

**GUIDE TO  
FOREIGN DIRECT INVESTMENT  
IN KOREA**

January 2009

Invest KOREA

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## I. OVERVIEW

### 1. Definitions

#### (1) Foreign Direct Investment (FDI)

- Acquisition of stocks or shares of Korean corporations (Article 2.(1).4.(a) of the Foreign Investment Promotion Act, FIPA)
  - A foreign national purchasing stocks or shares of a Korean corporation (including a Korean corporation in the process of incorporation. Hereinafter the same shall apply) or a company run by a Korean national, for the purpose of establishing a continuous economic relationship with and participating in the management of the said Korean corporation or company.
    - The FDI amount shall be KRW50 million or more (referring to the amount of acquisition in cases where the investor acquires stocks, etc., and to the investment amount per capita in cases where two or more foreign nationals jointly invest) (Article 2.(2) of the Enforcement Decree of the FIPA)
    - A foreign national's owning of 10 percent or more of the total number of the voting stocks issued by, or of the total equity investment of, a Korean corporation or a company run by a Korean national (Article 2.(2).1 of the Enforcement Decree of the FIPA). However, even in cases where Article 2.(2) of the Enforcement Decree of the FIPA is not satisfied because of partial assignment of the stocks or capital decrease after being registered as an FDI company, it is still considered as FDI.
    - Even if a foreign national owns less than 10% of the total number of voting stocks issued by a Korean corporation, or of the total equity investment of a company run by a Korean national, it is still considered as FDI by concluding a contract falling under any items listed below with a corporation or a company (Article 2.(2).2 of the Enforcement Decree of the FIPA):
      - A contract enabling the foreign national to dispatch or elect officers (referring to directors, representative directors, general partners, auditors or persons corresponding thereto holding a right to participate in important decision-making for business management);
      - A contract for delivering raw materials or purchasing products for one year or more;
      - A contract for providing or introducing technology or for joint research and development.
- Long-term loans (Article 2.(1).4.(b) of the FIPA)
  - Where a loan with a maturity of five years or more (based on the term of the loan agreed upon in the initial loan contract) is extended to an FDI company by its overseas parent company or a foreign investor (individual), or by a company which has capital affiliation with the said parent company or a foreign investor (individual) as prescribed by the Enforcement Decree.
    - ※ Companies which have capital affiliation with the parent companies (Article 2.(3) and 2.(4) of the Enforcement Decree):

- A company that holds 50 percent or more of the total number of the stocks issued by, or of the total equity investment of, its overseas parent company;
  - An FDI company that 50 percent or more of the total number of the issued stocks or of the total equity investment is held by its overseas parent company, and falls under any items listed below; or
    - A company that holds 10 percent or more of the total number of the stocks issued by, or of the total equity investment of, its overseas parent company;
    - A company of which 50 percent or more of the total number of the issued stocks or of the total equity investment is held by its overseas parent company or a company which holds 50 percent or more of the total number of the stocks issued by, or of the total equity investment of, its overseas parent company;
  - A company of which 50 percent or more of the total number of the issued stocks or of the total equity investment is held by a foreign investor (individual) who holds 50 percent or more of total number of the stocks issued by, or of the total equity investment of an FDI company.
- Capital contribution to a non-profit corporation (Article 2.(1).4.(c) and 2.(1).4.(d) of the FIPA, Article 2.(5) and 2.(6) of the Enforcement Decree of the FIPA)
- A non-profit corporation in the science and technology fields with a separate R&D facility and that falls under any of the following categories:
    - A non-profit corporation that has five or more researchers in regular employment who have bachelor's degrees in the science/technology fields with three years or more research experience or who have master's or higher degrees in the science/technology fields;
    - A non-profit corporation which conducts R&D activities for the businesses accompanying high-tech pursuant to Article 116-2.(1).2 of the Enforcement Decree of the Tax Reduction and Exemption Act.
  - Contributions to non-profit corporations which are acknowledged as FDI under the criteria stipulated in the Enforcement Decree regarding the business activities of the non-profit corporations, etc., by the Foreign Investment Commission founded under Article 27 of the FIPA.
    - Criteria stipulated in the Enforcement Decree: Contributions of KRW50 million or more and that fall under any of the following categories:
      - Where contributions are made to non-profit corporations founded for the advancement of science, the arts, medical care, and education, continuously carrying out business to train human resources in the abovementioned fields and to expand international exchanges;
      - Where contributions are made to regional headquarters of international organizations that carry out international cooperation activities either on private or governmental level.

## (2) Foreign Investors and the Object of Investment

- Foreign nationals (Article 2.(1).1 of the FIPA)
  - Individuals of foreign nationalities; and
    - Individuals of Korean nationality, but residing abroad (Korean nationals of permanent residence or equivalent status in foreign countries) are also considered as foreign nationals (Article 2.(2) of the FIPA and Article 3 of the Enforcement Decree of the FIPA);
  - Corporations established under the laws of foreign countries (foreign corporations);
  - International economic cooperation organizations (Article 2.(1) of the Enforcement Decree of the FIPA);
    - An agency which vicariously deals with the foreign economic cooperation on behalf of the government of a foreign country;
    - An international organization which deals with development finance, such as the International Bank for Reconstruction and Development, the International Financial Corporation, and the Asia Development Bank;
    - An international organization which either directly or vicariously deals with foreign investment.
- Foreign investors (Article 2.(1).5 of the FIPA)
  - Foreign nationals who hold stocks, etc., or have contributed pursuant to the FIPA.
- FDI company or foreigner-contributed non-profit corporation (Article 2.(1).6 of the FIPA)
  - Companies in which foreign investors have invested, or non-profit organizations to which foreign investors have contributed.
- Operators of facilities built to improve the foreign investment environment (Article 2.(1).6–2 of the FIPA, Article 2.(7) of the Enforcement Decree of the FIPA)
  - Operators of the following facilities, as prescribed by the Enforcement Decree, including schools and medical institutions, etc., for foreign nationals in order to improve the foreign investment environment:
    - A foreigners' school established in terms of Article 60–2 of the Elementary and Secondary Education Act;
    - A general hospital, hospital, dental hospital, hospital of oriental medicine, sanatorium, medical clinic, dental clinic, oriental medicine clinic and midwifery clinic under Article 3.(2) of the Medical Service Act;
    - A pharmacy under Article 2.(3) of the Pharmaceutical Affairs Act;
    - Housing under the provisions of Article 1 and 2 of Addendum 1 of the Housing Act;

- Other facilities, such as a business incubator for foreign investors, decided upon and publicly announced by the Minister of Knowledge Economy after the deliberation of the foreign investment commission under Article 27 of the FIPA.
- Object of Investment (Articles 2.(1).7 and 2.(1).8 of the FIPA) : Object in which a foreign investor invests in order to acquire stocks, etc., pursuant to the FIPA.
  - Foreign payment methods, as prescribed by the Foreign Exchange Transactions Act, or domestic means of payment by the exchange of the foreign means of payment.
  - Capital goods:
    - Machinery, equipment, facilities, parts, and accessories as industrial facilities including ships, motor vehicles, airplanes, etc., and livestock, breeds or seeds, trees, fish and shellfish necessary for the development of agriculture, forestry and fisheries;
    - Raw materials and reserve supply deemed necessary by the competent minister (the head of the relevant central administrative body) for the initial test of the facilities concerned; fees for transportation and insurance required for the introduction of such materials; and other know-how or services necessary therefor.
  - Proceeds generated from stocks, etc., acquired pursuant to the FIPA;
  - Industrial property rights, intellectual property rights, other technologies corresponding thereto, and rights pertaining to the use of such rights or technologies;
    - Intellectual property rights: Of the copyrights under the Copyright Act, these are rights pertaining to industrial activities and layout–design rights as prescribed in Article 2.(5) of the Layout Designs of the Semiconductor Integrated Circuit Act (Article 2.(8) of the Enforcement Decree of the FIPA).
  - Residual property generated from the liquidation of a foreign company’s branch or office located in Korea:
    - Where a foreign national closes a branch company or office in Korea and then converts the branch company or office into another domestic corporation, or where a domestic corporation with stocks owned by a foreign national is dissolved, the residual property allotted to the said foreign national upon the liquidation of the said branch company, office, or corporation;
  - Repayment of loans with maturity of five years or more which is supplied to an FDI company by the overseas parent company of the FDI company or a foreign investor (individual), a company with a capital investment relationship as prescribed by the Enforcement Decree with the overseas parent company and a foreign investor (individual) or repayment of other loans from foreign countries;
  - Stocks of a foreign corporation listed or registered on a foreign stock exchange market; and stocks owned by foreign nationals pursuant to the FIPA or the Foreign Exchange Transactions Act (Article 2.(9) of the Enforcement Decree of the FIPA);



- 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 corporation owned by foreign nationals or a corporation operated by a Korean national pursuant to the FIPA and the Foreign Exchange Transactions Act (Article 2.(10) of the Enforcement Decree of the FIPA).

