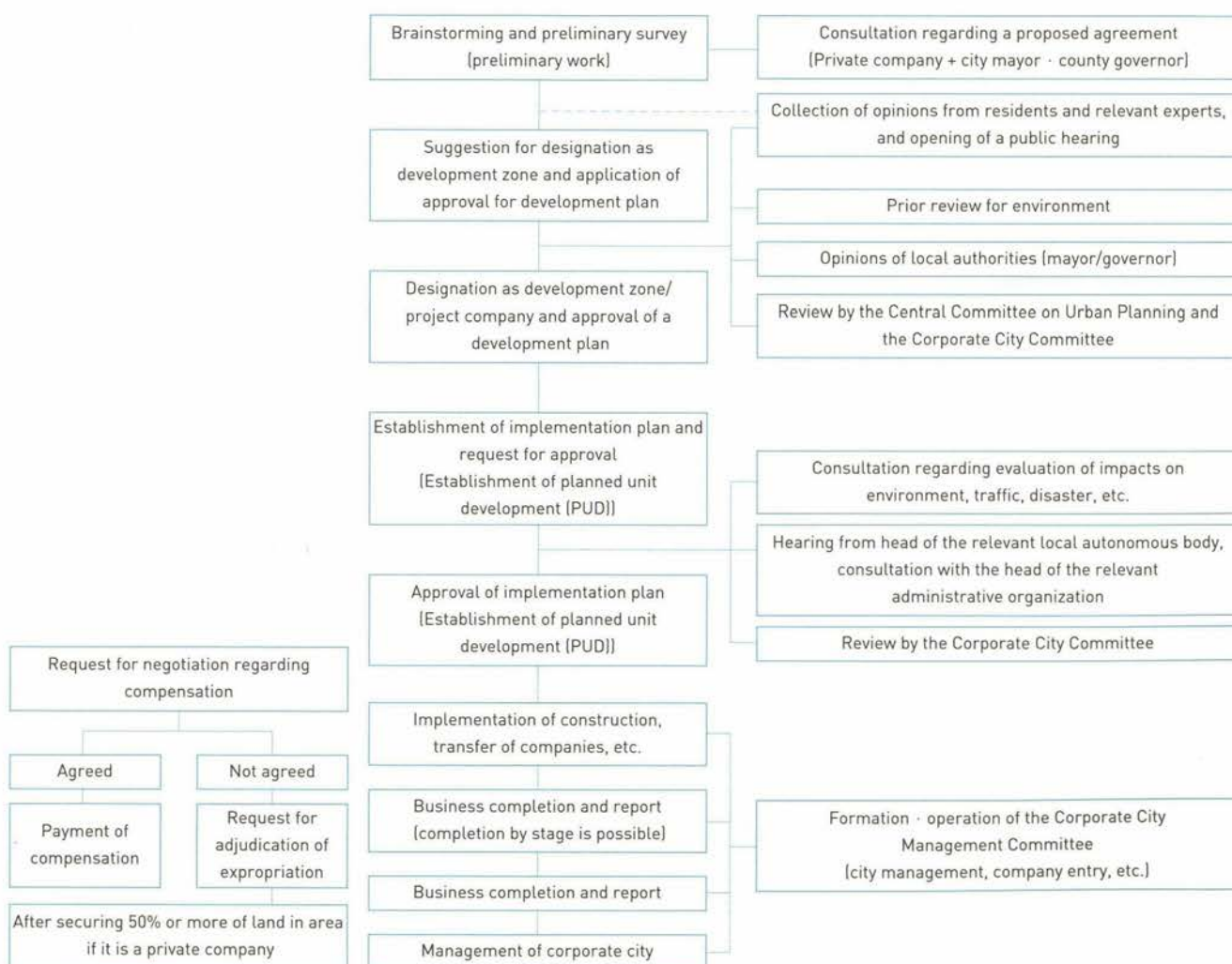
❖ Establishment Procedures of Tourism & Leisure Cities

▶ Foreign-Invested Establishment of Tourism and Leisure Cities

- If a region to be invested in meets the “requirements for designation as a development zone²⁷⁾”, and the prospective investor is in compliance with the “requirements for appointment as project company²⁸⁾”, such as solid financial results, the said investor may participate in the development business as a project company or may be allowed to operate in the corporate city once established.

