

**A GUIDE TO
FOREIGN DIRECT INVESTMENT
IN KOREA**

August 2004

Invest KOREA

Due to the continuous changes in laws and regulations relating to foreign direct investment (FDI), the contents of this booklet may not be updated simultaneously. Thus, when using the information provided in this booklet for business purposes, please contact the *Foreign Investor Support Office (FISO)* at Invest KOREA to confirm relevant regulations.

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I. OVERVIEW

1. Definitions

(1) Foreign Direct Investment (FDI)

■ Acquisition of Stocks or Equity of Domestic Companies (Article 2.1.4.1 of the Foreign Investment Promotion Act, FIPA)

- Acquisition by foreign nationals of shares or equity of (1) a corporation of Korea; or of (2) a company run by a Korean national for the purpose of establishing lasting economic relations by means of participating in the management of such corporation or company.
 - The amount of foreign direct investment shall be KRW 50 million or more. If two foreign nationals or more make a joint investment, however, each shall meet the criteria of KRW50 million or more. (Article 2.2 of FIPA)
 - Where foreign nationals own 10% or more of the total voting stocks issued by (1) or (2) above; or 10% of the total amount of capital contribution of (1) or (2) above. (Article 2.2.1 of the Enforcement Decree)
 - Where foreign nationals own less than 10% of the total voting stocks issued by (1) or (2) above; or less than 10% of the total amount of capital contribution of (1) or (2) above, and where they enter into the following agreements:
 - a. Agreement concerning officer's dispatch or appointment.
("Officer" refers to those who are entitled to take part in important managerial decision-making processes as director, representative, partner with unlimited liability or equivalent.)
 - b. Agreement concerning provision or introduction of technology or joint research/development project.
 - c. Agreement concerning supply and purchase of products/raw materials for more than one year.

■ Long-term Loans (FIPA, Article 2.1.4.2)

- Where loans with maturity of five years or longer are granted to foreign capital-invested

companies (FDI companies) by their overseas parent companies or by companies which have capital affiliation with the parent companies.

※ Companies which have capital affiliation with the parent companies.

(Article 2.3 of the Enforcement Decree)

- Companies which own 50% or more of the total issued stocks or of the total amount of capital contribution of the overseas parent companies.
- Companies which fall under the following categories, provided that the overseas parent companies of the FDI companies own 50% or more of the total issued stocks or of the total amount of capital contribution of the said FDI companies:
 - Companies which own 10% or more of the total issued stocks or of the total amount of capital contribution of the overseas parent companies;
 - Companies of which 50% or more of the total issued stocks or of the total amount of capital contribution are owned by the overseas parent companies or companies with more than 50% of the total shares or of the total amount of capital contribution of the overseas parent companies.

(2) Foreign Investors and Object of Investment

■ Foreign Nationals (FIPA, Article 2.1.1)

- Individuals possessing foreign nationality:
- Foreign corporations established under the laws of foreign countries
- Organizations for international economic cooperation:
 - Agencies engaging in international economic cooperation for the governments of foreign nations;
 - Organizations or agencies which provide development financing services such as the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), the Asian Development Bank (ADB), etc.

■ Foreign Investors (Article 2.1.5 of FIPA)

- Foreign nationals who own stocks or equity pursuant to FIPA

■ Foreign Capital-Invested Companies (Article 2.1.6 of FIPA)

- Companies in which foreign investors have invested capital (FDI companies)

■ Operators of Facilities for the Promotion of Foreign Investment Environment (Article 2.1.6.2 of FIPA)

- Operators of the following facilities providing schools or medical facilities for foreigners designed to improve foreign investment environment:
 - Foreign schools (Article 60.2 of Elementary Education Law)
 - General hospitals, hospitals, dental hospitals, oriental hospitals, nursing-homes, clinics, dental clinics, oriental clinics and maternity hospitals (Article 3.2 of Medical Law)
 - Pharmacies (Article 2.3 of Pharmacist Law)
 - Housing (Article 2.1 of Housing Law)Other facilities, including business incubators, which are deliberated by the Foreign Investment Committee and notified by the Minister of Commerce, Industry and Energy.

■ Object of Investment (Articles 2.1.7 and 2.1.8 of FIPA)

Means of investment contributed by foreign nationals for the purpose of acquiring stocks:

- International means of payment under the Foreign Exchange Transactions Act, or domestic means of payment arising from exchange thereof (i.e., foreign currency);
- Capital goods:
 - Machinery, equipment, facilities, apparatus, components and parts treated as industrial facilities including ships, motor vehicles, airplanes, etc.; livestock, seeds, plants, trees, fish and shellfish necessary for the development of agriculture, forestry and fisheries;
 - Raw materials and spare parts for test operation of facilities deemed necessary by the competent ministers; freight and insurance premium costs for transportation of such materials;

technology utilized in installation of related facilities; or services engaging in consultation with respect to the import of such materials;

- Income generated from stocks or equity acquired pursuant to FIPA (dividends) ;
- Industrial property/intellectual property rights and other equivalent rights dealing with technology and its use:
 - Intellectual property rights: Rights utilized for industrial activities among the copyrights under the Copyright Act and lay-out design right in Article 2.5 of the Layout Designs of Semiconductor Integrated Circuit Act.
- Remaining assets generated from the liquidation of a foreign company's branch or liaison office located in Korea;
- Repayment of long-term loans with maturity of five years or longer, pursuant to FIPA, to FDI companies by their overseas parent companies and to companies affiliated with the overseas parent companies concerned
- Stocks of a foreign company listed on a foreign stock exchange market;
- Stocks owned by foreign nationals pursuant to the Foreign Exchange Transactions Act;
- Real estate in Korea owned by foreign nationals;
- Other domestic means of payment: Sales proceeds from the disposition of real estate and stocks of a Korean company owned by foreign nationals pursuant to FIPA and the Foreign Exchange Transactions Act.

(3) FDI Amount and Ratio

- The amount of FDI shall be at least **KRW50 million per case**. In case of stock acquisition, the total cost shall be at least KRW 50 million. Also, where the number of foreign investors is two or more, the minimum investment amount shall be **KRW50 million per each individual**. (Article 2.2 of the Enforcement Decree)

- In principle, the FDI ratio shall be 10% or more, meaning that foreign investors shall acquire 10% or more of the stocks of a company. However, where foreign investors have entered into the following contractual agreements, an FDI ratio of less than 10% is allowed. (Article 2.2.2 of the Enforcement Decree)
 - Agreement concerning dispatch or appointment of officers (director, representative director, partner with unlimited liability, auditor or equivalent who are entitled to participate in critical decision-making processes);
 - Agreement concerning supply and purchase of products/raw materials for more than one year;
 - Agreement concerning introduction or provision of technology, joint research and development projects.

2. FDI-Related Acts and Laws

(1) Acts and Laws

- The Foreign Investment Promotion Act (FIPA)
- The Enforcement Decree of the Foreign Investment Promotion Act
- The Enforcement Regulations of the Foreign Investment Promotion Act
- Regulations on Foreign Investment and Technology Inducement
- Regulations on Tax Reductions or Exemptions for Foreign Investors
- Restriction of Special Taxation Act (Chapter V)

(2) Foreign Investment Promotion Act (FIPA)

■ Purpose (Article 1)

The purpose of the Foreign Investment Promotion Act (FIPA) is to contribute to the sound development of the national economy by providing support and convenience for foreign investors.

■ Basic direction

Korea's policy on foreign direct investment (FDI) has been restructured to better support foreign investment from the foreign investors' perspective and to facilitate effective attraction of FDI by local governments.

■ Relationship with other laws

- Foreign investment shall be considered FDI only when satisfying the requirements of foreign capital in accordance with FIPA and other relevant laws.
- Matters concerning foreign exchange and overseas transactions shall follow the regulations of the Foreign Exchange Transactions Act, except as otherwise set forth in FIPA.
- Even though FDI companies might comply with the required procedures as stipulated in FIPA, the companies shall follow all regulations applied to domestic companies under the laws of Korea, and obtain permission or approval in accordance with such laws for business operations, since FDI companies are regarded as domestic companies.

3. FDI-Allowed Businesses

- Out of the total of 1,121 business sectors described in the Korean Standard Industrial Classification, there are now **1,058 sectors** that are open to FDI excluding 63 sectors such as public administration, diplomatic affairs, national defense, etc.
- ※Private correctional institutions, where foreign investment was not allowed previously, can receive foreign investment as the Act on the Establishment and Operation of Private Correctional Institution took effect as of July 2001
- Circumstances where FDI is not allowed: (Article 4.2 of FIPA)
 - Where the maintenance of national security and public order is threatened;
 - Where national sanitation and environmental preservation damages or social morals and customs are threatened; and
 - Where the laws of Korea are violated

- However, other individual laws may restrict FDI in certain businesses or impose an obligation to form joint ventures with a domestic company.

FDI-Restricted Businesses

- FDI-allowed businesses: 1,058 sectors
 - Fully open: 1,030 sectors
 - Partially open: 26 sectors (FDI allowed if the criteria for FDI permission are satisfied.)
 - Closed: 2 sectors (Radio and television broadcasting, as of June 2004)
- FDI-restricted businesses (partially open and closed sectors): 28 sectors

Business (IK* Code)	Criteria for Permission ¹
Cereal crop cultivation (01110)	Allowed except for growing of rice and barley
Beef cattle farming (01212)	FDI ratio shall be less than 50%
Inshore fishing (05112)	FDI ratio shall be less than 50%
Coastal fishing (05113)	FDI ratio shall be less than 50%
Newspaper publishing (22121)	FDI ratio shall be less than 30%
Magazine and periodical publishing (22122)	FDI ratio shall be less than 50%
Nuclear fuel processing (23300)	Allowed except for manufacturing and supply of nuclear fuel for nuclear power plants

* Korea Standard Industrial Classification (KSIC)

¹ FDI in the businesses listed in the table shall be permitted if the criteria for permission are satisfied.

Business (IK* code)	Criteria for Permission ¹
Electric power generation (40110)	FDI in electric power generation related to the operation of nuclear power plants is not allowed. Foreigners cannot purchase power generation facilities from Korea Electric Power Corporation (KEPCO) more than 30% of the total power generation facilities of the nation.
Electric power transmission (40121)	Allowed if all of the following conditions are met: 1. FDI ratio shall be less than 50%. 2. The number of voting shares owned by foreign investors must be lower than that of the largest Korean shareholder .
Other transmission & distribution of electric power (40122)	Same as above
Wholesale of meat (51312)	FDI ratio shall be less than 50%
Coastal water passenger transport (61121)	Allowed if all of the following conditions are met: 1. Scope of permission: transportation between North and South Korea. 2. Must be joint ventures with domestic shipping companies. 3. FDI ratio shall be less than 50%.
Coastal water freight transportation (61122)	Same as above.
Scheduled air transport (62100)	FDI ratio shall be less than 50%.
Non-scheduled air transport (62200)	FDI ratio shall be less than 50%.
Leased line services (64211)	FDI in core telecommunication businesses is subject to domestic law: Foreign governments, foreign nationals and Korean corporations* may own 49% or less of the total number of stocks or equity with voting rights. However, a foreign investor in Korea Telecom can be a majority owner only when the FDI ratio is 5 % or less.

Business (IK* code)	Criteria for Permission ¹
Wired telephone and other wired telecommunications (64219)	Same as above
Mobile telephone services (64221)	Same as above
Cellular telephone services (64229)	Same as above
Other unclassified telecommunications (64299)	Same as above
Domestic commercial banking (65121)	Allowed only for commercial banks
Radio broadcasting (87211)	NOT PERMITTED
Television broadcasting (87212)	NOT PERMITTED
Cable networks (87221)	<ul style="list-style-type: none"> - FDI ratio shall be 33% or less. - FDI in news program supplying business is not allowed.
Cable and other program distribution (87222)	<ul style="list-style-type: none"> - FDI ratio in comprehensive cable broadcasting business shall be 33% or less. - FDI in relay cable broadcasting businesses is not allowed.
Satellite broadcasting (87223)	FDI ratio shall be 33% or less.
News agency activities (88100)	FDI ratio shall be less than 25%.
Radioactive waste disposal (90230)	Allowed excluding those nuclear waste management businesses pursuant to Article 82 of Electrical Construction Business Act.

II. FDI PROTECTION & LIBERALIZATION

Guarantee of overseas remittance of invested capital and dividends as well as equal treatment as Korean nationals, shall be granted in accordance with FIPA.

1. Guarantee of Overseas Remittance

- With respect to proceeds that come from stocks, acquired by a foreign investor, proceeds from the sale of stocks, the principal, interest and service charges paid in accordance with the long-term loan contract and the compensation paid in accordance with a contract for the introduction of technology, the remittance thereof to foreign countries shall be guaranteed in accordance with the contents of the permission or report of the contract for foreign investment or for the introduction of technology, as of the time of the said remittance. (Article 3.1 of FIPA)
- With respect to overseas remittance, a confirmation by the head of a foreign exchange bank is required as stipulated in the Foreign Exchange Transactions Act. (Article 4.1 of the Enforcement Decree)
- Suspension of foreign exchange transactions or other restrictive measures taken under situations of critical and rapid changes in the domestic economic situation, war, or act of God, as stipulated by Article 6.4 of the Foreign Exchange Transactions Act, shall not apply to FDI made pursuant to the FIPA.

2. Equal Treatment

- Foreign investors and their companies investing in Korea shall be treated on equal terms as domestic investors and companies, except as otherwise provided in other laws. (Article 3.2 of FIPA)

- Foreign investors may enjoy more favorable treatment than Koreans do in terms of tax reductions and location of their company or factory sites.

3. FDI Liberalization

- Except as otherwise provided in other laws, no restrictions shall apply to a foreign national in performing FDI activities in Korea. (Article 4.1 of FIPA)
- Except for the following cases, a foreigner shall not be restricted in the investments prescribed in this, the Foreign Investment Promotion Act:
 1. Where it threatens the maintenance of national safety and public order;
 2. Where it has harmful effects on public hygiene or the environmental preservation of the Republic of Korea, or is against Korean morals and customs; and
 3. Where it violates any relevant Act of the Republic of Korea. (Article 4.2)
- Where any Act and subordinate statute or public notification other than this Act permits the head of the relevant administrative agency to restrict any foreign investment, including unfavorable treatment of foreigners or foreign-capital invested companies compared with Korean nationals or Korean corporations, or additional liabilities to foreigners or foreign-capital invested companies, the Minister of Commerce, Industry and Energy shall aggregate and publicly announce the contents thereof every year pursuant to the Presidential Decree. If the head of the relevant administrative agency intends to amend or supplement them, he shall, in advance, consult with the Minister of Commerce, Industry and Energy. (Article 4.4)

III. FDI NOTIFICATION & REGISTRATION

1. Principles of FDI Notification

(1) Prior Notification

- FDI through acquiring newly-issued stocks;
- FDI through acquiring existing stocks (Companies in defense industry should get permission from the Minister of Commerce, Industry and Energy in advance to acquire existing stocks);
- FDI through long-term loans;
- FDI registration change.

(2) Ex-post-facto Notification

- Acquisition of stocks through mergers: within 30 days;
- Transfer of stock or equity: within 30 days from the day of contract;
- Decrease in stock or equity;
- Change or termination of foreign-invested company registration.