### (3) FDI Amount and Ratio

- The FDI amount shall be KRW50 mil. or more (referring to the amount of acquisition in case where a foreign investor acquires stocks, etc., and to the investment amount per capita, in cases where two or more foreign nationals jointly invest) (Article 2.(2) of the Enforcement Decree of the FIPA);
- The FDI ratio refers to the percentage of the stocks owned by foreign investors against the total stocks of an FDI company (Article 5.(1) of the FIPA).

## 2. FDI-Related Acts and Legislation

### ■ Acts and legislation

- 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 (Notification of the Ministry of Knowledge Economy)
- Regulations on Tax Reductions or Exemptions for Foreign Investors (Notification of the Ministry of Strategy and Finance)
- Restriction of Special Taxation Act (Chapter V: Special Cases of Taxation for Foreigners' Investment, etc.)

### ■ Purpose of the FIPA (Article 1 of the FIPA)

- The purpose of the FIPA is to contribute to the sound development of the national economy by providing support to and convenience for foreign investors.

### ■ Basic direction of the FIPA

- The basic direction of the FIPA is to restructure the foreign investment policy to support foreign investment from the foreign investors' perspectives and to create an environment for local government to facilitate the effective attraction of FDI.

- Relationships with other laws
  - The FIPA applies to "Foreign Direct Investment" that meets the requirements of foreign direct investment pursuant to the FIPA and the related Act and subordinate statute.
  - Matters concerning foreign exchange and overseas transactions shall follow the Foreign Exchange Transactions Act, except as otherwise set forth in the FIPA.
  - Since FDI companies are regarded as domestic companies established under the Korean law, even if FDI companies comply with the required procedures as stipulated in the FIPA, such FDI companies shall also follow all the other regulations applicable to domestic companies under the laws of Korea, and obtain the necessary permissions or approvals pursuant to such laws in order to conduct business.

### 3. FDI-Allowed Businesses

- Basic rules
  - Out of the total of 1,145 business sectors described in the Korean Standard Industrial Classification (Notification no. 2007-53, Dec 28, 2007 of the Korea National Statistical Office), 1,085 sectors are now open to FDI, excluding 60 sectors related to Article 4 of the FIPA, such as public administration, diplomatic affairs, national defense, etc.
    - ※ Among the 60 sectors where foreign investment was not previously allowed, foreign investors may now invest in private correctional institutions as the Act on the Establishment and Operation of Private Correctional Institutions took effect as of July 2001.
- The FIPA restricts FDI in the following cases (Article 4.(2) of the FIPA):
  - Where it threatens the maintenance of national safety and public order;
  - Where it has harmful effects on public hygiene or the environmental preservation of the Republic of Korea, or offends Korean morals and customs;
  - Where it violates any relevant Act and subordinate statutes of the Republic of Korea.
    - ※ Other individual laws may restrict FDI ratio or impose an obligation to form joint ventures with a domestic company.
- FDI-allowed businesses
  - Total (as of Nov 18, 2008): 1,085 sectors comprised as follows:
    - Fully opened sectors: 1,056 sectors
    - Partially opened sectors: 26 sectors (FDI is allowed when the permission criteria are met)
    - Closed sectors: Three sectors (Nuclear Power Generation, Radio Broadcasting, Over-the-Air

Broadcasting)

○ FDI-restricted businesses (including partially opened sectors): 29 sectors

Business Sector (KSIC Code)	Permission Criteria
Growing of cereal crops and other crops for food (01110)	– Allowed, except for the cultivation of rice and barley
Farming of beef cattle (01212)	– FDI ratio less than 50%
Inshore and coastal fishing (03112)	– FDI ratio less than 50%
Manufacture of basic inorganic chemicals (20129)	– Allowed except for manufacture and supply of nuclear fuel
Manufacturing of smelting, refining, and alloys of non-ferrous metals (05113)	– Same as above
Nuclear power generation (35111)	< NOT PERMITTED >
Hydroelectric power generation (35112)	– Total purchase of power generation facilities from Korea Electric Power Corporation (KEPCO) by foreign nationals may not exceed 30% of the total power generation facilities in Korea
Fire power generation (35113)	– Same as above
Other generation (35119)	– Same as above
Transmission and distribution of electric power (35120)	– Allowed if all of the following requirements are met: <ul style="list-style-type: none"> <li>• FDI ratio less than 50%</li> <li>• Ratio of voting stocks, etc., owned by foreign investors shall be less than those owned by the largest Korean shareholder</li> </ul>
Disposal of Radioactive waste (38240)	– Allowed except for nuclear waste management businesses pursuant to Article 82 of the Electric Utility Act
Wholesale selling of meat (46312)	– FDI ratio less than 50%
Coastal water passenger transport (50121)	– Allowed if all of the following requirements are met: <ul style="list-style-type: none"> <li>• Scope of permission: Cargo and passenger transportation between South and North Korea</li> </ul>
Coastal water freight transport (50122)	<ul style="list-style-type: none"> <li>• Joint ventures with domestic shipping companies</li> <li>• FDI ratio less than 50%</li> </ul>
Scheduled air transport (51100)	– FDI ratio less than 50%
Non-scheduled air transport (51200)	– FDI ratio less than 50%
Publishing of newspapers (58121)	– FDI ratio less than 30%

Business Sector (KSIC Code)	Permission Criteria
Publishing of magazines and periodicals (58122)	– FDI ratio less than 50%
Radio broadcasting (60100)	< NOT PERMITTED >
Over-the-air broadcasting (60210)	< NOT PERMITTED >
Other program distribution (60221)	– FDI ratio 49% or less (however, general and special news program channel providers are not permitted) ※ 'Other program distribution' refers to Program Provider stipulated in the Broadcast Act
Cable networks (60222)	– FDI ratio of 49% or less for general cable broadcasting (however, relay cable broadcasting is not permitted)
Broadcasting via satellite and other broadcasting (60229)	– FDI ratio 33% or less (however, FDI ratio 49% or less for Internet Multimedia Broadcasting)
Wired telecommunication (61210)	– Total voting stocks (including voting share equivalent such as depository receipts, etc., and investment shares) owned by foreign governments, foreign nationals (including fictitious foreign corporations) shall be 49% or less of the total issued stocks. (A foreign investor, etc., may not be a major shareholder of Korea Telecom (KT). However, it is allowed only when the stock holding ratio is less than 5%). ※ Fictitious foreign corporations: Corporations whose major shareholders are foreign governments or foreign nationals (including specially related persons prescribed in the Securities and Exchange Act) who hold 15% or more of total issued stocks
Wireless telecommunication (61220)	– same as above
Satellite telecommunication (61230)	– same as above
Other telecommunications n.e.c. (61299)	– same as above (however, no restrictions for Added Value Communication)
News agency activities (63910)	– FDI ratio less than 25%
Domestic banking (64121)	– Allowed only for commercial banks and regional banks (Special banks, and agricultural/fisheries/livestock cooperatives are not permitted)

\* KSIC: Korea Standard Industrial Classification

## II. FDI PROTECTION & LIBERALIZATION

### 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 FDI notification or of the contract for the introduction of technology, as of the time of the said remittance. (Article 3.(1) of the 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 of the FIPA).
- Suspension of foreign exchange transactions or other restriction measures taken because of material and rapid changes in the international and domestic economic situations, war, or natural disasters as prescribed in the Foreign Exchange Transactions Act shall not apply to FDI pursuant to the FIPA (Article 6.(4) of the Foreign Exchange Transactions Act).