◆ Establishment Procedures

※ ‘-----’ shall be applied, if necessary



27) An area measuring 6.6 million m² or larger, excluding the metropolitan area, as stipulated in Article 6 of the Special Act on Corporate City Development, and Article 8 and Article 9 of the Implementation Decree of the same Act

28) Article 10 of the Special Act on Corporate City Development, and Article 14 of the Implementation Decree of the same Act

FDI System and Policy

1. FDI Incentives

[as of Feb. 2008]

Incentive	Details
Tax Reduction	<p>► Qualifications</p> <p>1) Foreign companies engaged in industry support services or sectors involving high technology, or those that are based in a foreign investment zone or free economic zone are eligible to receive reduction on corporate, income, and local taxes (acquisition, registration and property taxes); 2) In case that the capital goods used for business purposes are subject to reduction of corporate tax or income tax, customs tariffs are exempted on the capital goods for which the import declaration is completed within three years from the date of investment notification.</p> <p>► Application Procedures</p> <ul style="list-style-type: none"> • Application for prior checking on tax reduction: to confirm the existence of a high-degree technology • Application for tax reduction <ul style="list-style-type: none"> · Relevant organization: Ministry of Strategy and Finance (www.mosf.go.kr) • Decision and notification of tax reduction will occur within 20 days from the application date
Cash Grant	<p>► Qualifications</p> <p>A foreign investment whose foreign-equity stake is over 30% and 1) at least US\$10 million in the industry support services sector; 2) includes high-degree technologies, or is a greenfield investment in parts and materials manufacturing; 3) newly built/expanded R&D facilities in fields related to industry support services or high-degree technology businesses, or research facilities of non-profit corporations invested in by a foreign national; or 4) cases where the investment amount, etc. do not meet the necessary requirements, but the investment is deemed to have a significant impact on the domestic economy and/or is deemed eligible for a cash grant by the Foreign Investment Committee</p> <p>⇒ 5% or more of the investment amount is paid in cash with the upper limit to be determined by a closed formula</p> <p>► Application Procedures</p> <ul style="list-style-type: none"> • Negotiation and grant application/evaluation <ul style="list-style-type: none"> · Relevant organization: Ministry of Knowledge Economy (www.mke.go.kr) • Decision of grant and contract conclusion <ul style="list-style-type: none"> · It shall not take more than 60 days from application to contract conclusion. • Payment of cash grant <ul style="list-style-type: none"> · In a lump sum or in installments up to 10 times for a maximum duration of 5 years <p>► Legal Usage: Limited to funds to support employment and training, land purchase and lease, construction costs, costs to cover installation of facilities necessary for business establishment, capital goods and research equipment purchasing costs</p>

► **Foreign Investment Zones (FIZ)**

Stand-alone type FIZ

- **Overview:** Designated as the site of an individual foreign-invested company, as determined by the investor's request of region, timing, and other preferences so as to attract large-size investment
- **Designation criteria:** Manufacturing – at least US\$30 million; Tourism – at least US\$20 million; Logistics – at least US\$10 million; R&D – at least US\$2 million
- **Relevant law:** Foreign Investment Promotion Act (FIPA)

Complex-type FIZ

- **Overview:** Operated based on lower rents. This refers to an area divided into predesignated sections for lease or sale, for the purpose of attracting small- and medium-sized foreign-invested companies possessing cutting-edge technologies.
- **Designation criteria:** Manufacturing, logistics, etc. with at least 30% of foreign investment ratio and an investment of at least KRW50 million
- **Relevant law:** Foreign Investment Promotion Act (FIPA)
- **Reference:** <http://www.kicox.or.kr/sub04/sub02.jsp>