- **Where: Domestic and foreign banks in Korea, Invest KOREA and domestic/overseas networks of KOTRA**

※ KOTRA's Overseas Network of Investment Center (36 Offices)

- North America (11 offices)

- United States: New York, Los Angeles, Chicago, Dallas, Washington, San Francisco, Atlanta, Miami, Detroit
- Canada: Toronto, Vancouver

- Europe (15 offices)

- France: Paris
- Germany: Frankfurt, Berlin, Hamburg, Munich
- UK: London
- Sweden: Stockholm
- Denmark: Copenhagen
- The Netherlands: Amsterdam
- Belgium: Brussels
- Italy: Milan
- Switzerland: Zurich
- Norway: Oslo
- Austria: Vienna
- Finland: Helsinki

- Asia & Australia (10 offices)

- Japan: Tokyo, Osaka, Fukuoka, Nagoya
- Australia: Sydney, Melbourne
- Singapore
- Taiwan: Taipei
- China: Shanghai, Hong Kong

(3) Report on Combination of Enterprises

■ **Company subject to reporting on the combination of enterprises:**

Where a company having KRW100 billion or more of assets or turnover (referred to the aggregate total value of assets or turnover of affiliated companies) makes a combination of enterprises under any of the following subparagraphs, it shall report on the combination of enterprises(Article 12 of the Monopoly Regulation and Fair Trade Act):

1. In the case of holding not less than 20 percent (15 percent for a stock-listed corporation) of the total number of stocks issued by other companies (excluding non-voting stocks);
2. In the case where a company has KRW2 trillion or more of assets or turnover (referred to the aggregate total value of assets or turnover of affiliated companies) and officers hold concurrent positions;
3. A merger with other companies or acquisition of main business part;
4. In the case of acquiring not less than 20 percent of stocks of a company to be newly established (except for a enterprise establishment or division by the same person or related persons to him).

■ **Persons in charge of reporting on enterprise combination:**

- In case of stock acquisition, the stock acquirer;
- In case of merger, the company that survives as a result of the merger;
- In case of establishing a joint-stock company, participating companies;
- In case of sharing directors or officers, the company to which directors or officers belong;
- In case of taking over businesses, the party that takes over businesses;
- In case of establishing a new company, participating companies.

■ Reporting period

- Reports on the combination of enterprises shall be made within 30 days after the date of such combination: Provided that where one or more companies involved in a combination of enterprises are larger companies with more than two billion won of asset or revenue, reports on the combination of enterprises shall be made within 30 days after the date of conclusion of contracts for merger or takeover of business, or after the date of resolution of shareholders' meetings as to the participation in the establishment of a company.
- No one who has made a report shall register the fact of a merger, execute the contracts for the takeover of business, or acquire stocks until thirty days after making such a report: Provided, that the Fair Trade Commission may, if deemed necessary, shorten the period, or extend it within the limits of sixty days from the date following the expiry date.

■ Reporting

- Reporting procedures will be simplified in case of an enterprise combination with a company that has not more than 10 billion won of assets and revenue and in cases where a company holds less than one-third of the total number of directors of another company,
- When there are two or more companies that are liable to file a report, these companies shall file the report jointly: Provided that this shall not apply to cases where the Fair Trade Commission has designated one of the companies belonging to an enterprise group comprising of the obligator to file as the representative responsible for filing the report.

■ A fine of up to 100 million won will be imposed in case of violation of the law.

2. FDI Procedures

(1) FDI through Acquisition of Newly-Issued Stocks

- 1. Establishment of a new company. (100% subsidiary or joint venture with a domestic company)**
- 2. Participation in capital increase of a domestic company (including FDI company).**

□ FDI Notification (Article 5.1 of FIPA)

- Who: Foreign investors or their proxies;
- Where: Invest KOREA, domestic and overseas networks of KOTRA, major domestic banks and foreign banks;
- Required Documents:
 - FDI notification form for acquisition of newly-issued stocks (two copies; provided);
 - A power-of-attorney is required when filing notification through a proxy;
 - Nationality certification;
 - To be submitted if applicable (one copy).
 - Document verifying the price evaluation, by a technology evaluation authority, of industrial/intellectual property rights;
 - Document verifying the remaining properties following liquidation of a branch, liaison office or company;
 - Document verifying the reimbursement amount of overseas loans;
 - Document verifying the amount received through a sale of stocks or real estate;

- Document verifying that stocks owned by a foreign investor are the shares of a foreign company listed on a foreign exchange stock market, and are acquired pursuant to the Foreign Exchange Transactions Act (FETA) or FIPA;
- Certificate verifying capital transactions of real estate pursuant to Article 18 of FETA;
- Document verifying the amount received through a sale of stocks real estate of a company registered to Korea or owned by Korean in accordance with FIPA or FETA;
- Where the FDI ratio is less than 10%:
 - a. Agreement concerning officer's (director, representative director, partner with unlimited liability, auditor and persons entitled to take part in a critical decision-making process) dispatch or appointment;
 - b. Agreement concerning supply and purchase of products/raw materials for more than one year;
 - c. Agreement concerning provision or introduction of technology or joint research and development project.
- Document verifying proceeds on sale of stocks, equity, real estate, etc.

■ Processing period: On-the-spot

Issuing a certificate of FDI notification after reviewing the notification form and related documents.

□ *FDI Capital*

■ When FDI capital is remitted from overseas:

- ① FDI capital is remitted from foreign countries to a foreign exchange bank in Korea or a foreign bank's branch located in Korea
- ② FDI capital, remitted from overseas and deposited in the temporary account will be transferred to a "share subscription account." When this transaction is made, the bank shall issue a document confirming custody of paid-in capital (a required certificate when foreign investors register for incorporation including capital increase registration in Korea).
- ③ Before or after filing the registration of incorporation, the FDI capital shall be converted into

Korean currency. The bank will issue a certificate of purchase/deposit of foreign currency, which is required when filing registration of an FDI company.

- ※ Remittance of foreign capital → Deposit or purchase of foreign capital → Transfer to share subscription account → Issuance of custody of paid-in capital certificate → Registration of incorporation or capital increase → Deposit to corporation's account

(In the event that the object of investment is not a corporation, such as personal business, foreign capital shall be deposited to the account of the business on business registration certificate.)

■ **When FDI capital is carried through customs:**

- ① When foreign investors personally bring in foreign currency in the form of cash or traveler's checks, they shall register the currency with the customs authority (e.g., airport customs authority). They shall then obtain a certificate of notification/confirmation of foreign currency issued by the authority and submit a copy of the certificate when filing business registration.
- ② FDI capital shall be deposited in foreign exchange banks. (When opening an account for non-residents, a certificate of notification/confirmation of foreign currency and a passport are required.)
- ③ When the FDI capital is transferred to the "share subscription account," the bank shall issue a document confirming custody of paid-in capital, a required certificate when foreign investors register for incorporation in Korea.

- ※ Remittance of foreign capital → Deposit or purchase of foreign capital → Transfer to share subscription account → Issuance of custody of paid-in capital certificate → Registration of incorporation or capital increase → Deposit to corporation's account

(In the event that the object of investment is not a corporation, such as personal business, foreign capital shall be deposited to the account of the business on business registration certificate.)

■ **When capital goods are imported as FDI in kind:**

- ① When foreign investors intend to import capital goods as FDI in kind, they shall prepare a list of imported capital goods (three copies), and have the list reviewed and confirmed by IK or a

foreign exchange bank in Korea or institutions to which business registration was filed before shipment.

- Required documents:
 - Application form for confirmation of imported capital goods (three copies);
 - Document verifying the price of imported capital goods.
- ② When the importation of capital goods is completed, foreign investors shall apply for a confirmation of completion of FDI in kind.
 - The confirmation of completion of FDI in kind may be applied for at IK.
 - Required documents:
 - Application form for confirmation of completion of FDI in kind (two copies);
 - Certificate of import declaration.
- ③ Foreign investors shall use the confirmation of completion of FDI in kind when filing the application for registration of incorporation.
- ※ With respect to the importation of capital goods (e.g. FDI in kind, etc.), business registration shall be made before filing registration of incorporation or carrying in the capital goods in order to receive a value-added tax deduction.

□ Registration of Incorporation and Business Registration

■ Registration of Incorporation

Proxy service for the registration of incorporation is provided free of charge by IK:

- Preparation and submission of the documents to the competent authority;
- Filing application of business registration by an official seconded from the Korea Tax Agency.

■ **Business Registration (Act Article 21.1, 2 and Enforcement Decree Article 27)**

- Registration Period:
 - In the case of a corporation, registration and incorporation are usually made simultaneously;
 - In the case of a personal business, registration is made within 20 days after starting the business.
- Business registration can be applied for at IK.

□ *FDI Company Registration*

- **Period:** Within 30 days from the date the required payment is completed; or if the foreign investment is more than 50 million won and is in accordance with the conditions of the Foreign Investment Promotion Law.
- **Place:** Institution where FDI notification is filed or Invest KOREA.
- **Required documents:**
 - Application form for FDI company registration;
 - Certificate of purchase/deposit of foreign currency; (In case of FDI in kind, certificate of completion of FDI in kind and in case of personal business, certificate of remittance with the name of the business on it.)
 - Inspectors report and an appraisal by a certified appraiser pursuant to Article 422 of the Commercial Act; (Submitted for capital contribution made through stocks or real estate.)
 - Transcript of incorporation registration; (In case of a personal business, certificate of business registration.)

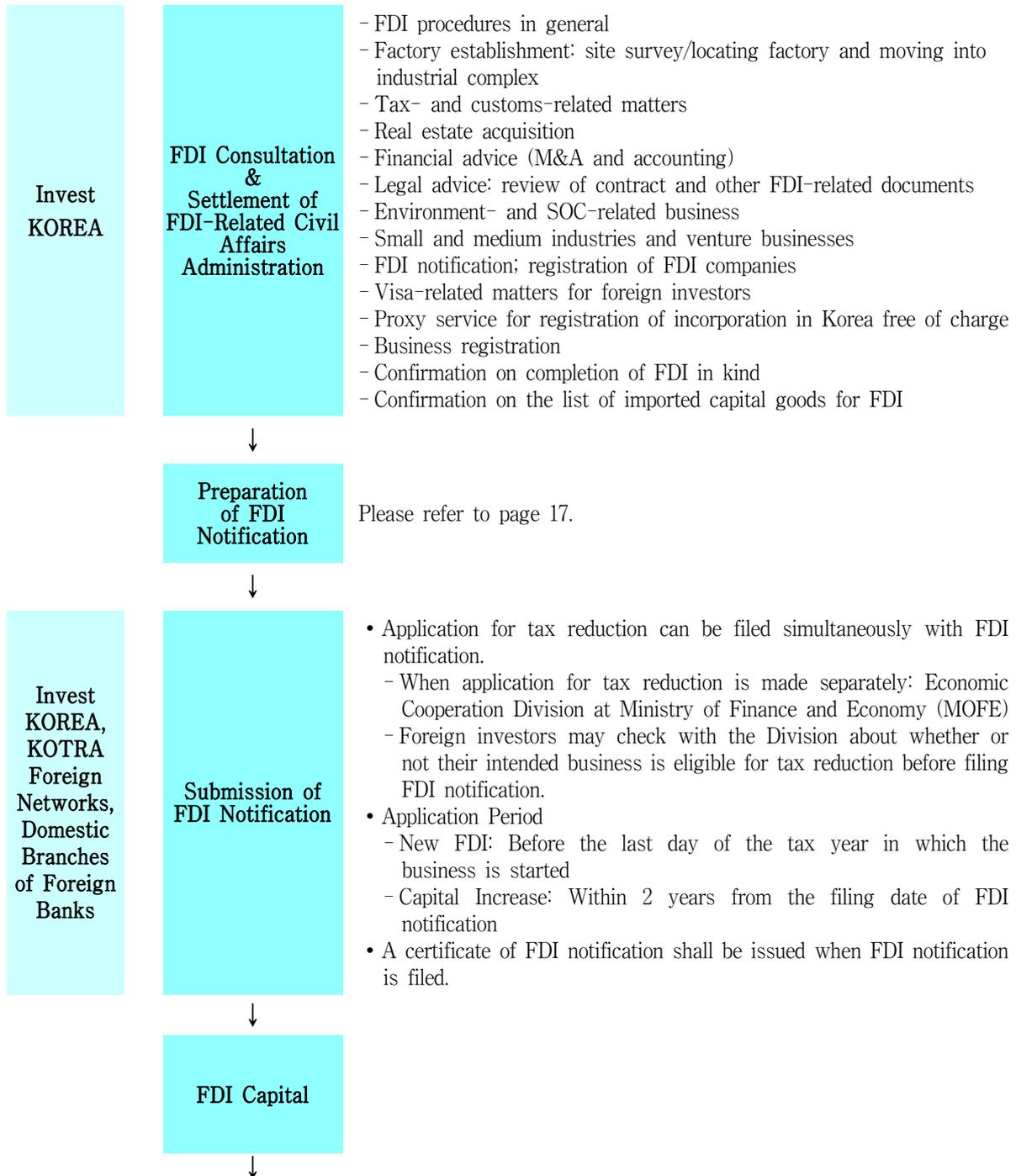
□ Cancellation of foreign business registration (FIPA Article 21.3)

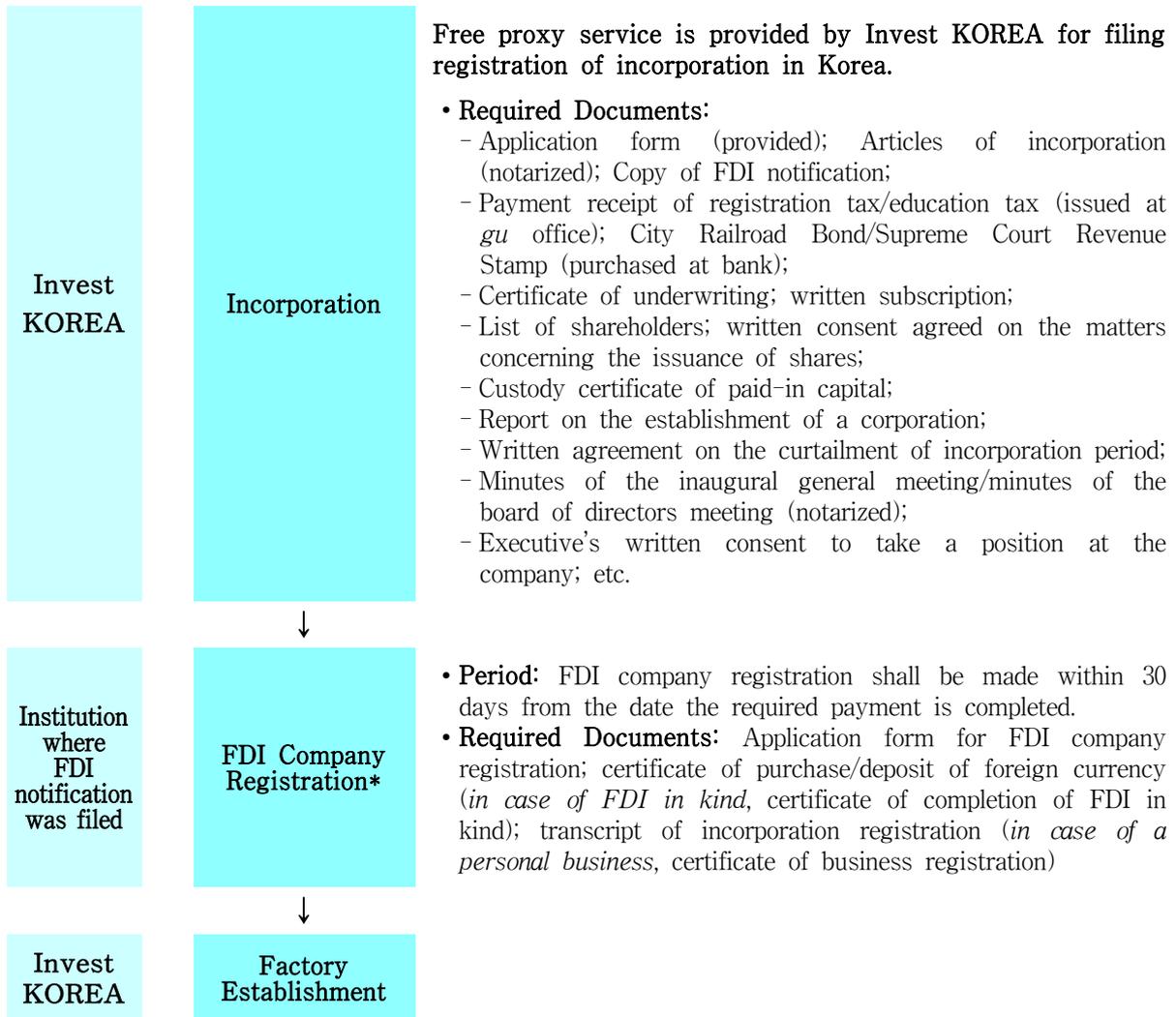
1. Where a foreign-capital invested company ceases its business or fails to conduct its business activities for two consecutive years or more;
2. Where a foreign-capital invested company or a foreign investor who is granted permission fails to comply with a correction order or other necessary measures;
3. Where there is any reason for the dissolution of a foreign-capital invested company;
4. Where a foreign investor makes an application for the cancellation of registration;
5. Where a registration certificate of a foreign-capital invested company is transferred or lent to any other person; and
6. Where the registration of a foreign-capital invested company is effected in disguise of the payment of the object of investment.