### 2. National Treatment

- Principles of national treatment in the conduct of business:
  - Except as otherwise prescribed by legislation of the Republic of Korea, Foreign investors and FDI companies shall be treated in the same way as Korean nationals and Korean corporations are treated in the conduct of business (Article 3.(2) of the FIPA).
  - ※ Foreign investors may be given more preferential treatment than Korean nationals receive in terms of tax reduction/exemption and the location of company or factory sites.

### 3. FDI Liberalization

- Except as otherwise prescribed in other laws, foreign national may perform FDI activities in Korea without restraint (Article 4.(1) of FIPA).
- In following cases, FDI may be restricted (Article 4.(2) of FIPA):
  - Where it threatens the maintenance of national safety and public order;
  - Where it has harmful effects on public hygiene or the environmental preservation of the Republic of Korea, or offends Korean morals and customs;
  - Where it violates any relevant Acts and laws of the Republic of Korea.
- In cases where the head of the relevant administrative agency restricts foreign investment, such as treating foreign nationals or FDI companies unfavorably compared to Korean nationals or Korean

corporations, or placing additional liabilities on foreign nationals or FDI companies, the Minister of Knowledge Economy shall consolidate and publicly announce the contents every year. If the head of the relevant administrative agency intends to amend or supplement them, he/she shall consult in advance with the Minister of Knowledge Economy (Article 4.(4) of the FIPA).

#### 4. Restrictions to FDI

- In cases where FDI meets both categories listed below, the competent minister may request the Minister of Knowledge Economy (Article 5.(1).2 of the Enforcement Decree of the FIPA) to review the FDI to decide whether or not it threatens the maintenance of national safety pursuant to Article 4.(2).1 of the FIPA. However, a request for review shall not be made after 30 days from the day of notification (Article 5.(5) of the Enforcement Decree of the FIPA).
  - Where foreign nationals attempt to acquire the management control of an already-established domestic company through the acquisition of the stocks, etc., of the company;
  - Where satisfying one of the following categories:
    - Where FDI might cause any hindrance in the production of defense materials pursuant to Article 3.(7) of the Defense Acquisition Program Act;
    - Where there is a high possibility that the items or technologies which are subject to permission or approval for export pursuant to Article 19 of the Foreign Trade Act and Article 13 of the Technology Development Promotion Act may be diverted to military use;
    - Where FDI might disclose the contents of contracts, classified information, etc., which are classified as national secrets pursuant to Article 13.(4) of the National Intelligence Service Act;
    - Where FDI may severely and seriously threaten international efforts of the United Nations or other international cooperations to maintain international peace and stability.
- Upon the request by the competent minister, the Minister of Knowledge Economy shall decide, within 90 days from the date of the request, whether the FDI threatens national security following the deliberation of the Foreign Investment Commission. The result shall be immediately notified to the foreign national (Article 5.(7) and 5.(8) of the Enforcement Decree of the FIPA).
- In cases where the Minister of Knowledge Economy decides that the FDI threatens national security, the foreign national who has already acquired the stocks, etc., through the FDI shall transfer the stocks, etc., within six months from the date of the decision (Article 5.(9) of the Enforcement Decree of the FIPA).
- A foreign national may request the competent minister or the Minister of Knowledge Economy to confirm whether the FDI investment threatens the national security before filing for FDI notification, pursuant to Article 5, 6 and 7 of the FIPA. The request shall be made in compliance with the requirements announced by the Ministry of Knowledge Economy (Article 5.(6) of the Enforcement Decree of the FIPA).

## III. FDI NOTIFICATION & REGISTRATION

### 1. Principles of FDI Notification

#### (1) Prior Notification

- FDI notification of subscribing new stocks (including capital contribution to non-profit organizations)
- FDI notification of acquiring existing stocks, etc.
  - However, in cases of the acquisition of existing stocks issued by KSE or KOSDAQ-listed corporations, pursuant to the Securities Exchange Law (excluding public corporations and companies where stock acquisition is restricted by individual laws), notification thereof shall be provided within 30 days of the acquisition.
  - In cases of the acquisition of existing stocks, etc., of defense industries pursuant to Article 3.(9) of the Defense Acquisition Program Act, approval of the Minister of Knowledge Economy is required.
- FDI notification of long-term loans
- Modification of FDI notification listed above

#### (2) Ex-Post-Facto Notification

- Notification of acquiring stocks, etc., through mergers: Notification shall be made to the head of the relevant agency within 30 days of acquisition
  - Notification of transfer of stocks or shares shall be made within 30 days of the contract;
  - Notification of decrease of stocks or shares shall be made within 30 days of the expiration date of the preemptory notice period to bondholders pursuant to Article 439 of the Commercial Act.
- Modification or cancellation of FDI company registration.

#### (3) Report of Notification and Permission (Article 10.(1) of the Provisions of the FIPA)

- In cases where the Minister of Knowledge Economy or a head of the entrusted institution has approved or issued the certificate of completion of FDI notification pursuant to Article 5 and 6, or Article 8.(2) of the FIPA, he/she shall send a copy of the certificate to the competent minister without any delay. However, in case of increase in investment where types of businesses are not newly added and does not fall into Article 5.(1).2 of the Enforcement Decree of the FIPA, this shall not apply.

#### ※ KOTRA's Overseas Network of Business Centers (34 Offices)

- North America (Nine offices)
  - United States: New York, Los Angeles, Chicago, Dallas, Washington, Silicon Valley (office formerly

- in San Francisco), Detroit
- Canada: Toronto, Vancouver
- Europe (14 offices)
  - France: Paris
  - Germany: Frankfurt, Hamburg, Munich
  - UK: London
  - Sweden: Stockholm
  - Denmark: Copenhagen
  - The Netherlands: Amsterdam
  - Belgium: Brussels
  - Italy: Milan
  - Switzerland: Zurich
  - Austria: Vienna
  - Spain: Madrid
  - Finland: Helsinki
- Asia & Australia (11 offices)
  - Japan: Tokyo, Osaka, Fukuoka, Nagoya
  - Australia: Sydney, Melbourne
  - Singapore
  - Taiwan: Taipei
  - China: Beijing, Shanghai, Hong Kong
- The Middle East (1 office)
  - United Arab Emirates (UAE): Dubai

#### ※ Report of Corporate Combination (Monopoly Regulation and Fair Trade Act)

- Companies subject to reporting of corporate combination (Article 12.(1) of the Monopoly Regulation and Fair Trade Act)
  - In cases where a company with total assets or scale of its sales amounting to KRW100 billion (raised to KRW200 billion as of Jun 25, 2008) or more (hereinafter referred to as "the company liable to make a report on corporate combination"), or the specially related person, carries out a corporate combination falling under any of the categories listed below with another company (hereinafter referred to as "the counterpart company") whose total amount of assets or scale of the sales amounts to KRW200 mil. or more:



- ※ The same shall apply to cases where a company that falls under the scale of the counterpart company, other than a company liable to make a report on corporate combination, or the specially related person thereof conducts corporate combination in association with the counterpart company liable to report on corporate combination or the specially related person thereof.
    - Where at least 20 percent (15 percent for a listed corporation) of the total number of stocks issued by other company (excluding stocks without voting rights) is held;
    - Where anyone who holds 20 percent of stocks issued by a counterpart company (15 percent for a listed corporation) becomes the largest equity investor by additionally acquiring stocks of the company;
    - Where an officer concurrently holds offices (limited to companies whose total amount of assets or scale of the sales amounts is KRW2 trillion or more and excluding cases where she/he concurrently holds the office of any affiliate);
    - A merger with other counterpart company; an acquisition by transfer, lease, or acceptance by mandate of the whole or main part of a business of the counterpart company; or an acquisition by transfer of the whole or main part of operating fixed assets of the counterpart company.
  - In cases where a company liable to make a report on corporate combination or the specially related person thereof conducts corporate combination listed below in association with the counterpart company or the specially related person thereof:
    - ※ The same shall apply to cases where a company that falls under the scale of the counterpart company, other than a company liable to make a report on corporate combination, or the specially related person thereof conducts corporate combination in association with the counterpart company liable to report on corporate combination or the specially related person thereof.
    - Where it participates in the establishment of a new company and becomes the largest investor thereof [However, where a person other than a specially related person (a person who participates in the corporate combination with the joint purpose of management control is excluded) does not participate in the establishment of a new company, and where a person participates in the establishment of a company by division under the Commercial Act are excluded].
- Persons who are liable to file a report (Article 12.(10) of the Monopoly Regulation and Fair Trade Act, etc.)
  - In the case of stock acquisition, the company that has acquired the stocks shall file a report;
  - In the case of a merger, the remaining company shall file the report;
  - In the case of consolidation, the participating companies shall file the joint report;
  - In the case of acquisition by transfer, the transferee company shall file the report;
  - In the case of an officer holding concurrent positions, the company that employs the officer shall file the report;
  - In the case of establishing a new company, the participating companies shall file the report.

- When there are two or more companies that are liable to file a report, these companies shall file the report jointly. However, excluded are cases where the Fair Trade Commission has designated one of the companies belonging to an enterprise group including the obligator to file as the representative responsible for filing the report.
- Total amount of assets and the scale of the sales amount (Article 12.(2) of the Monopoly Regulation and Fair Trade Act)
  - The total amount of assets, or the scale of the sales amount of the company liable to make a report on corporate combination or of the counterpart company, means the scale of the aggregate of the total amount of assets, or the sales amount of the company that continues to maintain the status of an affiliate, from the date before the corporate combination is conducted to the date after the corporation combination is conducted.
  - However, in the case of a business acquisition by transfer, the total amount of assets or the scale of sales amount of the company that transfers its business (including the business rent, the management delegation and transfer of operating fixed assets) means the scale that does not include the total amount of assets or sales amount of its affiliates.
- Reporting period (Article 12.(6) of the Monopoly Regulation and Fair Trade Act)
  - Prior Notification
    - In cases where one or more company participating in the combination of enterprises is a large-scale company (the total amount of assets or sales amount is at least KRW2 trillion), a report shall be made within 30 days from the date on which a merger contract is concluded, the date on which an acquisition by transfer contract is concluded, or the date on which a general meeting of stockholders or a relevant board of directors decides to participate in the establishment of a company (where an officer concurrently holding the position is excluded).
    - ※ Prohibition of performing the act (limited to subjects to prior notification)
      - The act of holding stocks, having a merger registered, and fulfilling any business acquisition by transfer contract or taking over stocks (act of paying the price for the dividend stocks) by the time when 30 days elapse after making a notification. (However, when it is deemed necessary by the Fair Trade Commission, the period may be shortened or extended within the scope of 90 days that are calculated from the date following the expiration date of the period).
  - Ex-post-facto Notification
    - Notification cases other than prior notification cases shall be notified within 30 days from the date of corporate combination.
    - The report shall be submitted to the Fair Trade Commission.

- Period of examination
  - The Fair Trade Commission shall give notice of its decision to the requesting company within 30 days from the date of the request of a determination.
  - However, if deemed necessary, the Fair Trade Commission may extend the period for up to a maximum of 90 days that are calculated from the date following the expiration date of the period.
- Classification of corporate combination report [Reporting corporate combination (Notification of the Fair Trade Commission)]
  - Corporate combinations subject to general notification ("subject to general notification") and corporate combinations subject to simplified notification ("subject to simplified notification").
  - A corporate combination that falls under any of the categories listed below is subject to simplified notification:
    - Where a person who is liable to file a report and the counterpart company are specially related persons (a person who participates in the corporate combination with the joint purpose of management control is excluded);
    - Where officers concurrently hold less than 1/3 of the total offices of the counterpart company (where concurrently holding the office of representative director is excluded);
    - Where participating in the establishment of PEF(Private Equity Fund) pursuant to the Indirect Investment Asset Management Business Act or conducting corporate combination with SPC(Special Purpose Company) pursuant to the Asset-Backed Securitization Act;
    - Where participating in the establishment of a ship investment company pursuant to the Ship Investment Company Act.
  - ※ Subjects to simplified notification shall notify the corporate combination with the annexed list 6 of Reporting Corporate Combination (Notification of Fair Trade Commission) attached to the notification form by type of corporate combinations (Online notification is available at the homepage of the Free Trade Commission).
- Imposition of surcharge
  - In cases of violation of prior notification (where violating prohibition of performing the act or not performing the act after the delayed notification), ex-post-facto notification (the period of delay is longer than 30 days or less than 30 days), and false notification, a fine of a maximum of KRW 70 million shall be imposed depending on the type of violation. The amount of fine may vary depending the type of the violation and shall be decided pursuant to standard of surcharge imposition for corporate combination report violation.

## 2. FDI Procedures by Type

### (1) FDI through Subscription of New Stocks or Capital Contributions

#### Types of investment

##### – Subscription of New Stocks

- ① Establishment of a new company (sole or joint venture)
- ② Participation in the capital increase of a domestic company (including FDI companies)

##### – Capital Contributions to Non-Profit Corporations

#### ■ FDI notification (Article 5.(1) and Article 8-2.(1) of the FIPA)

##### ○ Persons required to file the notification and places for notification:

- Who: Foreign investors or their proxies
- Where: Main offices and branches of domestic banks, domestic branches of foreign banks, Invest KOREA, or any of the Korea Business Centers (KBC).

##### ○ Documentation required:

- FDI notification form for acquisition of newly-issued stocks or capital contribution (two copies);
- A power of attorney in case of notification through a proxy;
- Certificate of nationality of the foreign national;
- To be submitted, if applicable (one copy each):
  - Copies of documents verifying the price evaluation of industrial/intellectual property rights by a technology evaluation authority;
  - Document verifying that the investment amount is the residual properties after liquidation of a branch, a liaison office or a company;
  - Document verifying that the investment amount is the amount of redemption of loans or other overseas loans;
  - Document verifying that the stocks are owned by a foreign corporation listed or registered on a foreign stock market;
  - Document verifying that the stocks owned by a foreign investor pursuant to the Foreign Exchange Transactions Act (FETA) or the FIPA;
  - Certificate of completion of capital transactions of real estate as an object of investment pursuant to Article 18 of FETA;
  - Document verifying the investment amount is the proceeds from sale of stocks, real estate, or shares of a Korean corporation owned by a foreign national or a company operated by a Korean

national pursuant to the FIPA or the FETA;