► **Free Trade Zones (FTZ)**

- **Overview:** Free trade zones were introduced for the purpose of promoting FDI and trade and operate as a customs-free zone. FTZs provide the ideal location for foreign-invested companies to operate manufacturing and logistics simultaneously (industrial complex type, airport/seaport type).
- **Designation criteria:** Foreign-invested companies, domestic companies, businesses in logistics and trade, etc.
- **Relevant law:** Law on Designation and Operation of Free Trade Zones
- **Reference:** <http://www.ftz.go.kr>

► **Free Economic Zones (FEZ)**

- **Overview:** FEZs are distinguished from existing manufacturing-centered industrial complexes in that they are characterized as an industrial complex with international schools, hospitals and broadcasting stations for the purpose of inviting knowledge industries and high value-added service industries, as well as having foreigner-friendly living conditions.
- **Designation criteria:** Foreign-invested companies, manufacturing or logistics companies, medical organizations, educational institutes, financial organizations, etc.
- **Relevant law:** Law on Designation and Operation of Free Economic Zones
- **Reference:** <http://www.fez.go.kr/>

Financial Support

- **Qualifications:** A foreign-invested company where the foreign equity stake is at least 30 percent, or where a foreign individual is the largest shareholder
- **Support Coverage:** Cost of staff education and training, cost of hiring personnel, and projects to build infrastructure within a foreign investment zone or to enhance the living environment

Other

- National and public property lease and rent reduction
 - Rents may be reduced by case, up to 50%-100% through certain procedures.
- Project Manager (PM) designation and operation
- Exemption on restrictions regarding the total investment amount
- Permission to construct a new factory within the capital area
 - Foreign-invested companies in an industrial complex of a growth restriction area, which satisfy certain conditions

Source: Invest KOREA, 「Guide to Investing in Korea」 (Feb. 2008)

Notes: 1) For more details, please refer to the full text of the source, which is available at www.investkorea.org in PDF format.

2) As the new government is in the process of revamping the FDI-related legal system, please visit the Invest KOREA at www.investkorea.org for the most recently updated information.

❖ Tax Reduction Standards for Foreign-Invested Companies and Other Grants (as of Apr. 30, 2008)

◆ Reduction of National and Local Tax *

(Unit: US\$ million)

Category	Type	Investment Amount	Reduction Period and Details	Ref.
High-degree Technology Businesses	Manufacturing	n/a	7 years in total (100% for the first 5 years,	Hiring more than 10 employees with master's degree or higher
Companies in a Stand-alone Type FIZ	Manufacturing	At least US\$30 million	50% for the following 2 years)	
	R&D	At least US\$2 million		
Companies in a Complex-type FIZ			5 years in total (100% for the first 3 years,	
Companies in an FEZ	Manufacturing	At least US\$10 million	50% for the following 2 years)	
Companies in a Business City Development Zone				

* Local taxes to be applied at varied reduced rates between 5 to 15 years according to local government ordinance

◆ Reduction and Exemption of Customs, Individual Consumption Tax, Value-added Tax, etc.

Category	Relevant Tax	Object	Ref.
High-degree Technology Businesses	Customs, individual consumption tax, value-added tax		
Companies in a Stand-alone Type FIZ		• Capital goods imported with invested cash	On condition of importing within 3 years from the date of foreign investment notification
Companies in a Complex-type FIZ Eligible for Tax Reduction			
Companies in an FTZ Eligible for Tax Reduction	Customs	• Capital goods imported with investment in-kind	
Companies in an FEZ Eligible for Tax Reduction FEZ			