□ Required Permission for Factory Establishment

- When necessary, a foreign-invested company shall get permission for factory establishment or business in Korea.
 - The permission procedure will vary according to the characteristics of the business or organization.

FDI Through Acquisition of Newly-Issued Stocks





* When a change in the reported FDI company registration is carried out, the institution where FDI company registration was previously filed shall be notified within 30 days from the date when the change was made.

Changes of the registration shall be filed in the following cases:

- When notification of acquisition of existing stocks of a company through mergers is made;
- When notification of transfer/reduction of stocks is made;
- When the name of an FDI company is changed;
- When the name and nationality of a foreign investor is changed;
- When FDI amount, type, ratio or business operated is changed;
- When a stock transferor, loan provider, loan amount or loan terms are changed

(2) FDI through Acquisition of Existing Stocks

Acquisition of existing stocks of a domestic company (including an FDI company) operating in the domestic market:

- **Direct transactions between foreign investors and domestic shareholders;**
- **Foreign investors' acquisition of existing stocks in the stock exchange market (10% or more).**

□ FDI Notification (Articles 6.1 and 6.3 of FIPA)

■ Notification of acquisition of existing stocks

- Who: Foreign investor or proxy
- Where: IK, major domestic banks, foreign banks and KOTRA in Korea and overseas countries
- Required documents:
 - FDI notification form for acquisition of existing stocks (two copies; provided)
- Other documents to be submitted, if applicable (one copy):
 - Document verifying remaining properties after liquidation of branches, liaison offices or legal entities;
 - Document verifying reimbursement amount of overseas loans or other overseas borrowings;
 - Where FDI ratio is less than 10%:
 - a. Agreement concerning officer's (director, representative director, partner with unlimited liability, auditor and persons entitled to participate in a critical decision-making process) dispatch or appointment;
 - b. Agreement concerning supply and purchase of products/raw materials for more than one year;

c. Agreement concerning provision or introduction of technology or joint research and development project.

- Document verifying the amount received through the sale of stocks or real estate;
- Document verifying whether transferees are related parties in the case of two or more transferees;
- Document verifying that stocks owned by a foreign investor or company are the shares of a foreign company listed on a foreign exchange stock market, acquired pursuant to the Foreign Exchange Transactions Act (FETA); and document verifying that the shares are owned by foreigners in accordance with FETA or FIPA.

- Processing period: On-the-spot (Institutions accepting the FDI notification shall issue a certificate of FDI notification after reviewing the notification form and related documents.)

■ Approval for acquisition of existing stocks of business in the defense industry

- Who: Foreign investor or proxy.
- Where: Foreign Investment Promotion Division at the Ministry of Commerce, Industry and Energy (MOCIE) (82-2-2110-5362).
- Required documents:
 - FDI application form for approval of acquisition of existing stocks; (two copies; provided)
 - Other documents to be submitted: Same as those of FDI notification
- Processing period: 15 days; (may be extended by an additional 15 days in exceptional cases)
- The authority granting the approval shall decide after consultation on related matters with the competent ministries and shall notify the applicant. There may be additional conditions for approval.

Defense Industry Businesses in Korea (As of December 2003)		
	Major Businesses	Medium-sized Businesses
Guns and Artillery	Wia, Daewoo Heavy Industries & Machinery, Doowon Heavy industrial, Changwon Specity Steel, Daewoo Precision industries, Tongil Heavy Industries, Unimo Technology	Kukje Machinery, AfroTool, Daedong Gear, Jinyoung Precision Machine
Ammunition	Dongyang Junggong, Alcoa Korea, Samyang Chemical, Poongsan, Hanil Forging Ind, Hanhwa, Hyopchin Industrial	Suwon Paper Cone & Tube
Guidance Systems	TongMyong Heavy Industries, STX, Rotem, LG Cable, Chunji Industry, Pyunghwa Industrial, Doosan Heavy Industries & Construction, Dymos	Kanglim, Kia Motors, Dongjin Electronics, Shinjeong Development
Air Guidance	Firstec, Korean Air, Samsung Techwin, LG Innotek, Korea Aerospace Industries, Kukdong Telecommunication, Kumho Tires	Korea Bell Helicopter, Korea Lost-wax, DACC, Dawin Friction
Combat vessels	Kangnam, Hanjin Heavy Industries & Construction, Hyundai Industries, Sebang Hightech, DSME	SPECO
Communications & Electronics	Huneed Technologies, M-Tech, Samsung Thales, Younhab Precision, Ehwa Technologies, TSTec, Vitzrocell, EO System, Hanlim ST, B&B Solution	Hyundai Jcom, Ilshin Communication, Dong-il Shelter System
CBR	Samgong Industrial, HK Communication,	
Miscellaneous	Silstar, Daeyang Electric Supply, Hankook Fiber, Seoul Engineering, Oriental Industry, Jinyang Industrial, Valeo	Daewon KangUp, Row Technology, Tongyang Tech Industries, Samwoo Metal, DaeMyoung, KSP, Krosys, Korea Heat Treatment, Daeshin Metal, DoDaam Systems
	Total: 53	Total: 29

□ FDI by means of Purchasing Existing Stocks

■ When FDI capital is remitted to domestic foreign exchange banks:

- The remitted capital shall be converted into Korean won to pay for the acquisition of existing stocks, or the capital can be transferred directly to the stock transferor's account in foreign

currency. (Foreign Exchange Transactions Regulation Article 5~11.1.8)

- Where foreign investors intend to pay for the acquisition of existing stocks by withdrawing foreign currency, they shall obtain approval from the President of the Bank of Korea. (Foreign Exchange Transactions Regulation Article 5~11.3)
- Foreign investors need to be issued a certificate of purchase/deposit of foreign currency by a foreign exchange bank. This certificate is required when filing for FDI company registration.

■ **When capital is carried through customs:**

- The foreign currency must be reported to the customs authority and be converted into Korean won to pay for the acquisition of existing stocks, or may be transferred directly to the stock transferor's account in foreign currency.
- Foreign investors need to be issued a certificate of purchase/deposit of foreign currency by a foreign exchange bank. This certificate is required when filing for FDI company registration.

□ *FDI Company Registration (Article 21.1 of FIPA; Article 27 of the Enforcement Decree)*

- The company shall apply for registration to the notification agency within 30 days in case of:
 - Completing the payment of capital;
 - Acquiring existing stocks;
 - Converting, acquiring or exchanging convertible bonds, exchangeable bonds or certificates of stock deposit.
- Where foreign nationals have invested a partial amount of more than KRW50 mil. in Korea prior to complete payment of intended capital.
- Registration period: Within 30 days after acquisition of existing stocks.
- Foreign investors shall apply for individual approval for cases of corporate merger notification (Article 12 of the Monopoly Regulation and Fair Trade Act) concerning the acquisition of existing stocks if such acquisition is made over a certain amount.

□ Matters to be Noted

■ **Notification for acquisition or transfer of existing stocks by means of purchase, inheritance, gift or capital increase (Article 7.1.3 of FIPA)**

In cases where foreign nationals acquire stocks of a registered foreign-invested company from foreign investors by means of purchase, inheritance, gift or capital increase, they shall notify a competent agency of the acquisition of the stocks within 30 days after acquiring the stocks. However, in cases where the foreign investor (transferor) notifies a transfer of stocks acquired to the competent agency, the foreign national shall be exempted from the obligation of notification (Article 23 of FIPA).

■ **Acquisition of existing stocks in the stock exchange market**

Foreign nationals who have already acquired 9% of the total existing stocks of a company in the stock exchange market, and intend to acquire an additional 3.5% of the total existing stocks (thus making the total acquisition ratio in excess of the allowed 10%), shall file FDI notification through acquisition (or apply for approval) of existing stocks prior to acquiring the additional 3.5% in stocks.

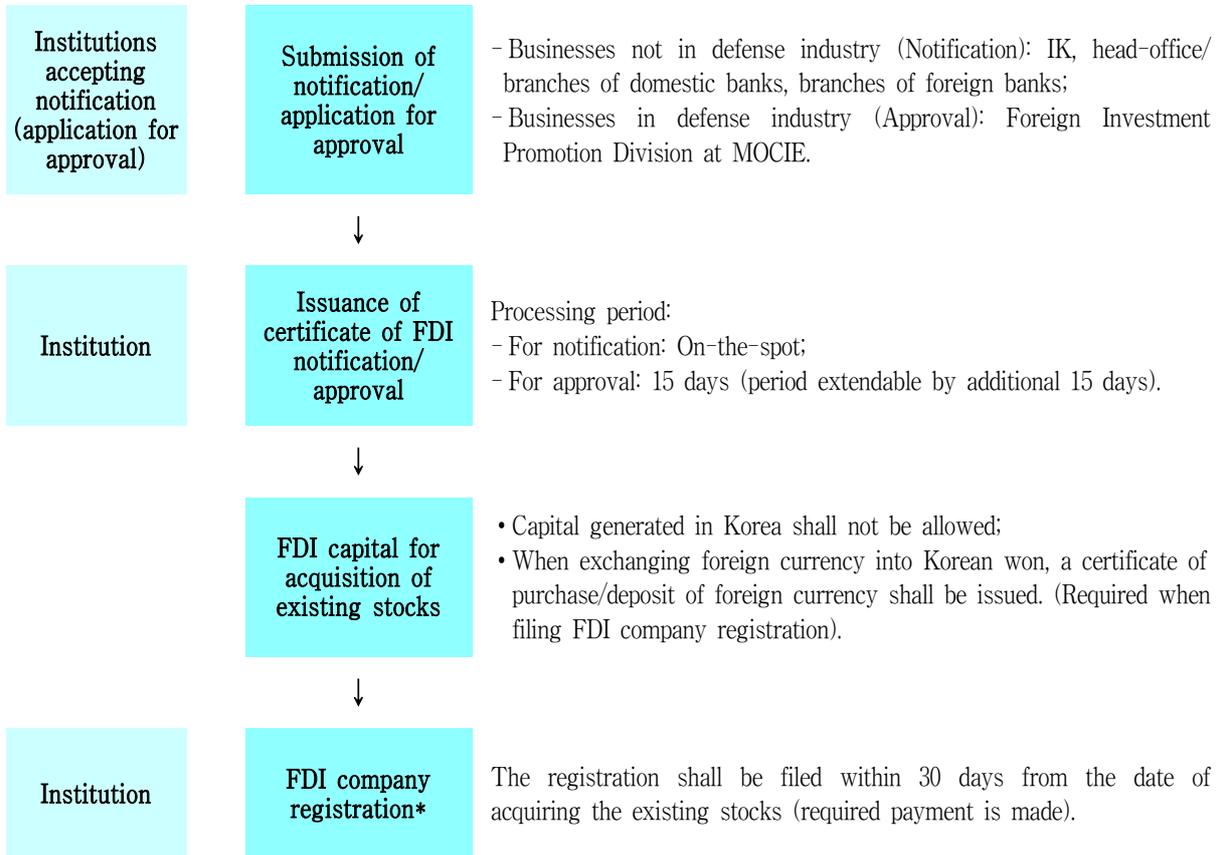
■ **Investment in an FDI-restricted business, of which sales revenue is less than 1% of the total revenue of the controlling company. (Article 5.2, 5.3 of the Enforcement Decree)**

- Foreign nationals may invest in an FDI-restricted business if the revenue accrued from the restricted business is less than 1% of the controlling company.
- However, after acquiring stocks of an FDI-restricted business, the foreign national shall transfer the stocks acquired in excess of the FDI-allowable ratio when revenue from the FDI restricted business exceeds 1% of the total revenue of the controlling company.

■ **Restriction to investment in companies engaged in FDI-restricted business (Article 5.4 of the Enforcement Decree)**

Foreign nationals may not invest in a company that is classified as both a partially open business and a closed business to FDI.

FDI Through Acquisition of Existing Stocks



*** When a change in the reported FDI company registration is carried out, the institution where FDI company registration was previously filed shall be notified within 30 days from the date when the change was made.**

Changes of the registration shall be filed in the following cases:

- When notification of acquisition of existing stocks of a company through mergers is made;
- When notification of transfer/reduction of stocks is made;
- When the name of an FDI company is changed;
- When the name and nationality of a foreign investor is changed;
- When FDI amount, type, ratio or business operated is changed;
- When a stock transferor, loan provider, loan amount or loan terms are changed

(3) FDI through Long-term Loans

Loan with maturity of five years or more to an FDI company from its overseas parent company or a company which has capital affiliation with the said parent company

□ FDI Notification (Article 8.1 of FIPA)

- Who: Foreign investors or their proxies.
- Where: Invest KOREA, major domestic banks, foreign banks and KOTRA in Korea and overseas countries
- Required documents:
 - Notification form of FDI made in the form of long-term loans (two copies; provided)
 - Document verifying the company in a relationship of capital investment (one copy)
 - Loan agreement (one copy)
- Processing period: On-the-spot

※ “*Company in a relationship of capital investment*” (Refer to Page 2)

□ Changes in FDI Notification (Article 5.2 of the Enforcement Decree)

■ Changes made in the loan contract:

- Notification form (two copies)
- Modified loan agreement (one copy)

■ Changes of the loan provider:

- Notification form (two copies)
- Document verifying loan providers as being overseas parent company or as having capital affiliation with such parent company (one copy)
- Processing period: On-the-spot

(4) FDI through Acquisition of Stocks Following Mergers

- **When foreign nationals acquire stocks of an FDI company that are issued following a transfer of reserved surpluses or revaluation reserves into capital of the said FDI company;**
- **When foreign nationals acquire stocks of a legal entity which survives, or is newly organized, following mergers, all-inclusive stock exchange & transfer, and division between an FDI company and other enterprises, based on rights arising from ownership of the stocks of the FDI company;**
- **When foreign nationals acquire stocks of an FDI company from a foreign investor by means of purchase, inheritance, capital increase or gift;**
- **When foreign nationals acquire additional stocks by capital contribution of returns of profits derived from stocks acquired in accordance with FIPA;**
- **When foreign nationals convert, acquire or exchange bonds or other similar certificates (e.g., CB, EB, DR, etc.) into stocks.**

□ FDI Notification (Article 7.1 of FIPA)

- Who: Foreign investor or proxy
- Where: Invest KOREA, major domestic banks, foreign banks, and domestic and overseas networks of KOTRA

- Required documents:
 - FDI notification form for stock or shares acquisition (two copies; provided);
 - One copy of the document verifying acquisition of stocks or shares;
 - Where FDI ratio is less than 10%:
 - a. Agreement concerning officer's (director, representative director, partner with unlimited liability, auditor and persons entitled to participate in a critical decision-making process) dispatch or appointment;
 - b. Agreement concerning provision or introduction of technology or joint research/development project;
 - c. Agreement concerning supply and purchase of products/raw materials for more than one year.
- Filing period: Within 30 days from the date of acquiring existing stocks
- Processing period: On-the-spot

3. Processing of Civil Petitions by Foreign Investors

(1) Civil Petitions concerning Foreign Investment

■ Systemic classification of civil petitions related to foreign investment

- Civil petitions are classified as "civil petitions to be individually treated", "civil petitions to be treated in bulk" and "civil petitions to be directly treated" based on the characteristics, required procedures and related organizations. Those civil petitions will be dealt with at Invest KOREA or others who are commissioned by Invest KOREA.