- In cases where the FDI ratio is less than 10%, any of the documents listed below:
    - ① A contract enabling the foreign national to dispatch or elect officers (referring to directors, representative directors, general partners, auditors or persons corresponding thereto holding a right to participate in important decision-making for business management);
    - ② A contract for delivering raw materials or purchasing products for one year or more;
    - ③ A contract for providing or introducing technology or for joint research and development.
  - Document verifying that the investment amount is the proceeds from sale of stocks, shares, real estate, etc.
- Capital contribution to non-profit corporations:
- In the case of contributing capital to non-profit corporation in science/technology fields, documents verifying that it has an independent research facility and documents verifying that it falls under any of the categories listed below:
    - A non-profit corporation that has five or more researchers in regular employment who have bachelor's degrees in the science/technology fields with three years or more research experience or who have master's or higher degrees in the science/technology fields;
    - A non-profit corporation which conducts R&D activities for the businesses accompanying high-tech pursuant to Article 116-2.(1).2 of the Enforcement Decree of the Tax Reduction and Exemption Act.
  - In the case of contributing capital to non-profit corporations in fields other than science/technology, documents are required verifying a decision by the Foreign Investment Commission that it falls under any of the categories listed below:
    - A non-profit corporations founded for the advancement of science, the arts, medical care, and education, continuously carrying out business to train human resources in the abovementioned fields and to expand international exchanges;
    - Regional headquarters of international organizations that carry out international cooperation activities either on private or governmental level.
- Processing period: On-the-spot
- A certificate of completion of FDI notification will be issued after reviewing the notification form and related documents.
- Capital introduction for FDI through acquisition or capital contribution of new stocks
- Capital introduction in cash:
- Remittance to main offices or branches of domestic foreign exchange banks
    - Remittance of investment capital from overseas to main offices or branches of domestic foreign

exchange banks or to domestic branches of foreign banks

<Details to be stated for the remittance of investment capital >

- ① Name of remitter: Name of the foreign investor (in case of remitting under the name of another person, it shall be stated on the SWIFT transfer that this person is making the remittance on behalf of the investor);
- ② Name of the receiving bank: ○○ branch of ○○ bank;
- ③ Account number of the receiver;
- ④ Name of the receiver: Name of the foreign investor or the FDI company (or proxy\*);

\* In principle, it is not permissible to remit to the account of the proxy. However, for the convenience of the investor, some banks may allow to state the name of the proxy.

※ In cases where a proxy conducts the financial transactions, a notarized power of attorney is required.

- ⑤ SWIFT Code (this may vary from one bank to another)
- ⑥ Use of capital: The reasons for remitting the capital shall be stated in the additional remittance information section.  
For example, capital for establishing a company or for capital increase (by subscription of new stocks), or capital for stock acquisition (acquisition of existing stocks), etc.

<Remittance of capital for subscription of new stocks >

- ① Remittance without an account:
  - A foreign investor remits to a domestic bank by just using the branch code of the bank or using a temporary account of the branch without having to open a new account. (This might vary from one bank to another).
- ② Remittance using non-resident external account of foreign investor
  - A foreign investor opens an external account (non-resident foreign currency account) under his/her name and remits to that account.
    - FDI capital remitted from overseas and deposited in a temporary account shall be converted into Korean currency before the registration of a corporation (including registration of capital increase) and be transferred to an "account for payments of stocks" which is a securities subscription deposit account. When this transaction is completed, the bank shall issue a certificate of purchase/deposit of foreign currency and a certificate of deposit of payment of stocks, which is a required document for the registration of a corporation (including registration of capital increase).
  - ※ Remittance of foreign capital → Deposit (or purchase) of foreign capital → Issuance of certificate of purchase/deposit of foreign currency → Transfer to account for payments of stocks → Issuance of a certificate of deposit of payment of stocks → Registration of corporation or of capital increase

→ Capital transfer to the corporate account.

In cases of personal business, etc., other than corporations, the foreign capital shall be transferred to the account under the person in whose name the business registration was made (the trade name shall be stated).

○ FDI capital carried through customs:

– In cases where foreign investors personally bring in the means of payment such as cash, etc., they shall declare them to the customs office (airport customs office, etc.), and obtain a certificate of completion of declaration (confirmation) of foreign exchange (Article 6-2 of the Foreign Exchange Transaction Regulation);

– Make a deposit by opening a non-resident foreign currency account at a foreign exchange bank. (When opening a non-resident foreign currency account, a certificate of completion of declaration of foreign exchange, a passport, etc., are required);

– The FDI capital is transferred to the “account for payments of stocks” in Korean currency before the incorporation (a certificate of deposit of payment of stocks shall be issued), the bank shall issue a certificate of purchase/deposit of foreign currency.

※ Deposit (or purchase) of foreign capital to foreign exchange banks → Issuance of a certificate of purchase/deposit of foreign exchange → Deposit to an account for payments of stocks → Issuance of a certificate of deposit of payment of stocks → Registration of corporation or capital increase → Capital transfer to corporate account.

In cases of personal business, etc., other than corporations, the foreign capital shall be transferred to the account under the name of the person in whose name the business registration was made (the trade name shall be stated).

○ Introduction of capital goods as FDI in-kind:

– When foreign investors intend to introduce capital goods as FDI in-kind, they shall create a list of imported capital goods (three copies), and make a request for review and confirmation to Invest KOREA or main offices or branches of foreign exchange banks before customs clearance.

• Documentation required:

① An application form for confirmation of introduced capital goods (three copies)

② Documents verifying the price of introduced capital goods, such as certificate of sale of goods

※ In cases where the confirmation of introduced capital goods is granted, it is deemed an import approval pursuant to the Foreign Trade Law (Article 29.(2) of the FIPA) was granted.

– When the introduction of capital goods is completed, a foreign investor shall apply for a confirmation on completion of FDI in-kind.

• An application form for confirmation on completion of FDI in-kind (two copies) and certificate of completion of import declaration shall be submitted to Invest KOREA officials seconded from the

Korea Customs Service.

– The certificate of confirmation on completion of FDI in-kind is required when filing the application for registration of corporation.

※ In case of introducing capital goods such as FDI in-kind, in order to receive a value-added tax deduction, an application for business registration shall be made before the registration of corporation or introduction of capital goods.

■ Registration of corporation, business registration, FDI company registration

○ Registration of corporation and business registration shall follow the Non-Contentious Case Litigation Procedure Act and the Value-Added Tax Act, etc., respectively.

– For assistance for the registration of corporation, contact Invest KOREA officials seconded from the Court.

– Business registration can be filed with Invest KOREA officials seconded from the National Tax Service.

○ FDI company registration (Article 21.(1) and 21.(2) of the FIPA and Article 27 of the Enforcement Decree of the FIPA):

– Registration shall be filed to the relevant agency or Invest KOREA within 30 days from the date of completion of the payment for the investment objects;

– In cases where the foreign investment is KRW50 million or more and is considered as "foreign investment" under the FIPA, the registration can be filed even prior to completion of the payment;

– Even in cases where the capital contribution to non-profit corporations was made, FDI company registration should be filed;

※ The FDI company registration system was introduced to more easily distinguish domestic companies from FDI companies and to facilitate various processes, such as remittance of dividends, extension of stay for foreign nationals, etc.

– Documentation required:

• Application form for FDI company registration;

• Certificate of purchase(or deposit) of foreign exchange (in case of FDI in-kind, a certificate of confirmation on completion of FDI in-kind is required);

• Research outline, current status of researchers, detailed statement about research facilities (in case of non-profit organizations in the science and technology fields);