◆ Tax Exemption for a High Degree Technology Business *

- Whether or not the business of a foreign-invested company is a high-degree technology business (as stipulated by the Tax Exemptions and Exceptions Act) is determined through deliberation by the Foreign Investment Deliberation Council of the Ministry of Strategy and Finance. The requirements are as follows:
 - ① The technology shall have a profound economic or technological impact on the national economy, and be essential to improving the industrial structure and strengthening industrial competitiveness; ② The technology shall have been introduced to the country less than 3 years prior, or shall be economically and technologically superior to already introduced technologies even though it was introduced more than 3 years ago; ③ Most of the processes using the very technology shall be carried out domestically.
- The tax reduction for a business already recognized as a high-degree technology business is the same as that for companies that invested into FIZs, regardless of investment conditions and locations.
- The products and technology items falling under the high-degree technology business category are limited to the list announced by the Ministry of Strategy and Finance in 2006.

* The translation of Tax Exemptions and Exceptions Act into English by the Ministry of Government Legislation is in progress, and can be referred to in English on the Invest KOREA website, www.investkorea.org from Sep. 2008.

◆ Site Location Support – Reduction of Rent *

Contents of Support

▶ FIZ

Stand-alone type FIZ

- Rent: Over 10/1000 of the site value • 100% rent reduction

Complex-type FIZ

- Rent: Approx. 10/1000 of the site value
- Rent reduction
 - High-degree technology & investment of at least US\$1 million: 100% reduction
 - General manufacturing & investment of at least US\$5 million: 75% reduction

▶ FTZ

- Rent: Approx. 10/1000 of the site value
- 100% rent reduction
 - A foreign-invested company whose new investment totals at least US\$10 million
 - Foreign-held equity stake totals at least 30% of the foreign investment ratio whose new investment totals at least US\$1 million
 - A new investment of at least US\$500 thousand into a cutting-edge technology, high-degree technology and/or industry-supporting service business

▶ FEZ

- Rent: Approx. 10/1000 of the site value
- Rate of rent reduction (to be determined by the FEZ authority)

* For a foreign-invested company whose investment ratio is at least 30% or which constructs a new factory, support of up to 50% of the total investment amount can be awarded.

◆ Financial Support by the Central Government *

Category	Support
Cost of Staff Education and Training	A foreign-invested company which hires at least 20 new employees is eligible to receive a monthly grant of between KRW100-500 thousand per employee for a maximum of 6 months.
Cost of Hiring Staff	A foreign-invested company which hires at least 20 new employees is eligible to receive a monthly grant of between KRW100-500 thousand per additional employee for a maximum of 6 months.

* Target industry/company and grant conditions are stipulated differently in the ordinances of each local government.

2. Tourism Industry Promotion Policy

The goal is to strengthen the government's institutional support and the private sector's autonomous power to make the year 2008 "the foundation for advancement in the Korean tourism industry".

❖ Basic Principles

- The basic principle is to transform the previous government-led system for tourism promotion into a partnership between the government and the private sector, where the private sector's autonomy, creativity, and competitiveness can be improved.
- The government continues to conduct regulatory reform and tax support to boost the competitiveness of the tourism industry, while at the same time aligning with the private sector to review and oversee management improvement efforts on an ongoing basis.
- To achieve regulatory reform in the tourism industry, the basic principle is to change to a new "negative" management system regarding tourism regulation, under which the relevant government division presents the rationale behind regulations in question.