■ Consultation with related organization (FIPA Article 17.4)

- The head of a civil affairs administrative agency to whom an application form relating to civil affairs has been transferred, or who has received an application form relating to civil affairs from a foreign investor or a foreign-capital invested company, shall without delay consult with the head of the relevant administrative agency, and the head of the relevant administrative

agency shall submit his opinion within the period prescribed in FIPA.

- If the head of the relevant administrative agency disagrees, he shall explicitly express his reasons for disagreeing, and if the head of the relevant administrative agency has not submitted his opinion within the period, he shall be regarded as having no opinion on the matter.

■ Foreign Investment Promotion Officials of Cities and Dos (FIPA Article 16)

- A foreign investment promotion office may be established in the Special Metropolitan City, Metropolitan City, or *Dos* (Provinces) for the purpose of rendering support for foreign investment by properly supervising the treatment of civil petitions concerning permission, authorization, licensing, approval, designation, cancellation, report, recommendation, and consultation related to foreign investment (hereinafter referred to as "permission") and establishing cooperative systems with related agencies.

■ Treatment of overdue civil petitions (FIPA Article 17.5)

- Where the head of a civil affairs administrative agency or the dispatched officer has not notified the relevant person of his rejection of the application for permission within the treatment period, the permission shall be regarded as having been granted as of the day immediately following the last day of the treatment period.

■ Conditioned permission of civil petitions (FIPA Article 17.10)

- When some of the requirements for the grant of said permission, such as documents to be attached, have not been met, the head of a civil affairs administrative agency may grant, under the conditions that the requirements which have not been met shall be satisfied.

■ Rejection of applications

- Notification of reasons for rejection (FIPA Article 17.5)
 - If the head of a civil affairs administrative agency or the dispatched officer intends to reject the application for permission within the treatment period, he shall notify the relevant foreign investment promotion official, foreign investor, or foreign-capital invested company in writing of his reasons for rejecting the application.

- Granting of permission when reasons for the rejection were remedied (FIPA Article 17.7)
 - Where the foreign investor or foreign-capital invested company that was notified of the rejection of his application for permission remedies the reasons for the rejection and submits a document which certifies that he satisfies the conditions for the granting of permission, the head of a civil affairs administrative agency or the dispatched officer shall grant the permission within the pre-set period.
 - In this case, the head of a civil affairs administrative agency or the dispatched officer shall not refuse to grant the permission for reasons other than the ones given before.

■ Others

- Except where otherwise provided for in the FIPA or Enforcement Decree of Foreign Investment Promotion, the treatment of civil petitions which concern foreign investment shall be governed by the Civil Petitions Treatment Act. (Enforcement Decree Article 24.13)
- Where any Act and subordinate statute other than FIPA contain provisions concerning civil affairs which affect the realization of a goal a foreign-capital invested company is able to pursue only with the permission granted in accordance with other Acts and subordinate statutes from the time the foreign investment was reported to the time of the launching of the business, and which do not fall under one of the following categories, the provisions of other such Acts and subordinate statutes shall not apply to the foreign investor or to the foreign investment business of the foreign-capital invested company. (FIPA Article 17.11)

(2) Processing of Civil Petitions by Type

Civil petitions to be directly processed

■ Concept (FIPA Article 17.2)

- Civil petitions to be directly processed may be treated directly by an officer dispatched to IK. In this case, the head of the relevant administrative agency to which the dispatched officer belongs

shall entrust the dispatched officer with all rights concerning the treatment of the civil petitions.

- Types of civil petitions to be directly treated: Granting of Status of Sojourn, Permission for Change of Status of Sojourn, Permission on Extension of Sojourn Period, Permission on Reentry, Report on Change in Foreigner Registration Matters, Confirmation of the completion of investment in kind and Business Registration.

■ Procedure

- When a foreign investor or his proxy applies civil petitions classified as "civil petitions to be directly processed" to IK, they may be treated directly by a dispatched officer.
- The petitions will be treated within the period prescribed in FIPA through a pre-set form of documents stipulated by relevant acts.

■ Types and processing period of civil petitions to be directly treated

Civil petition	Relevant Act	Processing Period
Confirmation of the completion of investment in kind	FIPA Article 30.3	Immediately
Granting of Status of Sojourn	Immigration Control Article 23	Immediately
Permission for Change of Status of Sojourn	Immigration Control Article 24.1	Immediately
Permission on Extension of Sojourn Period	Immigration Control Article 25	Immediately
Permission on Reentry	Immigration Control Article 30.1	Immediately
Report on Change in Foreigner Registration Matters	Immigration Control Article 35	Immediately
Business Registration	Act on Value Added Tax Article 5	7 Days

Civil petitions to be processed in bulk

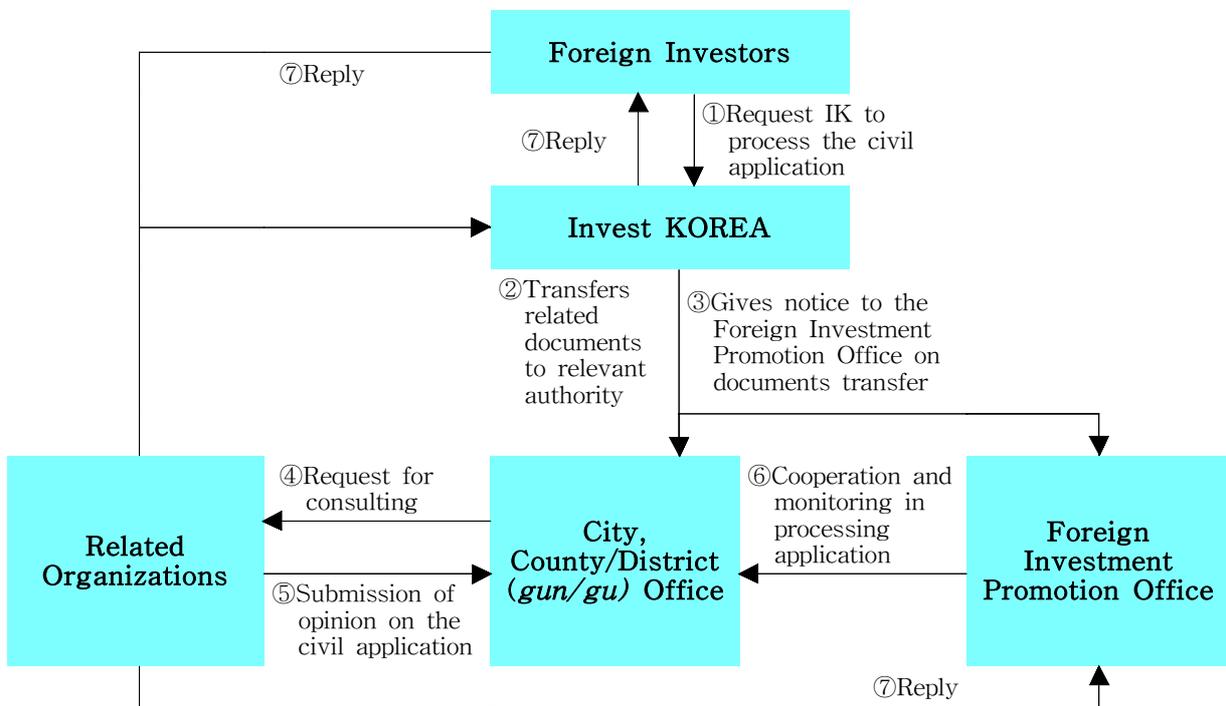
■ **Concept**

- Civil petitions classified into 10 categories according to their characteristics and relevant institutions. In case major permissions relating to a petition are granted, other minor permissions are automatically considered to be granted.

■ **Procedure**

- Civil petitions to be treated in bulk will be handled in accordance with forms and periods prescribed in FIPA.
- Civil-petitioners are required to attach the list of other permissions to the application form of civil petitions to be treated in bulk.

■ **Work-flow of treatment of civil petitions to be treated in bulk**



※ **Matters to be noted**

- ⑧ Notification of extension of treatment period is possible within the original processing period.
- ⑨ Where a petitioner gets permission with conditions attached, he shall supplement insufficient points within notified period (The period shall not be included into the processing period of a civil petition).
- ⑩ Conditional permission: Permission in advance under the conditions that the requirement shall be satisfied.
- ⑪ Rejection: Re-application after eliminating the reasons for rejection. Then the permission will be granted within three days from the day of re-application.

<**Explanation**>

- ① Application: A foreign investor or a foreign-capital invested company may request the Invest KOREA, or Foreign Investment Support Centers of Cities and Provinces(Dos) to vicariously carry out matters of civil petition such as the filling out and submission of application forms relating to civil affairs or may directly file civil petitions to a City(Si), Rural District(Gun) or City District(Gu)
- ② Transfer: Invest KOREA fills out and submits (transfers) forms of civil petitions for a foreign investor or a foreign-capital invested company
 - Invest KOREA submits required documents for filing civil petitions to be treated in bulk or civil petitions to be individually treated. to the heads of administrative agencies. In case of a civil petition to be treated expeditiously, relevant documents will also be submitted.
- ③ Invest KOREA transfers them to the relevant civil affairs administrative agency for disposition, and notifies the foreign investment promotion official under its jurisdiction.
- ④ The head of a civil affairs administrative agency to whom an application form relating to civil affairs has been referred, or who has received an application form relating to civil affairs from a foreign investor or a foreign-capital invested company, shall without delay consult with the head of the relevant administrative agency.

- ※ Relevant departments of civil affairs administrative agencies:
Factory establishment and business plan approval: Industrial department;
Construction permission and approval of building use: Construction department;
Permission of wastewater(air) disposal plant: Environmental department.
- ⑤ The head of the relevant administrative agency shall submit his opinion one or two days before the end of the civil petition processing period. If the head of the relevant administrative agency disagrees, he shall explicitly state his reasons for disagreeing.
- ⑥ Upon receiving the notification of civil petitions, Foreign Investment Support Centers shall monitor the processing procedure. If a civil petition is rejected, the Centers shall verify the adequacy of the reasons provided for disagreeing.
- ⑦ The head of the relevant administrative agency shall review the adequacy of permissions and approvals and notify the results to Invest KOREA and Foreign Investment Support Centers in cities and provinces within the processing period.
- If the head of the administrative agency has not notified the relevant person of his rejection of the application for permission within the treatment period, the permission shall be regarded as having been granted as of the day immediately following the last day of the processing period.
 - Where permission is regarded as having been granted, the head of a civil affairs administrative agency or the dispatched officer shall issue, without delay, upon the request of the foreign investor or foreign-capital invested company concerned, a document certifying the granting of the permission.
- ⑧ Extension of processing period
- Where reasonable and objective grounds have been deemed to exist for the inability to treat properly civil petitions within the processing period, the head of the civil petitions processing agency concerned may extend the processing period only once.
- ⑨ When some of the requirements for the granting of said permission have not been met, the head of a civil affairs administrative agency may require correction or supplementing of documents within a certain period of time. In this case, the period will not be included in the processing period prescribed by the relevant Act.

- ⑩ Even when, with respect to the permission relating to civil petitions to be processed in bulk, some of the requirements for the granting of said permission, such as documents to be attached, have not been met, the head of a civil affairs administrative agency may grant permission on the condition that the requirements which have not been met shall be satisfied. In this case, the civil petitioner shall verify in written documents that all conditions attached were fulfilled.

※ Period for Condition fulfillment

- (1) Factory establishment and business plan approval: the date of the application for the construction permission (where construction permission was deemed to have been granted, the date of the report on the commencement of construction);
 - (2) Construction permission: the date of the report on the start of construction;
 - (3) Environmental permission: the date of the report on the start of operation; and
 - (4) Approval of building use: the date of the registration into the construction ledger.
- ⑪ If the head of a civil affairs administrative agency or the dispatched officer intends to reject the application for permission, he shall notify the relevant foreign investment promotion official, foreign investor, or foreign-capital invested company in writing of his reasons for rejecting the application. Where the civil petitioner eliminates the reasons for the rejection and submits a document which certifies that he satisfies the conditions for the granting of the permission, the head of a civil affairs administrative agency or the dispatched officer shall grant the permission within three days. In this case, the head of a civil affairs administrative agency or the dispatched officer shall not refuse to grant the permission for reasons other than the ones given before.

■ Relevant administrative agencies for civil petitions to be processed in bulk

- ① Factory establishment. (Enforcement Rule Table 12)
: Mayors of Cities, *Guns* and *Gus*.
- ② Approval of business plan. (Enforcement Rule Table 13)
: Mayors of Cities, *Guns* and *Gus*.

- ③ Construction permission. (Enforcement Rule Table 14)
: Mayors of Cities, Guns and Gus.
- ④ Permission for facility generating wastewater or air-polluting materials. (Enforcement Rule Table 15)
: Mayors of Cities and Provincial Governors.
- ⑤ Approval of building use. (Enforcement Rule Table 16)
: Mayors of Cities, Guns and Gus.
- ⑥ Approval of tourism complex development plan. (Enforcement Rule Table 16-2)
: Mayors of Cities and Provincial Governors.
- ⑦ Tourism business registration. (Enforcement Rules Table 16-3)
: Mayors of Cities and Provincial Governor .
- ⑧ Approval of business plan for registered sports facilities. (Enforcement Rule Table 16-4)
: Mayors of Cities, Guns and Gus.
- ⑨ Approval of development plan. (Enforcement Rule Table 16-5)
: Governor of Jeju.
- ⑩ Factory registration. (Enforcement Rule Table 16-6)
: Mayors of Cities, Guns and Gus.

■ Types and required documents of civil petitions to be processed in bulk

Main Approval/Permission	Supplementary Approvals/Permission	Required Documents
Type 1. Approvals for factory establishment pursuant to Article 13 (1) of the Industrial Cluster Development and Factory Construction Act	20 approvals in accordance with 19 individual acts	<p>Application regarding approvals for factory establishments:</p> <ul style="list-style-type: none"> - Copy of business plans; - Copy of map indicating planned site for factory establishment; - Copy of a legal statement regarded as permission for factory establishment; - Copy of a document stating the right to use land and building. (Limited to cases wherein the application for factory establishment through use of an existing building is submitted.)
Type 2. Approvals for business plans pursuant to Article 21 of the Support for Small and Medium Enterprise Establishment Act	21 approvals in accordance with 14 individual acts	<p>Applications regarding approvals for business plans:</p> <ul style="list-style-type: none"> - Copy of business plans; (Limited to cases where the application for approval is submitted.) - Copy of a document stating modification in the business plans and reasons; (Limited to cases where the application for approval of the modification is submitted.) - Copy of a document describing the original contents of the business plans and modified contents; (Limited to cases where the application for approval of the modification is submitted.) - Copy of a legal statement regarded as permission for business plans; - Copy of a document stating FDI ratio; (Limited to cases where the application to receive levy reductions or exemptions for transfer of use in agricultural areas, etc. is submitted.)