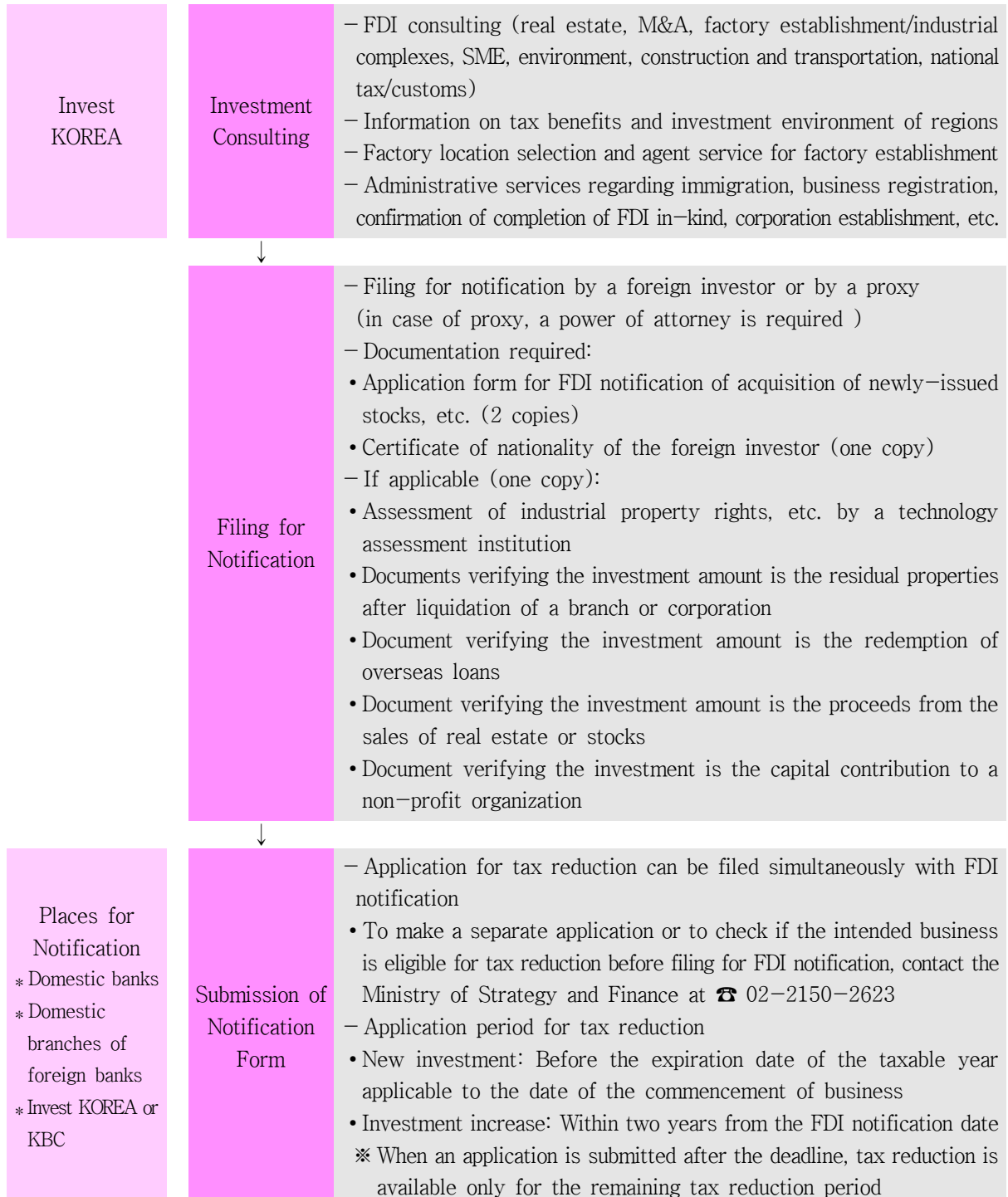
• Investigation report by an inspector and an appraisal by a certified appraiser pursuant to Article 422 of the Commercial Act (in case of contribution of stocks and real estate in Korea or overseas);

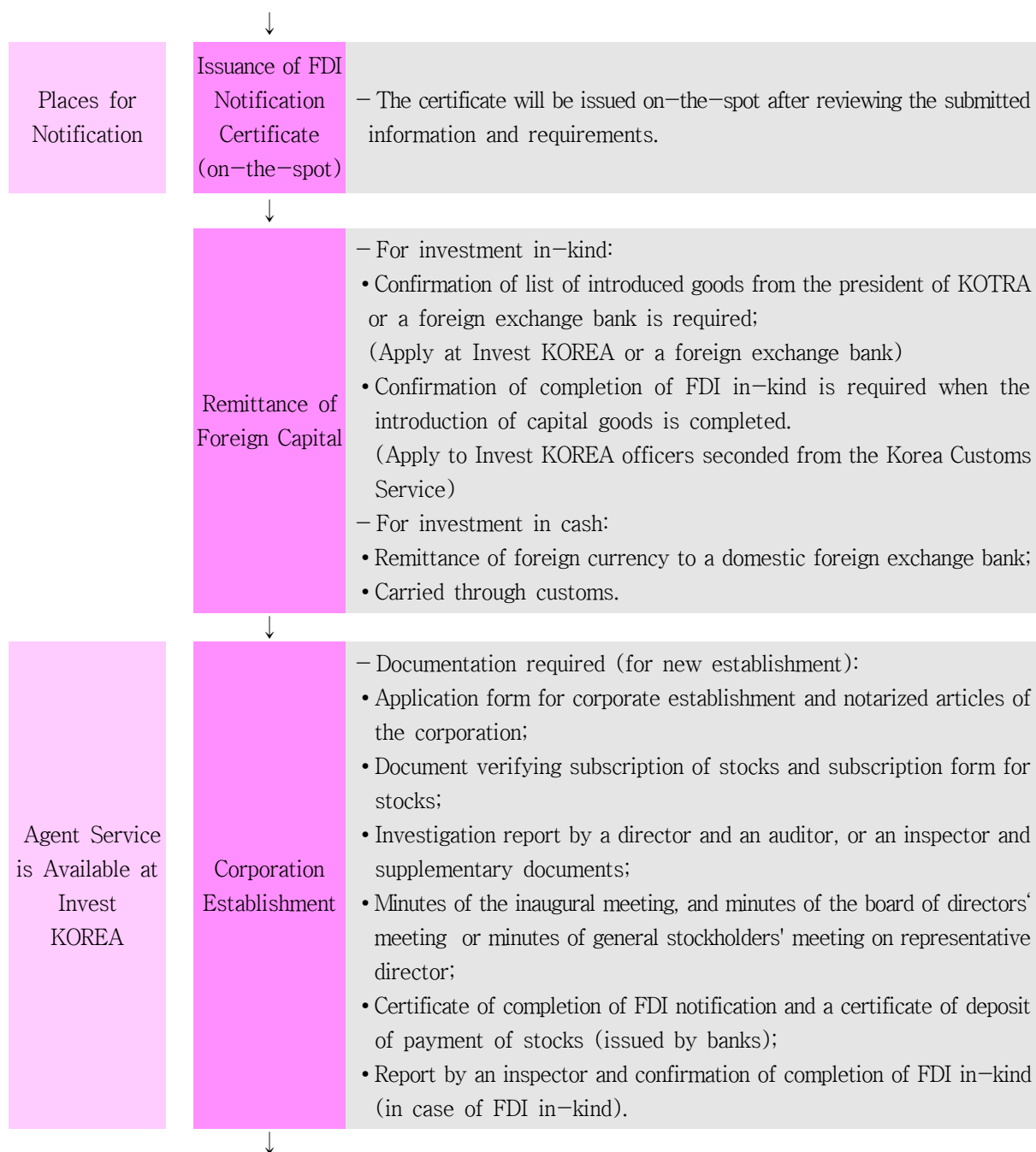
• Certified copy of register of corporation (in the case of a personal business, a certificate of business registration or a copy of identification number certificate).