❖ Action Plan for Advancement in the Tourism Industry

▶ Establishment of High-Revenue Structure of the Tourism Industry

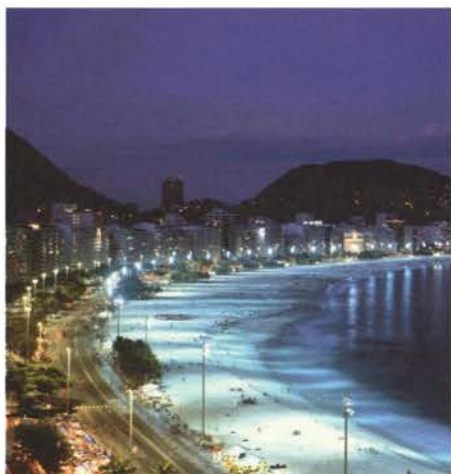
- To foster MICE (Meeting, Incentive, Convention, and Exhibition) and medical tourism
- To explore and support new areas of high value-added, such as theme parks and marine leisure sports like cruises and yachting

▶ Advancement in Tourism Marketing

- To promote advancement in tourism marketing through adoption of national brand
- To wage "2010-2012 Visit Korea Campaign"
- To attract 3 million tourists each from China and Japan, respectively, in 2012
- To establish a tour guide system for accompanying inbound visitors
- To expand large-scale tourism resources under the concept of "family, stay, and one-stop recreation"

❖ Development of Six Tourism Zones

- Under the tourism policy, a nationwide-based, long-term plan is being established to develop tourist attraction/complex.



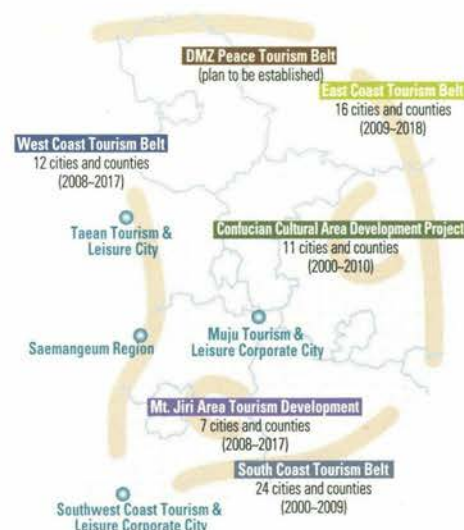
Haeundae, Busan

- It is to proceed with specialization by region in a bid to seamlessly cope with the changing environment of the global tourism industry and growth in quality and quantity of the domestic tourism industry.

► Six Tourism Zones

- **South Coast Tourism Belt**
 - Currently, a 3-stage project is actively in progress. New businesses concerning related themes like Admiral Yi Sun Shin, dinosaurs, and wetlands are also on the list of support.
- **North Gyeongsang Province Confucian Tourism Zone**
 - A culture and tourism complex in Andong is to be established, together with the development of various tourism products such as cultural experiences with traditional houses.
- **West Coast Tourism Belt**
 - Tourism infrastructure on the West Coast is to be expanded to make the area a global tourist attraction for ecological and coastal tourism.
- **Mt. Jiri Tourism Zone**
 - Functional tourism, like ecological and herbal tourism, is to be developed, thus making the area near Mt. Jiri a tourist attraction for culture and ecology.
- **East Coast Tourism Zone**
 - Special events are to be held under the banner of “Interesting Tales of Tourism Products” and “East Coast Development Project” in East Coast regions, including Gangwon Province, North Gyeongsang Province, Ulsan, and Busan.
- **Peace Tourism Belt near the Demilitarized Zone**
 - Systemic development of ecology near the demilitarized zone and security tourism resources is in progress.

6 Tourism Zones and Tourism & Leisure Cities



Source: MCST

❖ 2012 Outlook

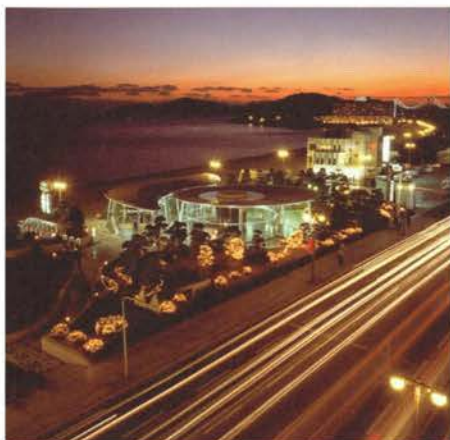
	2007	2012
Inbound Visitors	6.45 million	10 million
Tourism Revenue	US\$5.8 billion	US\$13 billion
Tourism Job Creation	880,000	1,000,000

The tourism industry is to be developed as a new growth industry through improvement in price competitiveness resulting from tax reductions, exemptions and deregulation, expansion in the number of inbound visitors based on private investment promotion, an improved visa system, and enhanced preparedness, and finally through a shift from overseas consumption to domestic consumption.