Main Approval/Permission	Supplementary Approvals/Permission	Required Documents
<p>Type 3. Permissions for construction pursuant to Article 8 of the Building Act</p>	<p>18 approvals in accordance with 20 individual acts</p>	<p>Applications regarding construction permission:</p> <ul style="list-style-type: none"> - Document proving the land size for building construction and the land ownership or the right to use such land; - Copy of basic blueprint of the building (including an outline of the building); - Copy of a legal statement regarded as approval for construction permission; - Copy of the document stating FDI ratio; (Limited to cases where the application to receive the levy exemption or reductions for transfer of use of agricultural areas, etc. is submitted.)
<p>Type 4. Permissions for wastewater discharge facilities pursuant to Article 10 of the Water Quality Conservation Act (Permissions for facilities of air pollutant discharge pursuant to Article 10 of the Clean Air Conservation Act where there is no wastewater discharge facility)</p>	<p>7 approvals in accordance with 6 individual acts</p>	<p>Applications regarding approvals for installation of discharge facilities:</p> <ul style="list-style-type: none"> - Copy of the flow chart showing the operation process of facilities; - Copy of a legal statement regarded as permission for wastewater or air pollutant discharge facilities.
<p>Type 5. Approvals of use of building pursuant to Article 18 of the Building Act</p>	<p>13 approvals in accordance with 15 individual acts</p>	<p>Applications regarding approvals for buildings:</p> <ul style="list-style-type: none"> - Copy of a report on the completion of construction supervision; - Copy of blueprint; (Limited to cases required to report pursuant to Article 9 (1) of the Construction Act.) - Copy of certificate of license. (Granted when use of building is approved)

Main Approval/Permission	Supplementary Approvals/ Permission	Required Documents
<p>Type 6. Approvals of a formation plan pursuant to Article 52 of Tourism Promotion Act</p>	<p>20 approvals in accordance with 19 individual acts</p>	<p>Applications regarding approvals of a formation plan:</p> <ul style="list-style-type: none"> - A written plan for tourist facilities or a written plan for management of tourist resorts; - A land statement specifying lot numbers, land category, land register, owners and areas by facilities; - A bird's-eye view ; - Documents which are able to certify the ownership or use right of the land ; - Copy of a legal statement regarded as permission.
<p>Type 7. Registration of travel business pursuant to Article 4 of Tourism Promotion Act</p>	<p>8 approvals in accordance with 8 individual acts</p>	<p>Applications regarding approvals of tourism business registration:</p> <ul style="list-style-type: none"> - A copy of business plan; - A copy of document confirmed by consulate of Republic of Korea in accordance with Registration of Korean Nationals Residing Abroad Act; - Transcript of company registration; - Documents which are able to certify the ownership or use right of the land; - Copy of a legal statement regarded as permission; - Copy of balance sheet confirmed by CPA or the head of tax office (in case of tourist business and International conference service); - Approval of tourist accommodation business, Tourist-use facility business and International conference facility business might require additional documents.
<p>Type 8. Approvals of business plan pursuant to Article 12 of Installation and Utilization of Sports Facilities Act</p>	<p>9 approvals in accordance with 9 individual acts</p>	<p>Applications regarding approvals of registered sports facilities business plan:</p> <ul style="list-style-type: none"> - Transcript of company registration(corporation); - Documents which include the size of land, land use plan, transcript of land registration; - Map of the spot, surroundings; - Plans of facility location; - Financing plan, equipment installation plan, plan for instructors or insurance; - Copy of a legal statement regarded as permission.

Main Approval/Permission	Supplementary Approvals/ Permission	Required Documents
Type 9. Execution approval, etc. of development project pursuant to Article 59 of Special Act on Jeju Free International City	27 approvals in accordance with 27 individual acts	Applications regarding approvals of execution approval: <ul style="list-style-type: none"> - Development plan; - Copy of basic investigation, integrated effect evaluation; - Map of development spot (1/25,000), map of surroundings of development spot; - Documents which are able to certify the ownership or related persons of the land, buildings and others located on development spot; - Landscape and restoration plan of development spot; - Management plan for state-owned/ public-owned land and public facilities; - Support plan for landowner ; - Employment plan; - Copy of a legal statement regarded as permission.
Type 10. Registration of factory structures pursuant to Article 16 of Industrial cluster development and factory establishment Act	21 approvals in accordance with 18 individual acts	Application regarding approvals of registration of factory structures: <ul style="list-style-type: none"> - Business plan; - In case of registration change, documents certifying changes; - The entry of a building register of factory structure; - Copy of a legal statement regarded as permission.

NOTE: Processing period to acquire approvals or permissions described above is between 7 to 30 days, depending on the application.

- ※ For more detailed information on supplementary approvals and permissions, please refer to Table 1 of Article 17.1 of FIPA.
- ※ For information on processing period of each approval or permission, please refer to Table 2 of Article 24.2.1 of Enforcement Decree of Foreign Investment Promotion.

Civil petitions to be individually processed

■ Concept (Article 24.2 of the Enforcement Decree)

Civil applications that require approvals and permissions may be processed individually in accordance with the relevant laws.

■ Procedure

The procedure is the same as that of civil petitions to be treated in bulk

■ Scope

A total of 97 types of civil applications will be regarded as "civil petitions to be individually treated"

- Table 2 of FIPA(13 applications), Table 3 of President decree (81 applications) and Table 1 of Enforcement rule (3 applications)

4. Follow-up Management of Foreign-invested Companies

(1) Changes in FDI Company Registration (Article 27.2 of the FIPA)

■ Changes in the FDI company registration shall be filed in the following cases:

- When notifying of acquiring existing stocks through a merger is made;
- When notifying of transfer/reduction of stocks is made;
- When changing the name of an FDI company;
- When changing the name and nationality of a foreign investor;
- When changing FDI amount, type, ratio or business operated;

■ Notification

- When: Within 30 days from the date on which the change was made.
- Where: Institution at which FDI notification was filed.
- Required documents:
 - Notification form (2 copies);
 - Document verifying the reasons for the change (2 copies).

(2) Disposition of Capital Goods (Article 22 of FIPA)

- When foreign investors transfer, lease or use the imported capital goods for purposes other than notified, a notification shall be filed if the date of import acceptance is less than 5 years. However, for capital goods of which the import acceptance is more than 5 years, a notification for the disposition is not required.
- Where: Institution where FDI notification was filed.
- Required documents: Notification form for disposition of capital goods (2 copies)

(3) Additional Business Operations of Foreign-invested Companies

- In cases where the ratio of foreign investment is under 10/100:
 - All kinds of additional business operations are allowed without notification
- In cases where the ratio of foreign investment is 10/100 or more:
 - Cases where additional business is allowed (No notification is necessary)
 - When conducting business fully opened to foreigners;
 - When conducting business partly restricted to foreigners within the extent allowed by relevant laws;

- Cases where additional business is not allowed:
 - When carrying out additional business beyond restrictions;
 - When carrying out additional business closed to foreigners.

(4) Acquisition of Existing Stocks of Domestic Companies by FDI Companies

- For FDI companies whose FDI ratio is less than 50% and the largest shareholder is not a foreign national, they can acquire existing stocks of other domestic companies
- For FDI companies whose FDI ratio is 50% or more and the largest shareholder is a foreign national, certain conditions exist (Article 29.2.2 of the Enforcement Decree of Foreign Investment Promotion):
 - Acquisition of existing stocks by FDI companies is allowed when:
 - Acquiring existing stocks of domestic companies operating businesses open to FDI;
 - Acquiring existing stocks of domestic companies operating businesses partially open to FDI within the allowable scope stipulated in the permission criteria;
 - Acquiring less than 10% of existing stocks of domestic companies operating businesses closed to FDI;
 - Acquiring stocks of FDI companies in finance or insurance, whose main business objective is to acquire stocks of other companies; in this case, the acquisition shall be made in accordance with the relevant laws.
 - Acquisition of existing stocks by FDI companies is prohibited when:
 - Acquiring existing stocks of domestic companies operating businesses partially open to FDI beyond the allowable scope of stock acquisition;
 - Acquiring 10% or more of existing stocks of domestic companies operating businesses closed to FDI.

(5) Notification of Transfer/Reduction of Stocks (Article 23 of FIPA)

■ Notification

- When foreign investors transfer the shares to others;
- When foreign investors reduce share ownership following capital reduction.

■ Notification period

- Transfer of shares: Within 30 days from the date on which the transfer agreement was signed;
- Reduction of capital: Within 30 days from the date of termination of the notification period for creditors as pursuant to Article 439 of the Commercial Act.

■ Required documents:

- Notification form for transfer/reduction of stocks or shares;
- Copy of the document verifying the transfer or reduction of shares (e.g., contract, certificates, etc.).

IV. SUPPORT FOR FDI

1. Tax Incentives

(1) Purpose

Tax reduction or exemption on corporate tax, income tax, acquisition tax, registration tax, property tax and aggregate land tax may be granted to foreign direct investment made in accordance with the Restriction of Special Taxation Act. (Article 9 of FIPA)

(2) Businesses Eligible for Tax Incentives

■ Hi-tech or Industry-Supporting Service Businesses

To be eligible for tax incentives, businesses with advanced technology (high-tech) or service businesses supporting the domestic industry (industry-supporting service) should satisfy the following requirements:

- Technology having substantial economic and technological benefits for the national economy and that is critical in advancing industrial structure and strengthening international competitiveness of the domestic industry;
- Technology with less than three years since its inducement (as of the filing date of the FDI notification or the technology inducement contract); or technology with more than three years since inducement but is evaluated as having a positive economic impact and technological superiority compared to prior induced technology;
- Technology for which the major processes or services are mainly conducted in Korea;
- Corporate tax or income tax shall be abated or exempted for the taxable years ending within 7 years from the taxable year wherein an income accrues for the first time from the relevant

business since the commencement of relevant business (the taxable year whereto belongs the date on which 5 years elapse, if no income accrues from the relevant business not later than the taxable year whereto belongs the date on which 5 years elapse from the date of commencing the business), while the tax amount equivalent to 50/100 of the tax amount subject to abatement or exemption shall be abated or exempted for the taxable year ending within 3 years thereafter.

- From 2005, period of the whole exemption is 5 years while period of 50% is 2 years

■ **Businesses Located in Foreign Investment Zones (FIZs)**

- Designation of Foreign Investment Zones (FIZs):
 - Where necessary in order to induce foreign investment, mayor or provincial governor may designate, after due deliberation, a region in which foreign investors desire to invest as a foreign investment zone.
- Criteria for FIZ designation:
 - In cases where a new factory for manufacturing is established with more than US\$ 30 million of foreign investment
 - In cases where the following businesses are conducted with more than US\$ 20 million of foreign investment: Tourist hotel, floating tourist hotel keeping business, recreation business and amusement facility business stipulated by Tourism Promotion Act and international conference facility service as stipulated by the International Conference Industry Promotion Act;
 - In cases where the following businesses are conducted with more than US\$ 10million of foreign investment: combined freight forwarding business; joint collection and delivery center; logistics business and facility establishment business;
 - In cases where research facilities are established or expanded for industrial service or high-tech industries, and both of the following criteria are met;
 - ⓐ Foreign investment shall be US\$ 5 million or more.
 - ⓑ The number of research workforce with master's degrees, and more than 3 years of experience shall be 10 or more at any given time.

- Tax incentives for the above businesses will be the same as high-tech or industry-supporting businesses.

■ **Businesses located in Free Trade Zones as stipulated in the Restriction of Special Taxation Act**

- Businesses eligible to move into FTZs:

Manufacturing/logistics businesses operated by an FDI company located in a Free Trade Zone and logistics businesses stipulated by the Act on Designation and Management of Customs

- For manufacturing businesses: New factory facilities shall be installed and FDI amount shall be at least US\$10 million;
- For logistics businesses: New facilities shall be established and FDI amount shall be at least US\$ 5 million.

- Corporate tax or income tax shall be exempted for 3 years after an income accrues, and then the taxes will be cut by 50% for the next 2 years. If a company cannot generate income within 5 years after commencement business, the tax will be exempted until the 5th year of corporate establishment.

■ **Businesses located in Free Economic Zones (FEZs)**

- Business eligible to move into FEZs:

Manufacturing, tourism and logistics businesses in FEZs.

- Criteria:

- Installation of new facilities;
- FDI in manufacturing and tourism businesses shall be US\$ 10 million or more while that of logistics businesses shall be at least US\$ 5million;

- Tax incentives for the above businesses are the same as those in Free Trade Zones or Free Customs Zones.

■ **Businesses in Jeju High-tech Science and Technology Complex**

- Businesses eligible to move into the Complex:
Biotechnology, Information Technology, Culture and High-tech businesses
- Criteria:
 - Although there is no limit on investment amount, only those businesses stipulated in the Restriction of Special Tax Act will benefit;
- Tax incentives for the above mentioned businesses are the same as those in Free Trade Zones or Free Customs Zones.

■ **Businesses Located in Jeju Investment Promotion Zone or Jeju Free Trade Zone**

- Businesses subject to reduction or exemption in Jeju Investment Promotion Zone (Investment more than US\$ 10 million):
Tourist hotel, Floating tourist hotels business, Korea traditional hotel keeping business, Universal and Specialized recreation business (excluding golf course business), Tourist excursion ship business, Tourist performance place business, Universal amusement facility business, International conference facility service, Culture, Welfare facilities for Senior Citizens, Facilities for adolescents, Cableway and rail facilities operation, Power generation using alternative energy.
- Businesses subject to reduction or exemption in Jeju Free Trade Zone: Manufacturing businesses with more than 100 employees and US\$ 10 million of FDI and logistics businesses with more than US\$ 5 million of FDI
- Tax incentives for the above businesses are the same as those in Free Trade Zones.

■ **Exclusions from Tax Abatement or Exemption**

- FDI through acquisition of existing stocks (excluded from tax abatement or exemption but, the lease of public land and administrative support will be provided).
- Capital from shares of a foreign company listed on a foreign stock exchange market or shares owned by foreign nationals pursuant to the Foreign Exchange Transactions Act;

- Capital contribution made through stocks or real estate;
- In cases where a Korean corporation or individual owns more than 10% of shares with voting rights in a foreign company or corporation and the foreign company or corporation makes investments in Korea:
 - In cases where a Korean individual or others own 50% or more shares with voting rights in a foreign company or corporation, the ratio against the total number of shares with voting rights will be considered taxable.
 - In cases where a Korean individual or others own less than 50% of shares with voting rights in a foreign company or corporation, the ratio computed by multiplying the said ownership ratio by the stockholding ratio of the stockholding corporation will be considered taxable.
- Long-term loans are not included in FDI

(3) Period and Amount of Tax Incentives

■ Corporate Tax/Income Tax of FDI Companies

- Article 121.2.2 of the Restriction of Special Taxation Act.
- Tax amount to be reduced: (Total calculated tax amount) x (FDI ratio).
- Period:
 - ⓐ High-tech & business located in FIZ
 - For 7 years from the year in which profit is first made: Exemption (From 2005, 5 years);
 - Three years thereafter: 50% reduction (From 2005, 2 years).
 - ⓑ Others: 100% for 3 years, 50% for 2 years.
- ※ If a profit is not made even after 5 years from business commencement:
 - Exemption for 7 years.
 - 50% reduction for the next 3 years

- Tax amount to be reduced

(Total calculated tax amount x income acquired from business subject to tax incentives/tax base) x (FDI ratio).

■ Corporate Tax/Income Tax on Dividends of FDI Companies

- Article 121.2.9 of the Restriction of Special Taxation Act.
- Period: Same as corporate tax or income tax.

■ Acquisition Tax/Registration Tax/Property Tax/Aggregate Land Tax on Buildings and Land Acquired by FDI Companies

- Article 121.2.4 of the Restriction of Special Taxation Act.
- Acquisition/Registration/Property Tax.
- Period
 - ① High-tech & business located in FIZ
 - For the first 5 years from business commencement: Exempted.
 - The following three years: 50% reduction (From 2005, 2 years).
 - ② Others: Exemption for 3 years, 50% reduction for following 2 years.
- Tax amount to be reduced: (Total calculated tax amount) x (FDI ratio).
- Local governments may extend the period for tax incentives up to 15 years or increase the rates by enacting new local government regulations.