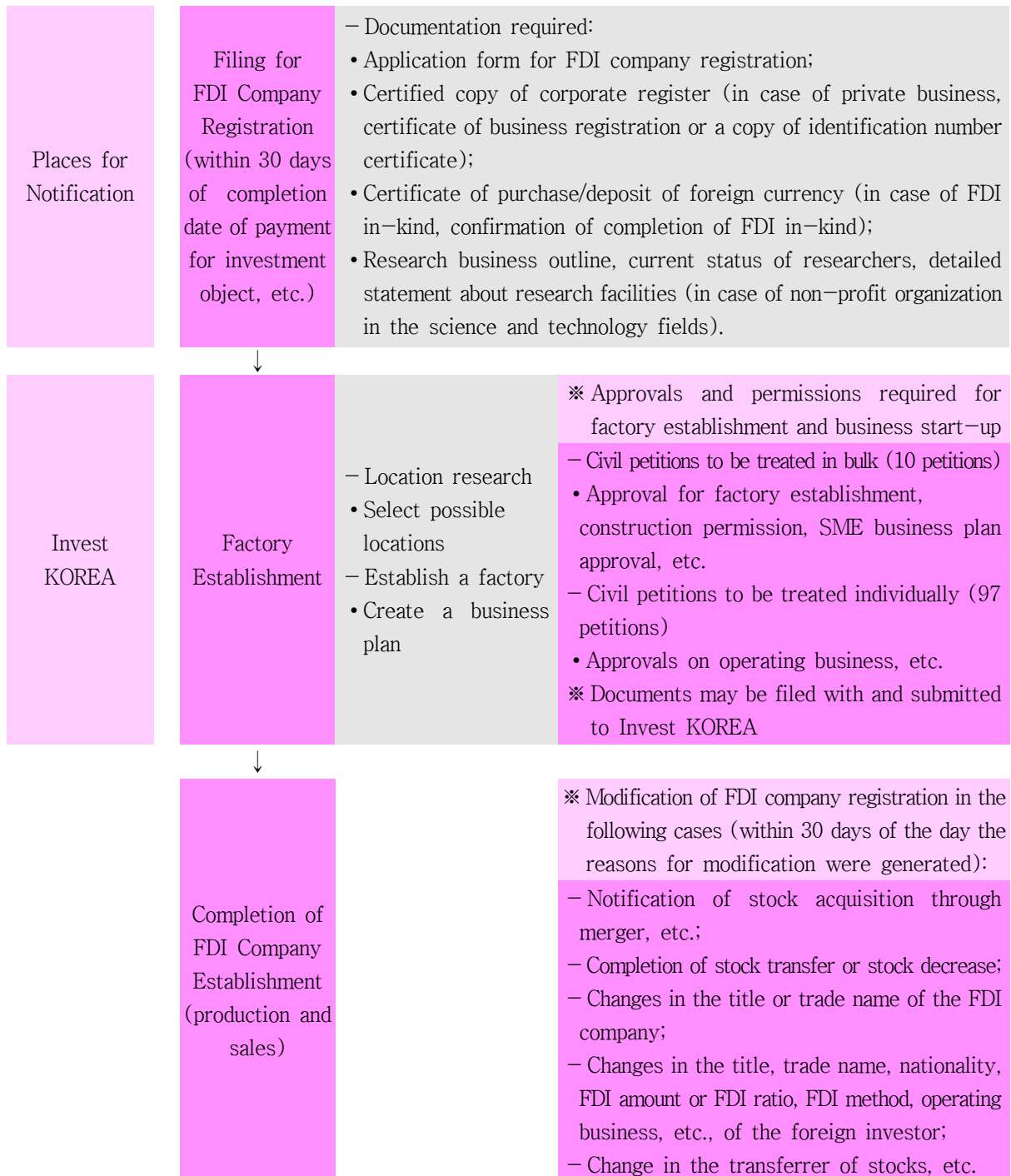


- Cancellation of foreign business registration (Article 28.(1) of the Enforcement Decree of the FIPA, Article 17-2 of the Regulations of the FIPA)
  - Where a registered FDI company closes down its business or does not operate its business activities for two consecutive years or more;
  - Where a registered FDI company or a foreign investor fails to comply with a corrective order or other necessary measures pursuant to Article 28.(5) of the FIPA;
  - Where there is any reason for dissolution of a registered FDI company;
  - Where a foreign investor makes an application for the cancellation of registration;
  - Where a registered FDI company or a foreign investor transfer or lease a registration to another person;
  - Where a company is registered with pretended payment of the investment object.
  - ※ Where the registration of the FDI company is cancelled, the head of the entrusted office shall notify it to the head of competent local government, the competent Minister, and the Commissioner of the National Tax Service (Article 8.(3) of the Regulations on Foreign Investment and Technology Introduction).
- Authorization and permission required for factory establishment and business start-up
  - When necessary, an FDI company shall obtain permission to establish a factory, and authorization and permission to operate an FDI company in Korea:

## FDI Through Subscription of New Stocks or Capital Contribution







## (2) FDI through Acquisition of Existing Stocks

## Types of investment

– Foreign investor's acquisition of existing stocks of a domestic company (including FDI company) owned by a domestic shareholder:

- ① Direct transactions between foreign investors and domestic shareholders
- ② Foreign investor's acquisition of existing stocks on the stock market (10% or more)

■ FDI notification or request for an approval (Articles 6.(1) and 6.(3) of the FIPA)

- Acquisition of existing stocks of companies other than the defense industry is subject to prior notification. However, when acquiring stocks issued by KSE or KOSDAQ-listed companies pursuant to the Securities and Exchange Act, the notification should be submitted within 30 days of acquisition.
  - Notification shall be submitted by a foreign investor or a proxy (in case of notification made by a proxy, a power of attorney is required) at main offices or branches of major domestic banks, domestic branches of foreign banks, Invest KOREA, and any of KBCs.
  - Documentation required:
    - FDI notification form of acquisition of existing stocks, etc. (two copies);
    - A letter of attorney (in case of notification made by a proxy);
    - Certificate of nationality of the foreign investor.
  - Other documentation required (one copy each, if applicable):
    - Documents verifying that the investment amount is the residual properties after liquidation of a branch or corporation;
    - Document verifying that the investment amount is redemption of overseas loans;
    - One of the following contract documents in cases where FDI ratio is less than 10%:
      - a. A contract enabling the foreign national to dispatch or elect officers (referring to directors, representative directors, general partners, auditors or persons corresponding thereto holding a right to participate in important decision-making for business management);
      - b. A contract for delivering raw materials or purchasing products for one year or more;
      - c. A contract for providing or introducing technology or for joint research and development.
    - Document verifying that the investment amount is the proceeds from the sale of stocks, shares, real estate, etc.;
    - Document verifying transferees are specially related persons (in case there are two or more transferees);
    - Document verifying that the stocks are owned by a foreign corporation listed or registered on

a foreign stock market;

- Document verifying that the stocks are owned by a foreign investor pursuant to the Foreign Exchange Transactions Act (FETA) or the FIPA.
- Processing period: On-the-spot (a certificate of completion of FDI notification shall be issued after reviewing the notification form and related documents).
- Acquisition of existing stocks of the defense industry is subject to permission
  - An application shall be submitted by a foreign investor or a proxy (with a power of attorney) to the Foreign Investment Policy Division of the Ministry of Knowledge Economy (☎ 82-2-2110-5351~60).
  - Documentation required:
    - FDI application form for permission of acquisition of existing stocks, etc. (two copies).
  - Other documentation required:
    - Same as those for FDI notification.
  - Processing period: 15 days (may be extended by an additional 15 days in unavoidable circumstances).
    - The permission shall be decided after consultation with the pertinent minister and the applicant shall be notified of the result. (Conditional permission may be granted).

Defense Industry in Korea (As of Nov 2008)		
Sectors	Major defense industry	Medium-Sized defense industry
Guns and Artillery	Wia, Doosan Infracore, Doowon Heavy Industrial, POSCO Specity Steel, S&T Daewoo, S&T Dynamics, Unimo Technology, Samsung Techwin(8)	Jinsong Tech, Daedong Gear, Jinyoung Precision Machine, Dongseong Electrics, Khan Workholding (5)
Ammunition	Dongyang Junggong, Alcoa Korea, Samyang Chemical, Poongsan, Hanil Forging Ind, Hanhwa, Poongsan FNS (7)	Suwon Paper Cone & Tube (1)
Guidance Systems	STX Engine, Hyundai Rotem, LS Cable, Pyunghwa Industrial, Doosan Heavy Industries & Construction, Dymos, Doosan Mottrol (7)	Kanglim, Kia Motors, Dongjin Electric&Machinery, Shinjeong Development, Sigong Co. Ltd. (5)
Air Guidance	Korean Air, Korea Aerospace Industries, Kukdong Telecommunication, Kumho Tires, Firstec, LIG Nex1 (6)	Korea Bell Helicopter, Korea Lost-wax, DACC, Kyongju Aerospace Electrical Systems, Sungjin Tech One, Hanyang Navicom, Danam System, Dawin Friction, Withus (9)
Combat Vessels	Kangnam, Hanjin Heavy Industries & Construction, Hyundai Heavy Industries, Sebang Hightech, DSME, STX & Shipbuilding (6)	SPECO, Doosan Engine, Haeam Machinery IND (3)
Communications & Electronics	Huneed Technologies, Samsung Thales, Younhab Precision, Ehwa Technologies Information, TSTec, Vitzrocell, EO System, B&B Solution, From2 Information & Communication, Korea Elecom (10)	Hyundai Jcom, Dong-il Shelter System, Insopack, Samyung ENC (4)
CBR	Samgong Industrial, HK Communication, Snacheong (3)	–
Others	Silstar, Daeyang Electric Supply, Hankook Fiber, Seoul Engineering, Jinyang Industrial, Valeo Electrical Systems Korea, Samyang ComTech (7)	Daewon KangUp, Row Technology, Tongyang Tech Industries, DaeMyoung, KSP, Krosys, Daeshin Metal, DoDaam Systems (8)
Total	54	35