Case Study of FDI in Korea

Busan Aquarium, Oceanis Group

❖ Overview



Night view of Busan Aquarium

Founded in Australia in 1993 by Peter O'Brien, the Oceanis Group is a subsidiary of the Living and Leisure Australia Group, a professional investment company in the tourism and leisure sector.

One of the world's largest aquarium owners and operators, the Oceanis Group currently owns and operates 5 aquariums, one each in Busan, Korea; Melbourne and Mooloolaba, Australia; Shanghai, China and Bangkok, Thailand.

The Group also provides consulting services for aquariums in Bahrain and Dubai, and is currently pushing ahead with a new aquarium development project in Ilsan, Korea and Prague, Czech Republic.

In 1997, the Oceanis Group incorporated a domestic corporation named Acuaría 21 Co., Ltd. to participate in a private investment project led by Haeundae-gu, Busan. Construction on Busan Aquarium began construction in 2000 and was completed a year later just prior to opening its doors for the first time in November 2001.

❖ Major Achievements

Busan Aquarium was developed on a BOT (Build-Own-Operate-Transfer) basis in which the Oceanis Group was the sole investor. The Group will continue to operate the Aquarium as part of a low-cost 20-year lease from Haeundae District. This particular investment illustrates a key example where foreign investment incentives provided by the local government are successfully combined with cost savings strategies via a limited investment in a specific business.

Busan Aquarium, the Oceanis Group's fourth project overall, was constructed at a cost of KRW39 billion in total and measures approximately 13,000m², making it the country's largest single aquarium facility. The cumulative number of visitors surpassed 5 million in just 4 years and 5 months since opening day, thus making it one of Korea's most popular tourist attractions.

The corporate values pursued by Acuaría 21 Co., Ltd. which include preserving the maritime environment, creating a hands-on learning environment, providing premium services as well as boosting the regional economy, have been well-received by residents of Busan.

Based on the success of projects like this, Acuaría 21 Co., Ltd. is conducting yet another aquarium development project in Ilsan, Gyeonggi Province.