■ Aggregate Land Tax

- Period

Similar to that of acquisition/registration tax

- Amount to be deducted from taxable amount:

(Tax base for property acquired) x (FDI ratio).

■ Customs Duty/Special Excise Tax/Value-Added Tax

- Objects eligible for reduction/exemption: Capital goods imported for high-tech business or businesses located in FIZ.

For others, only customs duty will be reduced.

■ Tax Reduction/Exemption for Capital Increase

- Article 121-4 of the Restriction of Special Taxation Act.
- For a capital increase by FDI companies, the same regulations as for newly notified FDI shall apply with respect to tax reduction/exemption.
- For stocks which foreign investors acquire through capital transfer of reserves, asset revaluation surplus or other reserves, the reduction/exemption shall be made depending on the remainder of such reduction/exemption period and the reduction/exemption for stocks forming a basis for such accrual.
- Where FDI companies file application for tax reduction/exemption by increasing its capital within five years after a substantial decrease of capital, the Minister of Finance and Economy shall make a decision on the tax reduction/exemption only for the net increased portion of FDI compared to capital amount before decrease. (Article 116.6.1 of the Enforcement Decree of the Restriction of Special Taxation Act)

■ **Tax Reduction for Business Transfer Related to Hi-Tech Businesses or in Industry-Supporting Service**

- **Corporate/Income Tax**

• Period

- For the first 3 years of business commencement: 50% reduction
- Two years thereafter: 30% reduction.

- **Corporate/Income Tax on Dividends**

• Period

- Same as FDI company's corporate/income tax.

- **Acquisition/Registration/Property Tax**

• Period

- For the first 3 years of business commencement: 50% reduction.
- Two years thereafter: 30% reduction.

※ **However, in cases where properties are acquired prior to business commencement and after determination on tax reduction /exemption**

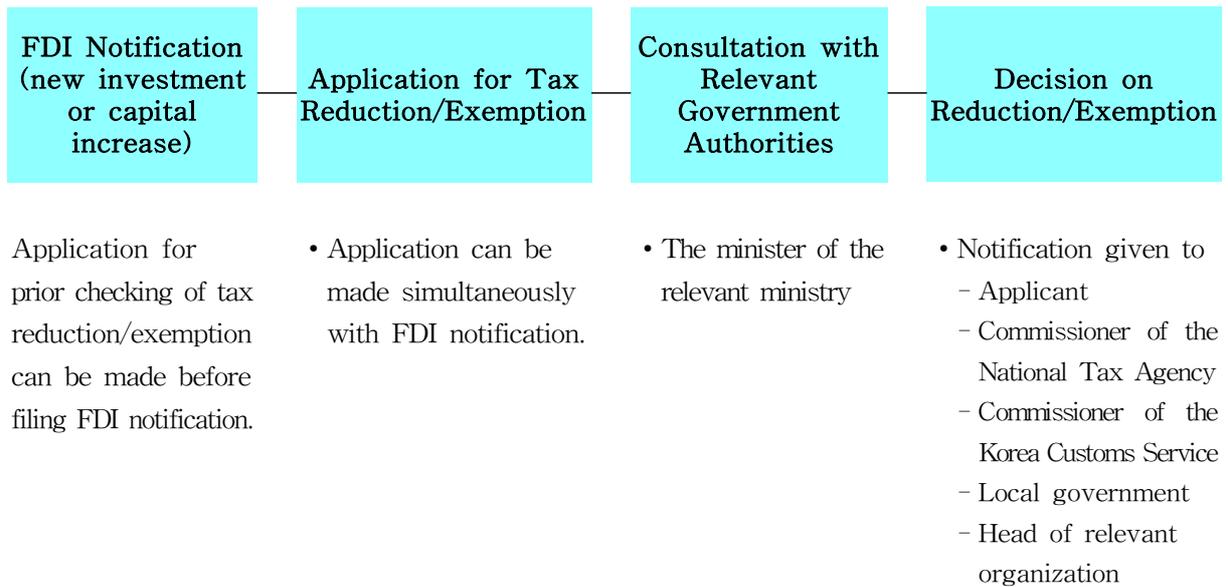
• Period

- Acquisition/registration tax: 50% reduction.
- Property tax & aggregate land tax: Subject to 50% reduction for the first three years from business commencement and 30% reduction for two years thereafter.

(4) Application and Procedure for Tax Reduction/Exemption

Tax Reduction/Exemption Decision-Making Process

(Within 20 days)



□ Application (Article 121.2.6 of the Restriction of Special Taxation Act)

■ Period

- For new FDI: By the closing date of the tax year in which an FDI company started its business;
- For a capital increase: Within two years from the notification date of capital increase;

□ Procedure

■ Pre-confirmation of tax exemption(121.2.7 of the Restriction of Special Taxation Act)

- It is designed to confirm whether a business is subject to tax exemption or reduction in advance to help foreign investors make investment decisions
- Even though a business is confirmed as eligible for tax exemption or reduction in advance, the business shall make an application for tax exemption or reduction after reporting foreign investment.

■ Institution accepting applications

- Economic Cooperation Division at the Ministry of Finance and Economy (MOFE)(82-2-2110-2183);
- Foreign investors may submit the application form for tax reduction and exemption at Invest KOREA or at a foreign exchange bank. The documents are then transferred to MOFE.

■ Required documents

- Application form for tax reduction/exemption (2 copies; provided);
 - Document explaining the technology concerned:
 - Document describing the products or technology and their scope of use (e.g., catalogs, brochures, etc.);
 - Document describing production methods and its procedures; (Limited to manufacturing technology)
 - Document showing economic effects or technological performance: Comparative analysis of performance, quality and cost savings with competitors;
 - Other documents showing that the technology concerned is advanced technology; (e.g., documents for industrial property rights, notes of authentication, certificates proving success of examinations, data related to technology developments, past records of technology provided to third countries.)
- ※ The same documents as listed above shall be submitted when foreign investors file applications in advance regarding the eligibility of their intended business for tax reduction/exemption.

□ Decision Process for Tax Reduction/Exemption by the Authorities

- Processing Period: Within 20 days from the filing date of the application
- When tax incentives are granted, the decision shall be notified to the applicant, to Invest KOREA, to the commissioned agency, to the Commissioner of the National Tax Agency, to the Commissioner of the Korea Customs Service and to the Head of the local government.
- Tax Abatement or Exemption for Capital Increase

If a relevant foreign-invested enterprise makes an application for tax abatement or exemption by making an increase of its capital within 5 years after making the paid-in capital reduction, the decision on tax abatement or exemption shall be made only for the ratio of foreigner's investment against the portion of net increase than before its capital reduction.

- Additional Collection of Taxes (Article 121-5 of the Restriction of Special Taxation Act)

- **Corporate tax**

1. Where a registration is revoked under Article 21 (3) of the Foreign Investment Promotion Act;
2. Where the standards for tax abatement or exemption are not met;
3. Where a person, who has received a corrective order, fails to comply with it;
4. Where a foreign investor transfers the stocks, etc. which he owns to a national or a corporation of the Republic of Korea; and
5. Where the relevant foreign-invested enterprise closes down its business.

- **Customs, special consumption tax and value-added tax**

1. Where a registration is revoked under Article 21 (3) of the Foreign Investment Promotion Act;
2. Where the subject-matter of investment is used for any other purpose than the reported ones or disposed of;
3. Where a foreign investor transfers the stocks, etc. which he owns to a national or a corporation of the Republic of Korea; and
4. Where the relevant foreign-invested enterprise closes down its business.

• **Acquisition tax, registration tax, property tax, and aggregate land tax**

1. Where the ratio of the stocks, etc. of foreign investors falls short of the ratio of the stocks, etc. at the time of abatement or exemption, after the taxes have been abated or exempted;
2. Where a foreign investor transfers the stocks, etc. which he owns under this Act to a national or a corporation of the Republic of Korea after the taxes are abated or exempted;
3. Where a registration is revoked under Article 21 (3) of the Foreign Investment Promotion Act; and
4. Where the relevant foreign-invested enterprise closes down its business.

• **Calculation of period for additional taxes**

1. Corporate tax: The additional collection of tax amounts which have been abated or exempted within 5 years retroactively from the date on which it falls short of the standards for tax abatement or exemption;
2. Customs: The tax amount abated or exempted for the capital goods used for other purposes than declared one or disposed of, which have been reported within 3 years (5 years for the special consumption tax and value-added tax) from the date of accepting an import declaration under the Customs Act shall be additionally collected;
3. Acquisition tax, registration tax, property tax and aggregate land tax: The tax amount computed by multiplying the tax amount of the acquisition tax, registration tax, property tax and aggregate land tax, which have been abated or exempted within 5 years retroactively from the date on which the ratio of stocks, etc. falls short or they are transferred, by the relevant insufficient ratio or transfer ratio, shall be additionally collected, respectively.

• **Cases falling under any of the following may be excluded from an additional collection**

1. Where the registration of a foreign-invested enterprise is revoked when it is dissolved by a merger;
2. Where any capital goods become unusable for their original purposes due to a natural disaster or other unavoidable causes under an approval by the Minister of Finance and Economy;
3. Where a foreign-invested enterprise transfers the stocks, etc. to a national or a corporation of the Republic of Korea in order to make itself publicly held under the Securities and Exchange Act; or
4. Where the purpose of tax abatement or exemption has been achieved.

(5) Tax Exemption for Royalty Payments for Foreign Technology

□ Subject and Period of Exemption

- Where Korean nationals or companies induce advanced foreign technology critically needed to strengthen international competitiveness of the domestic industry, corporate tax or income tax on royalties for provision or introduction of technologies shall be exempted.
- **Period of Exemption:** Five years from the date on which the first royalty payment was made

□ Application Process

- **Application period:** One year from the contract agreement or the date on which the first royalty payment was made, whichever comes first
- **Institutions accepting applications:** Government ministries in charge of the technology concerned.
- **Processing period:** Within 20 days from the filing date of the application for tax reduction/exemption.
- **Required documents:**
 - Two copies of application form for tax exemption on technology inducement;
 - Copy of technology inducement contract;
 - Documents proving the amount of capital for technology development and advanced technology;
 - Other documents proving/explaining the technology subject to tax reduction/exemption.

Notification of Contract Agreement on Technology Inducement (Article 25 of FIPA)

- Subject of notification: Contracts whose effective term or payment period for technology inducement equals or exceeds one year for the following technologies:
 - Advanced technology subject to tax exemptions;
 - Technology related to aircraft and spacecraft (including ground support facilities) and their components in accordance with Articles 2.2 and 2.3 of the Aerospace Industry Development Promotion Act;
 - Technology concerning national defense materials in accordance with items 1, 2, 4, 6, 7 and 10 of Article 4.2 of the Act on Special Measures for the Defense Industry.
- Institutions accepting applications: Ministries in charge of the technology concerned.
- Processing period: On-the-spot (However, it may take seven days in cases where the application for tax exemption is made concurrently with the notification of technology inducement.)
- Effective tax exemption period: A technology inducement contract shall be executed within six months from the date of notification. However, the period may be extended upon approval by the Ministry of Commerce, Industry and Energy.

2. Tax Incentives for Lease of National/Local Government Properties

(1) Lease of National Government Properties (Article 13 of FIPA)

- FDI companies are offered reduced rental fees for properties of the national and local governments.
- The lease period can be for up to 50 years and FDI companies can construct facilities such as factories on the leased land on the condition that the facilities are donated or the property is returned to the national or local government after reverting to its original condition when the lease contract is terminated.
- **Reduction of, or exemption from, rental fees.**
 - Industrial complexes exclusively for FDI companies, foreign investment zones in the nation's agricultural and industrial complexes and government properties are eligible for reduction of, or exemption from, rental fees.
 - Criteria:
 - Businesses eligible for exemption:
 - FDI companies located in FIZs;
 - Companies in advanced technology business, with FDI of at least US\$1 million, and that move into industrial complexes reserved exclusively for FDI companies.
 - Businesses eligible for up to 75% reduction:
 - Manufacturing companies located in foreign investment zones exclusively for foreign investors with FDI of at least US\$5 million;
 - Companies that contribute substantially to the expansion of social overhead capital, adjustment of industrial structure or financial independence of local governments, as designated by the Foreign Investment Committee.
 - Businesses eligible for up to 50% reduction:
 - Companies with advanced technology located in National Industrial Complexes, Local Industrial Complexes throughout the nation.

※ Industrial complex only for foreign-invested companies

(1,000m²,won)

Name	Size			Rent
	Total	Occupied	Non-occupied	
Cheonan	491	491	-	121/month
Ohchang	495	145	350	112
Pyongdong	958	760	198	40
Daebul	1614	1089	525	28
Gumi	167	-	167	91
Jinsa	330	176	154	86

• Eligible companies:

- Cheonan, Ohchang, Gumi, Jinsa: Companies with not less than 30% of foreign investment ratio;
- Pyongdong, Daebul: Companies with not less than 10% of foreign investment ratio.

• Eligible industries

- Cheonan: High-tech industry(Manufacturing companies are not allowed.);
- Manufacturing companies are allowed in Ohchang, Pyongdong, Daebul, Gumi and Jinsa.

(2) Lease of Local Government Properties (Article 13 of FIPA)

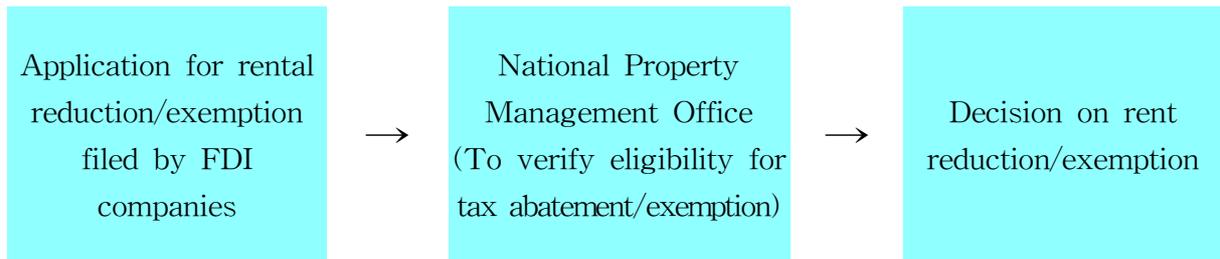
- Rental period: Up to 50 years, same as national government properties.
- Businesses eligible for rent reduction/exemption for properties owned by local governments and the rate for such reduction/exemption shall be decided by ordinances of the local government concerned.

(3) Purchase of National and Local Government Properties

- With respect to the sale of national or local government properties to FDI companies, the purchase price may be paid in installments when a lump-sum payment is considered difficult. In that case, the applied interest rate is less than 4% per annum.
 - National government properties: Payment period may be extended up to one year, or it shall be in installments for 20 years.
 - Local government properties: Payment period shall be extended, or payment shall be in installments according to the ordinances of the relevant local government.

Procedures for Rental Reduction/Exemption for Public Properties

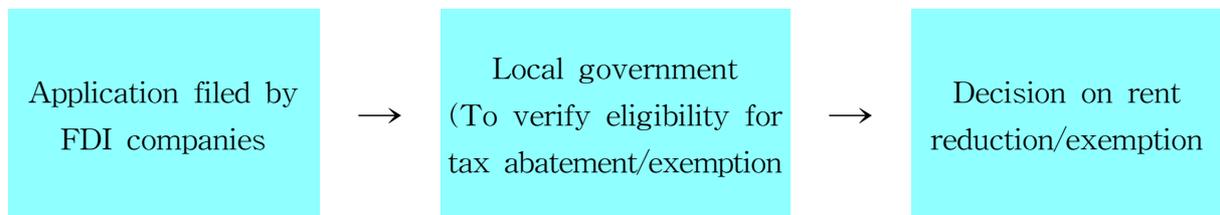
- For national government properties



※ Documents required for application for rent reduction/exemption

- Documents verifying that the business concerned is subject to rent reduction/exemption and copy of lease contract.

- For local government properties



3. Customs Support

(1) Exemption of Customs Duties

■ Customs duties, Special consumption tax and Value-added tax

- The capital goods subject to the abatement of or exemption from customs duties, special consumption tax and value-added tax shall be those that are used directly for the business eligible for the abatement of or exemption from the corporate tax or income tax.
- Capital goods that a foreign-invested enterprise imports as foreign or domestic payment means invested by the foreign investors and capital goods that a foreign investor imports as the subject-matter of investment are subject to the abatement of or exemption from customs duties
- An import declaration shall be completed within 3 years from the date on which a report is made (where an import declaration is not completed within the said period due to a delay in approval for a factory installation and other unavoidable causes, and an approval is obtained from the Minister of Finance and Economy within the relevant 3-year limit.)

(2) Written Specification of Capital Goods

- A person who intends to introduce capital goods shall draw up a written specification of the items to be introduced, which includes such information as the quantities, standard sizes, and prices, and manufacturers of the capital goods to be introduced, and apply for their examination and confirmation by the president of a foreign exchange bank or KOTRA(Invest KOREA) before their shipment.

※ For customs clearance, investors shall submit the following documents to customs house:

- Application for exemption from customs duties;
- Documents verifying that imported capital will be used in businesses eligible for tax exemption;
- Documents verifying that the capital goods are imported as a foreign or domestic payment means or as the subject-matter of investment;

- A written specification of capital goods;
- Other basic requirements in customs clearance.
- * Even though imported capital goods are eligible for customs exemption, applications and relevant documents shall be submitted.
- * With respect to the import of capital goods as the subject-matter of investment, business registration shall be made before carrying in the capital goods in order to receive a value-added tax deduction.

(3) Confirmation on the Completion of FDI in Kind

- With respect to imported capital goods (FDI in kind) as object of investment, foreign investors should apply for the confirmation on the completion of FDI in kind after customs clearance. The confirmation on completion of FDI in kind may be applied for at Invest KOREA. An official seconded to Invest KOREA from Korea Customs Service will process the application.
 - Where a foreign investor makes an investment in kind with the capital goods, the written confirmation of the completion of the investment in kind for which the Administrator of the Korea Customs Service has confirmed the implementation of the investment in kind and the type, volume, and price of the objects of the investment in kind shall be regarded as a written report of investigation by an investigator, as prescribed by the provisions of Article 203 of the Non-Contentious Case Litigation Procedure Act, notwithstanding the provisions of Article 299 of the Commercial Act.
- Application for certificate of confirmation on the completion of FDI in kind shall be made when the last shipment of the capital goods is made through customs, where the capital goods concerned pass through customs in many shipments.
- Where the Commissioner of the Korea Customs Service has confirmed the completion of the investment in kind, he shall, without delay, notify the President of the Bank of Korea.

- A foreign investor, where he has completed the payment of the object of investment, shall effect the registration of a foreign-capital invested company at competent court and submit the document to president of a foreign exchange bank or the president of KOTRA when registering his business at Invest KOREA.

(4) Follow-up Management of Capital Goods

- When foreign investors transfer, lease or use the imported capital goods for purposes other than those notified, a notification shall be filed, if the date of import acceptance is less than 5 years. However, for capital goods of which the import acceptance is more than 5 years, a notification for the disposition is not required.
 - Where: Institution where FDI notification was filed.
 - Required documents: Notification form for disposition of capital goods. (2 copies)
- If FDI companies do not report on the disposition of capital goods, they shall be punished by imprisonment of up to five years, or by a fine of KRW50 mil. (Article 33 of FIPA)
- Exempted or reduced customs duties are subject to collection in the following cases:
 - When an FDI company registration is cancelled or when an FDI company closes down its business, the reduced or exempted tax amount on imported capital goods for the three years prior is subject to collection (five years for special excise tax and value-added tax), retroactively from the date of the cancellation or closedown. (Article 116.8 of the Restriction of Special Taxation Act)
 - Where imported capital goods are used or disposed of within three years from the date of import declaration for any purpose other than notified, the reduced or exempted tax amount on imported capital goods is subject to collection (five years for special excise tax and value-added tax). (Article 116.8 of the Restriction of Special Taxation Act)
 - Where foreign investors transfer stocks acquired pursuant to FIPA to Korean nationals or legal

entities of Korea within three years from the date of exemption, the reduced or exempted tax amount on imported capital goods is subject to collection. (Article 116.7.1 of the Restriction of Special Taxation Act)

- Where the value of the capital goods is decreased because such goods have deteriorated or been damaged, reductions or exemptions corresponding to the reduced value may be applied when calculating additional tax collection.

■ Cases where additional customs duties are exempted:

- When FDI company registration is cancelled due to a merger;
- When capital goods are used for any purpose other than originally approved by the Minister of Finance and Economy after having been imported with their customs duties exempted, because they were unable to be used for their original purpose due to the existence of a national disaster, *force majeure* or any other cause beyond control or due to any depreciation, technological progress or other changes in economic conditions;
- When FDI companies transfer stocks to Korean nationals or companies for the purpose of public listing pursuant to the Securities and Exchange Act;
- When the purpose of tax reduction or exemption other than those listed above is deemed achievable as determined by the Enforcement Decree.

4. Others

- Notwithstanding the provision of Article 462-2 (1) of the Commercial Act, a foreign-capital invested company may pay dividends with its newly issued stocks up to the total dividend amount of its profits to be divided, where a special resolution as prescribed by the provisions of Article 434 of the Commercial Act has been passed.
- Where a technology evaluation agency as prescribed by the Presidential Decree has evaluated the price of an industrial property right under Article 2 (1) 7 (d), the evaluation contents shall be regarded as having been appraised by a publicly certified appraiser in accordance with the provisions of Article 299-2 of the Commercial Act.

V. FUNDING SUPPORT FOR FDI (FIPA Article 14.2)

The State may furnish to the foreign invested firms with more than 30% of FDI funding in cash required for their use, including the construction of new factories, taking into account whether the relevant foreign investment is accompanied by high technology, the beneficial effects of the technology transfer, the size of job creation, whether the foreign investment overlaps with any domestic investment, and the relevancy, etc. of the location in which the foreign investment is made;

1. Criteria (FIPA 14-2)

- Where the amount of the foreign investment is not less than US\$ 10 mil. and is to be used for newly installing or expanding factory facilities in order to run the business provided for in Article 121-2 of the Restriction of Special Taxation Act;
- Where the amount of the foreign investment is not less than US\$ 10 mil. and is to be used for newly installing or expanding factory facilities in order to produce components and raw materials that are provided for in the Act on Special Measures for the Promotion of Specialized Enterprises for Components and Material;
 - Parts and materials that can increase the value-added of the final product;
 - Parts and materials with high-technology or high value-added;
 - Parts and materials that can be the basis of an industry or can be utilized in a multiple number of industries.
- ※ Please refer to industries listed in Table 4 of FIPA for more information
- Where research facilities are newly installed or expanded in order to carry out research and development activities for the project provided for in Article 121-2 of the Restriction of Special Taxation Act after meeting the requirements falling under each of the following items:

- The amount of foreign investment is not to be less than US\$ 5 mil.; and
- The number of full-time research employees with master's degrees or higher related to the project and not less than 3 years career experience in research is not to be less than 20.
- The amount of the financial support in cash shall be set after conducting negotiations with the relevant foreign investor and deliberation of the Foreign Investment Committee that is set up pursuant to Article 27.
- Application for and payment of cash grant to foreign investors
 - A foreign investor who intends to receive a cash grant from the nation shall submit to the Minister of Commerce, Industry and Energy a written application for cash grant with the attachment of a written investment plan comprising the following:
 - Total investment amount and contents thereof, size of employment, beneficial effects of technology diffusion and extent of contribution to the local economy;
 - Other requirements as determined by the Minister of Commerce, Industry and Energy.
 - The Minister of Commerce, Industry and Energy shall consult with the Minister of Planning and Budget on whether or not a cash grant is to be awarded, and the amount to be granted, after completion of negotiations with the foreign investor.
 - The Minister of Commerce, Industry and Energy may pay a cash grant only once annually following the year in which the cash grant is decided, or in installments not exceeding ten times within the period of five years.
 - In cases where the Minister of Commerce, Industry and Energy pays a cash grant in installments, he may adjust the amount and time for the cash grant paid in installments, taking into account any changes in the investment plan and the actual results of the execution of the cash grant paid in installments.
 - The requirements for cash grants shall be determined by the Minister of Commerce, Industry and Energy after undergoing a deliberation by the Commission.

2. Utilization of Cash Grants for Foreign Investment

- Purchase costs or rental fees of the land for establishing a factory facility or research facility;
- Building costs of a factory facility or research facility;
- Purchase cost of capital goods, research equipment and materials to be used for the purpose of a project or research at a factory facility or research facility;
- Installation cost of infrastructure, such as electricity and communications facilities necessary for installing factory facility or research facility;
- Grants for employment or educational training.

VI. DESIGNATION/OPERATION OF PROJECT MANAGER

1. Purpose

In order to efficiently support the investment process of a foreign investor or foreign-capital invested company

2. Designation of Project Manager

The president of the Korea Trade-Investment Promotion Agency (KOTRA) may designate any employee under his control or dispatched officer as a project manager for a foreign investor or foreign-capital invested company. In this case, he shall notify the relevant foreign investor and foreign-capital invested company of the designated project manager.

3. Role of Project Manager

- Collection, offering of data or information and mediation of interview at the request of a foreign investor or foreign-capital invested company;
- Presentation of opinions regarding a support measure related to a foreign investment under the provisions of Articles 9,13,14 and 14-2 of the Act;
- Assist in the affairs and vicarious execution of civil affairs related with a case of foreign investment under the provisions of Articles 15 and 17 of the Act;
- Assist in settling in of the executives, employees and their families of a foreign investor or foreign-capital invested company, by advising on housing rentals and guidance to facilitate school admission;
- Other affairs related to a foreign investment.

VII. FOREIGN INVESTMENT ZONES

1. Designation/Development/Management of Foreign Investment Zones

(1) Criteria

Industry	Criteria
Manufacturing, High-tech and Industry-supporting Service Industries	<p style="text-align: center;"><Not less than US\$ 30 mil.></p> <p>In cases of installing a new factory facility to carry out manufacturing business or business stated in Article 116.2.1 of the Restriction of Special Taxation Act.</p>
Tourism	<p style="text-align: center;"><Not less than US\$ 20 mil.></p> <p>Tourist hotel, floating tourist hotel, recreation business and amusement facility, International conference facility.</p>
Logistics & SOC	<p style="text-align: center;"><Not less than US\$ 10 mil.></p> <p>Combined freight forwarding business, joint collection and delivery center, logistics business and facility establishment business, SOC led by private investment, Port facility, logistics in ports and airports.</p>
R&D	<p style="text-align: center;"><Not less than US\$ 5 mil.></p> <p>Installation of a new R&D facility in cases where the number of full-time researchers with master's degrees or higher related to the project and not less than 3 years of research career is not to be less than 10.</p>

※ In the case of a foreign corporation whose stocks or equity share are directly or indirectly owned by Korean citizens or corporations, the portion corresponding to the owning rate shall not be counted as part of the foreign investment amount.

(2) Designation of Foreign Investment Zones (FIZs)

- The Foreign Investment Zone (FIZ) system allows qualified foreign investors to designate an ideal site for their business and at the same time receive various benefits.
- Mayors or provincial governors can designate areas desired by foreign investors for investment as FIZs through evaluation by the Foreign Investment Committee.
- In cases where locations or businesses are wanted by two or more foreign investors, pursuant to relevant laws, the site may be designated as a FIZ.
- In cases where the location of a newly installed factory or research center is near or in the National Industrial Complex or Local Industrial Complex.

(3) Development and Management

- In principle, mayors and governors of where a FIZ is located take responsibility of development and management of Foreign Investment Zones. However, in cases where a Foreign Investment Zones is designated in an existing national complex, the FIZ would be developed and managed by the organization that had managed the existing industrial complex.

(4) Cancellation of Designation

- Where FDI companies located in FIZs fail to satisfy the FIZ designation criteria, mayors or governors may demand that such companies satisfy the criteria within six months. (Article 26.2.1 of the Enforcement Decree)
- However, if it is deemed that unavoidable reasons exist, the mayors or governors may extend the period only once within the period not exceeding the originally requested period. (Article 26.2.1 of the Enforcement Decree)
- When FDI companies do not comply with the request within the 6-month period, the mayors or governors may ask the Foreign Investment Committee for a review to cancel the FIZ designation within 30 days from the date when the request should have been complied with. (Article 26.2.2 of the Enforcement Decree)

2. Tax Incentives & Other Supports for Foreign Investment Zones

- Tax reduction/exemption;

From January 1, 2005, the corporate and income tax exemption period will be reduced. (100% exemption for 5 years, 50% reduction for 2 years)

- Exemption from and reduction in rent;
- Exemption from the traffic inducement fee for the construction of facilities;
- Support for medical, educational and housing facilities;
- Support for construction costs and basic facilities in accordance with laws regarding national industrial complexes;

All costs for the construction of basic infrastructure such as roads, water and sewage facilities; up to 50% support for land purchase; preferential support for harbors, roads, water facilities, railroads, communications and electricity facilities; reduction and exemption from taxes and fees imposed on developers of industrial complex projects; (Articles 28 and 29 of the Industrial Sites and Development Act):

- Waiver from Other Laws
 - Where land is divided within an FIZ, the required approvals from the relevant authority shall be waived.
 - FDI companies within FIZs shall be excluded from: restriction on participation in business peculiar to small and medium enterprises; obligation to consignment on production of designated systemized items to small and medium enterprises; obligation to hire designated patriots and veterans.