Cumulative Visitors to Busan Aquarium

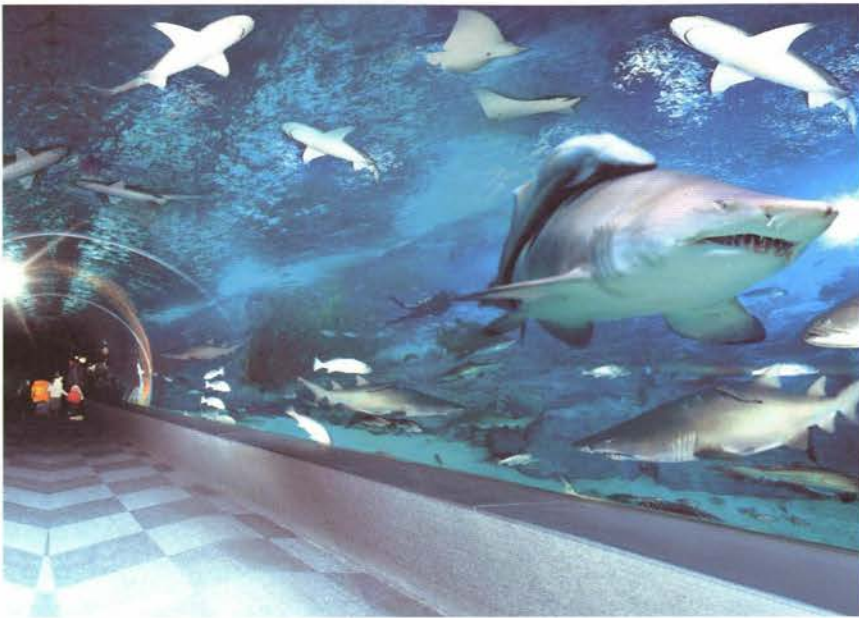


❖ Future Plan

The value of the development project currently in progress on a site measuring 29,244m² amounts to nearly KRW38 billion. The structure itself is a 3-story building measuring 14,025m² which will likely make Ilsan Aquarium the country's largest.

Ilsan Aquarium, being built on a site owned by the KINTEX Convention Center, is set for completion in 2011 and is also being developed on a BOT basis. Acuararia 21 Co., Ltd. will operate the facility for 30 years and then transfer ownership to Goyang City.

Together with Busan Aquarium, Ilsan Aquarium is expected to contribute not only to regional tourism and economic growth, but also to the country's tourism industry, serving as a leisure facility that represents the best in Asia.



Relevant Organizations

Public Organizations

Ministry of Knowledge Economy	www.mke.go.kr/
Ministry of Foreign Affairs and Trade	www.mofat.go.kr/
Korea National Statistical Office	www.nso.go.kr/
Korea Customs Service	www.customs.go.kr/
The Korean Intellectual Property Office	english.customs.go.kr/
Korea National Tax Service	www.nta.go.kr/eng/
The Bank of Korea	www.bok.or.kr/
Statutes of the Republic of Korea	elaw.klri.re.kr/
Korea Trade and Investment Promotion Agency	www.kotra.or.kr/
Invest Korea Journal	www.ikjournal.com/

Institutes

Korea Institute for Industrial Economics & Trade	www.kiet.re.kr/
Korea Institute of Science and Technology Information	www.kisti.re.kr/
Korea Development Institute	www.kdi.re.kr/
Samsung Economic Research Institute	www.seriworld.org/
The Institute for Industrial Policy Studies	www.ips.or.kr/
Korea International Trade Association	www.kita.org/

Local Governments (in alphabetical order)

Busan Metropolitan City	www.busan.go.kr/
N. Chungcheong Province	www.cb21.net/
S. Chungcheong Province	chungnam.net/
Daegu Metropolitan City	www.daegu.go.kr/
Daejeon Metropolitan City	www.metro.daejeon.kr/
Gangwon Province	eng.gwd.go.kr/
Gwangju Metropolitan City	eng.gjcity.net/
Gyeonggi Province	invest.go.kr/eng/
N. Gyeongsang Province	www.gyeongbuk.go.kr/
S. Gyeongsang Province	english.gsnd.net/
Incheon Metropolitan City	english.incheon.go.kr/
Jeju Special Governing Province	www.jeju.go.kr/
N. Jeolla Province	www.jeonbuk.go.kr/
S. Jeolla Province	www.jeonnam.go.kr/
Seoul Metropolitan Government	english.seoul.go.kr/
Ulsan Metropolitan City	english.ulsan.go.kr/

Free Economic Zones

Incheon Free Economic Zone (IFEZ)	eng.ifez.go.kr/
Busan-Jinhae Free Economic Zone (BJFEZ)	www.bjfez.go.kr/
Gwangyang Bay Area Free Economic Zone (GFEZ)	gfez.go.kr/

Tourism and Leisure-related

Korea Ministry of Culture, Sports and Tourism	www.mcst.go.kr/
Korea Tourism Association	www.koreatravel.or.kr/
Korea Hotel Association	www.hotelskorea.or.kr/
Korea Culture and Tourism Institute	www.kcti.re.kr/
Korea Leisure Industry Institute	www.kolec.co.kr/

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