< APPENDIX > FDI-related Notification and Application Forms

[Form No. 1]	79
Foreign Investment Notification Form for the Acquisition of Newly-Issued Stocks	
[Form No. 2]	80
Notification Form for Change in Content of Foreign Investment in regard to the Acquisition of Newly-Issued Stocks	
[Form No. 3]	81
Foreign Investment Notification Form/Authorization Application Form for the Acquisition of Existing Stocks	
[Form No. 4]	82
Notification Form/Authority Application Form for Change in Content of Foreign Investment in regard to the Acquisition of Existing Stocks	
[Form No. 5]	83
Notification Form for Stocks or Shares Acquisition	
[Form No. 6]	85
Notification Form/Change in Content of Foreign Investment Made in the Form of Long-term Loans	
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Notification Form for the Transfer/Reduction of Stocks or Shares	
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Application Form for Tax Reduction or Exemption	
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Application Form for Prior Checking of Tax Reduction or Exemption	

[Form No. 1]

(Front)

Foreign Investment Notification Form for the Acquisition of Newly Issued stock						Foreign investment
						Term of Completion
						Immediate
Foreign Investor	①Name					③Nationality
	②Address					
Domestic Investor	④Name		(Tel:)			
Foreign Invested Enterprise	⑤Name		Korean:	⑥Capital	Before the Acquisition : Won	
			English:		After the Acquisition : Won	
	⑦Business Registration Number(Head Quarter)					
	⑧Address		Head Quarter		(Tel:)	
			Factory(or The Business Place)		(Tel:)	
	⑨Business of Intent					
※in Korean standard industrial classification code no.		(will be provided by the Delegated Agency)				
⑩Present Foreign Investment Amount and Percentage			Acquisition Price: Won (USD), %			
⑪Type of Investment	<input type="checkbox"/> Creating corporation(<input type="checkbox"/> Single, <input type="checkbox"/> Joint) <input type="checkbox"/> Purchase of newly issued stocks - (<input type="checkbox"/> domestic company, <input type="checkbox"/> Foreign Invested Enterprise) <input type="checkbox"/> Others			⑫Objective of Investment	<input type="checkbox"/> Establishment of New factory <input type="checkbox"/> Establishment of Business Place <input type="checkbox"/> Merger & Acquisition <input type="checkbox"/> Others	
	⑬Method of Investment					
		Cash Amount	Won (USD)		Intellectual Property Rights Won (USD)	
		Capital in Kind	Won (USD)			
		Stock	Won (USD)			
		Real estate	Won (USD)			
⑭Content of Stock(Shares) to be Acquired	Type		Face value per stock(share)		Acquisition Price per Stock(share)	
	Quantity		Total Amount of face Value of Stock		Total Acquisition Price	
⑮Foreign Investment Amount and Percentage after the Acquisition			Acquisition Price: Won (USD), %			
<p>In accordance with regulations in Article 5, Paragraph 1, of the Foreign Investment Promotion Act, the above is notified.</p> <p style="text-align: center;">Applicant Year Month day (or Power of Attorney) (Signature or Seal) Delegated Authority (Telephone No:)</p>						
<p>For the Applicant Notification No.:</p> <p style="text-align: center;">The above notification is confirmed. Year Month Day Delegated Authority:</p> <p>※ This notification does not confirm the arrival of the investment. When any authorization, permission or notification is required by other law, the applicant should meet the requirements prescribed in that law.</p>						

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[Form No. 2]		Foreign Investment	
Notification Form of a Change in Content of Foreign Investment in regards to the Acquisition of Newly Issued Stock			Term of Completion
			Immediate
Content of Foreign - Investment Notified prior to Change	①Date of Notification	Year	Month
			Day
	②Name of Foreign Investor		③Nationality
	④Amount of Foreign Investment and Percentage	Won (USD), %	
	⑤Method of Investment		
	⑥Business of intent		
	⑦Address of Foreign Invested Enterprise		
Change of Content	⑧Content Previously Notified		⑨Content after Change
<p>In accordance with regulations in Article 5, Paragraph 1, of the Foreign Investment Promotion Act, the above is notified.</p> <p style="text-align: center;">Year Month Day</p> <p style="text-align: center;">Applicant (Signature or Seal)</p> <p style="text-align: center;">(or Power of Attorney) (Telephone No.:)</p> <p>For the Delegated Authority</p>			
<p>For the Applicant</p> <p>Notification Number :</p> <p>The above notification is confirmed.</p> <p style="text-align: center;">Year Month Day</p> <p style="text-align: center;">Delegated Authority:</p> <p>※ This notification does not confirm the arrival of the investment. When any authorization, permission or notification is required by other law, the applicant should meet the requirements prescribed in the that law.</p>			
<p>※ Required Document</p> <p>1. A copy of a document providing proof of the contract falling under Article 2, Paragraph 2, Item 2 of the Enforcement Decree of The Foreign Investment Promotion(Only in the event of the application of Article 2, Paragraph 2, Item 2 of the Enforcement Decree)</p> <p>2. A document proving the nationality of the foreign investor(only when there is the change of the foreign investor)</p>			Processing Fee
			Exempt

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[Form No. 3]

Foreign Investment	<input type="checkbox"/> Notification Form		for the Acquisition of Out-standing stock		Term of Completion	
	<input type="checkbox"/> Authorization Application Form				Notification : Immediate Authorization : 15 days	
Enterprise of Stock Issuance	①Name		②Business Registration No.			
	③Address					
	④Factory(Business) location		(Telephone No. :)			
	⑤Present Business		⑥Capital			
	*in Korean Standard Industrial Classification code no.		(will be provided by the Delegated Authority)			
⑦Acquirer of stock (shares)		Name		⑧Nationality		
		Address (Tel:)				
⑨Seller of Stock (shares)		Name		(Tel:)		
⑩Present Foreign Investment Amount and Percentage		Acquisition Price		Won (USD)		%
⑪Content of Stock (shares) to be Acquired	Type		Face value per Stock(Share)		Acquisition Price per Stock(Share)	
	Quantity		Total Amount of Face Value Stock		Total Acquisition Price	
⑫Foreign Investment Amount and Percentage after the Acquisition		Acquisition Price		Won (USD)		%
<p>In accordance with regulations in Article 6, Paragraph 1, and Paragraph 3, of the Foreign Investment Promotion Act, the above is notified.</p> <p style="text-align: center;">Year Month Day Applicant (Signature or Seal) (or Power of Attorney) (Telephone No. :)</p> <p>For the Delegated Authority (or the Minister of Commerce, Industry and Energy)</p>						
<p>For the Applicant</p> <p>Notification (Authorization) No : <input type="checkbox"/> The above notification is confirmed <input type="checkbox"/> The above is authorized). Authorization Condition : <p style="text-align: center;">Year Month Day Delegated Authority (or The Minister of Commerce, Industry and Energy)</p> <p>* This notification(or authorization) does not confirm the arrival of the investment. When any authorization, permission or notification is required by other law, the applicant should meet the requirements prescribed in that law.</p> </p>						
* Required Documents					Processing Fee	
					Exempt	
<ol style="list-style-type: none"> 1. A copy of a document in relation to regulations in Article 2, Paragraph 1, Item 2, Item 3, Item 6, Item 7 of the Working Rules 2. In the event there are more than two recipients of the stock, a copy of a document of proof must be provided to prove the status of a specially related person 3. A copy of a document providing proof of the stocks which fall under Article 2, Paragraph 5, of the Enforcement Decree of The Foreign Investment Promotion and a copy of the conveyance of stocks stipulating conditions of exchange including amount and rate of exchange of the stocks to be invested and acquired(Only in the event of investment and acquisition of the stocks falling under article 2, paragraph 1 item 7, sub item "Sa", of The Foreign Investment Promotion Act) 4. A document proving the nationality of the foreign investor(except when the foreign investor has already been notified or registered) 						

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[Form No. 4]

<input type="checkbox"/> Notification Form <input type="checkbox"/> Authorization Application Form		for a change in Content of Foreign Investment in regards to the Acquisition of Out-standing Stock		Term of Completion Notification : Immediate Authorization Application : 15days
①Date of Notification (Authorization) of stock Acquisition		Year	Month	Day
②Name of Foreign Investor		(Telephone No. : -)		
③Name of Enterprise Issuing Stock				
Change of Content	④Content Previously Notified (Authorized)		⑤Content After Change	
In accordance with regulations in Article 6, Paragraph 1, and Paragraph 3, of the Foreign Investment Promotion Act, the above is notified.				
Year Month Day Applicant (Signature or Seal) (or Power of Attorney) (Telephone No. :) For the Delegated Authority (or The Minister of Commerce, Industry and Energy) :				
For the Applicant Notification (Authorization) No. : The above notification is confirmed(The above is authorized). Year Month Day <div style="text-align: right; margin-right: 50px;"> <div style="border: 1px solid black; padding: 5px; display: inline-block;"> Official Seal </div> </div> Delegated Authority (or The Minister of Commerce, Industry and Energy)				
※ This notification(or authorization) does not confirm the arrival of the investment. When any authorization, permission or notification is required by other law, the applicant should meet the requirements prescribed in that law.				
※ Required Document				Processing Fee Exempt
1. A copy of a document providing proof of the contract falling under Article 2, Paragraph 2, Item 2, of the Enforcement Decree of The Foreign Investment Promotion(Only in the event of the application of Article 2, Paragraph 2, Item 2, of the Enforcement Decree) 2. In the event there are more than two recipients of the stock, a copy of a document of proof must be provided to prove the status of a specially related person 3. A document proving the nationality of the foreign investor(only when there is a change of the foreign investor)				

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[Form No. 5]

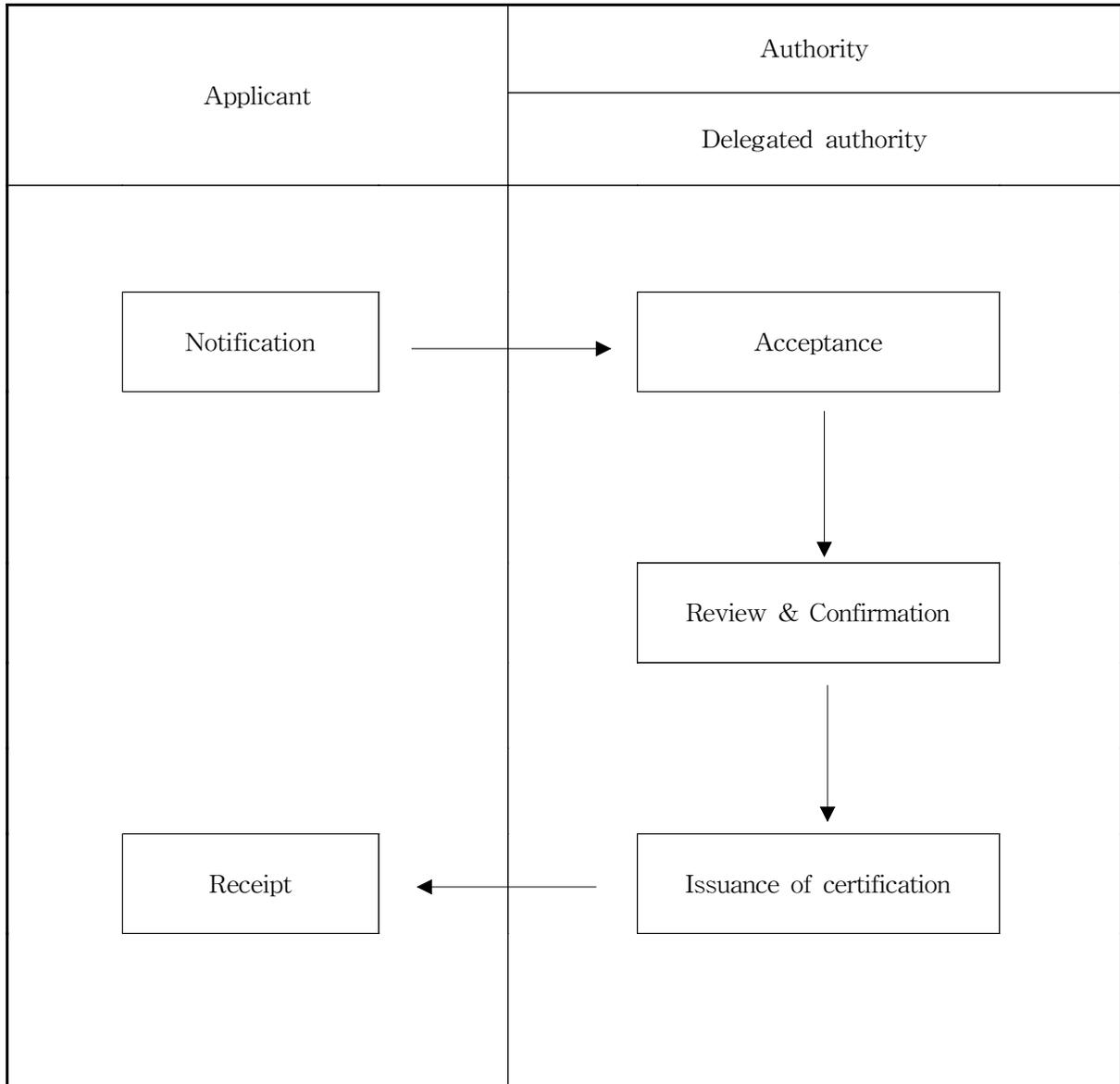
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Notification Form for Stock or Shares Acquisition						Term of Completion	
						Immediate	
Foreign Invested Enterprise	①Name		Korean:		②Business Registration No(Head Quarter)		
			English:				
	③Address		Head Quarter	(Tel:)	④Capital		Before the Acquisition: Won
			Factory(Business) location	(Tel:)			After the Acquisition: Won
	⑤Present Business						
*in Korean standard industrial classification code no.		(will be provided by the Delegated Agency)					
Foreign Investor	⑥Name			⑦Nationality			
	⑧Address			(Tel:)			
Acquired Stock (Shares)	⑨Type	⑩Quantity	⑪Face Value per Stock	⑫Total Amount of Face Value of Stock	⑬Acquisition Price per Stock	⑭Total Acquisition Price	
⑮Basis of Acquisition							
⑯The Total Quality of Stock(Shares) owned, Invested Percentage after the Acquisition	Shares, Acquisition Price: Won, (USD), %						
In accordance with regulations in Article 7, Paragraph 1, of the Foreign Investment Promotion Act, the above is notified.							
<p style="text-align: center;">Year Month Day</p> <p style="text-align: center;">Applicant (Signature or Seal)</p> <p style="text-align: center;">(or Power of Attorney) (Telephone No. :)</p> <p>For the Delegated Authority</p>							
<p>For the Applicant</p> <p>Notification No. :</p> <p>The above notification is confirmed.</p> <p style="text-align: center;">Year Month Day</p> <p style="text-align: center;">Delegated Authority</p> <div style="border: 1px solid black; padding: 2px; display: inline-block; margin-left: auto;">Official Seal</div> <p>* This notification does not confirm the arrival of the investment. When any authorization, permission or notification is required by other law, the applicant should meet the requirements prescribed in that law.</p>							
* Required Documents						Processing Fee	
						Exempt	
1. A copy of a document providing the acquisition of stock or shares 2. A copy of a document providing proof of the contract falling under Article 2, Paragraph 2, Item 2, of the Enforcement Decree of The Foreign Investment Promotion(Only in the event of the application of Article 2, Paragraph 2, Item 2, of the Enforcement Decree) 3. A document proving the nationality of the foreign investor(except when the existing foreign investor acquires additional stocks(shares) of the foreign-invested enterprise)							

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This notification will be processed as follows



[Form No. 22]

Notification Form for the <input type="checkbox"/> Transfer <input type="checkbox"/> Reduction of Stock or Shares						Foreign Investment
						Term of Processing
						Immediate
Foreign Invested Enterprise	①Name				②Business Registration No. (Telephone No.)	()
	③Address				④Capital before the Transfer or Reduction	
⑤Transferrer(Reducer)			⑥Nationality			
⑦Transferee (applicable only where the transferee is a foreign national)			⑧Nationality			
Content of Stock (Shares) to be Transferred (reduced)	⑨Quantity	⑩Face Value per Stock (Shares)	⑪Total Amount of Face Value of Stock (Shares)	⑫Transfer or Reduction Price per Stock (Shares)	⑬Total Transfer or Reduction Amount of stock (Shares)	
⑭The quantity, monetary worth and percentage the Foreign Investor shall possess, in terms of stock (shares), after the transfer or reduction		Shares	Won,	%		
⑮Others						
<p>In accordance with Regulations in Article 23, Paragraph 1, of the Foreign Investment Promotion Act, the above is notified.</p> <p style="text-align: center;">Year Month Day</p> <p style="text-align: center;">Applicant (Signature or Seal)</p> <p style="text-align: center;">(or Power of Attorney) (Telephone No. :)</p> <p>For the Minister of Commerce, Industry and Energy (or Delegated Authority)</p>						
<p>For the Applicant</p> <p>Notification No : The above notification is confirmed.</p> <p style="text-align: center;">Year Month Day</p> <p style="text-align: center;">The Minister of Commerce, Industry and Energy : Official Seal (or Delegated Authority) Seal</p>						
						Processing Fee
						Exempt
<p><u>Required Document</u></p> <p>1. A copy of a document certifying the transfer or reduction of stock (shares)</p> <p>2. deleted</p> <p>3. A document proving the nationality of the Transferee(except when the transferee is the foreign investor of the foreign-invested enterprise prescribed in the Article 2, Paragraph 1 of Article 2, Item 5 of the Foreign Investment Promotion Act)</p>						

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