- Introduction of foreign currency capital through purchasing existing stocks
  - Remittance to main offices or branches of domestic foreign exchange banks
    - The capital remitted to the domestic foreign exchange bank shall be converted into Korean won and be paid to the existing stockholder, or shall be transferred directly to the stock transferor's account in foreign currency (Article 5-11.(1) of the Foreign Exchange Transactions Regulation Act).
    - However, in cases where a foreign investor intends to withdraw the foreign currency and pay to the existing stockholder directly, the foreign investor shall notify the President of the Bank of Korea accordingly (Article 5-11.(3) of the Foreign Exchange Transactions Regulation Act).
  - ※ The foreign investor shall request the issuance of a certificate of purchase/deposit of foreign currency to the foreign exchange bank. This certificate is required when filing for FDI company registration.

<Remittance of capital for the acquisition of existing stocks >

- ① Remittance without account
    - A foreign investor remits to a domestic bank by just using the branch code of the bank or using a temporary account of the branch without having to open a new account. (This may vary from one bank to another).
  - ② Remittance using corporate account of FDI company
    - In cases where there are several domestic shareholders, the capital is remitted to the corporate account of FDI company (the bank transfers the money to the corporate account after checking the use of the capital) and the FDI company pays each shareholder by transferring the amount to each account.
  - ③ Remittance using account of a domestic stockholder
    - A foreign investor directly remits to the account of a domestic stockholder (corporation or individual). (The bank transfers the money after checking the use of the capital).
    - In case of issuance of a certificate of purchase/deposit of foreign currency, a domestic stockholder's cooperation is necessary.
- Capital carried through customs
    - After being declared to the competent customs (airport customs, etc.), the foreign capital shall be converted into Korean won and be paid to the existing stockholder, or be transferred directly to the stock transferor's account in foreign currency.
    - ※ The foreign investor shall request the issuance of a certificate of purchase/deposit of foreign currency to the foreign exchange bank. This certificate is required when filing for FDI company registration.

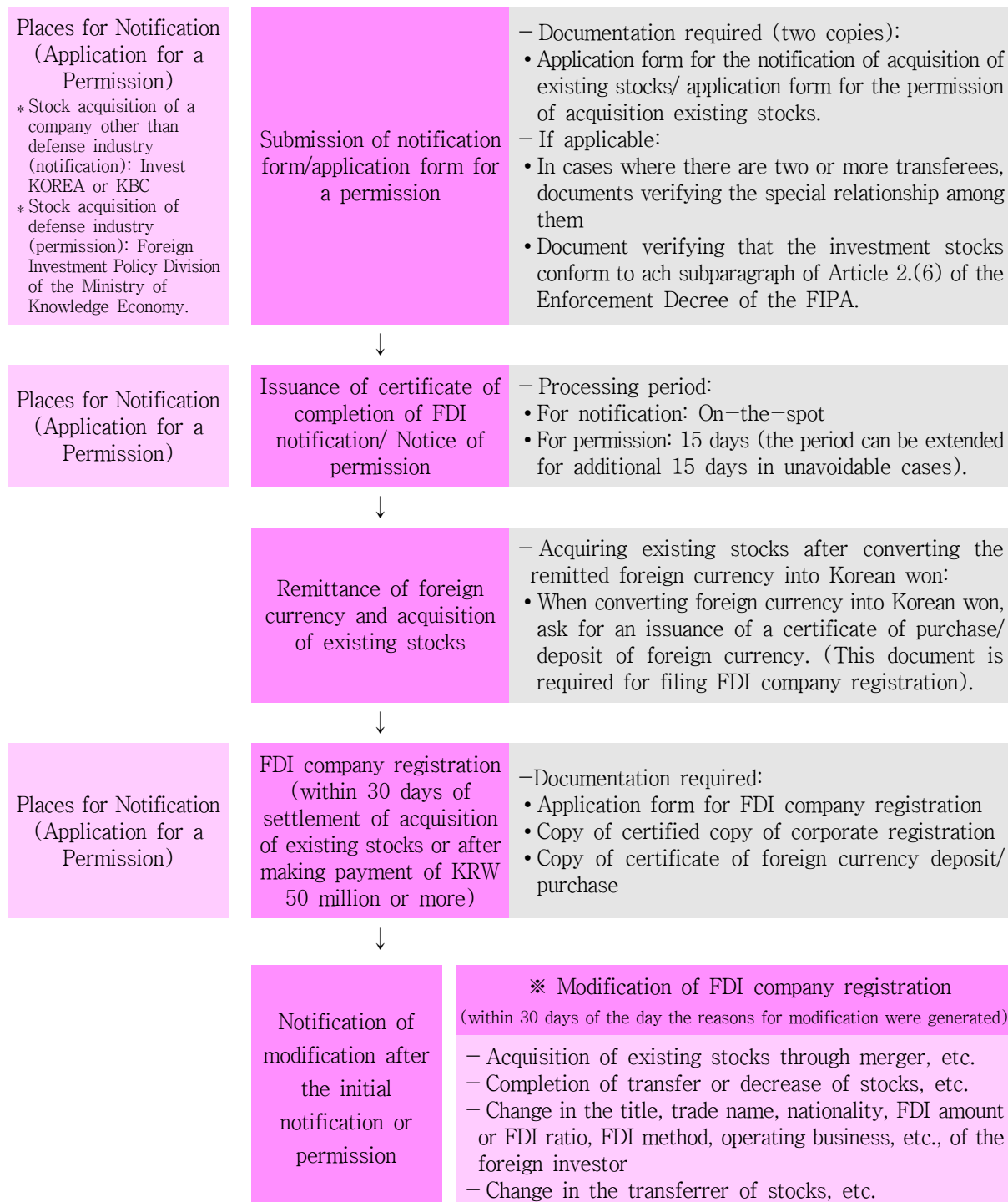


- FDI company registration and permission on civil petitions to be treated individually.
  - FDI company registration (Article 21.(1) and 21.(2) of the FIPA, Article 27 of the Enforcement Decree of the FIPA):
    - The company shall register at the competent agency or Invest KOREA within 30 days of settlement of acquisition payment (of existing stocks, etc.)
    - In cases where FDI is KRW50 million or more and meets the requirements of FDI under the FIPA, the company may register even before the settlement of acquisition payment. (Article 21.(2) of the FIPA)
    - Documentation required:
      - Application form for FDI company registration;
      - Certificate of purchase/deposit of foreign currency;
      - Certified copy of corporate registration (For corporations, register of stockholders or document verifying the transfer/acquisition by transfer of stocks. For private businesses, a copy of the business registration or the identification number certificate).
  - Permission of civil petitions to be treated individually:
    - Even in cases of the acquisition of existing stocks, the company shall obtain permission in accordance with the relevant laws including corporate combination notification pursuant to Article 12 of the Monopoly Regulation and Fair Trade Act.
- Note
  - Notification of acquisition or transfer of stocks by means of purchase, inheritance, bequest, or gift (Article 7.(1).3 of the FIPA):
    - In cases where a foreign national acquires stocks of a registered FDI company from a foreign investor by means of purchase, inheritance, bequest, or gift, the foreign national shall notify the relevant authorities of the acquisition of the stocks within 30 days of the acquisition. (However, in cases where the foreign investor notifies the authorities of the transfer of stocks pursuant to Article 23 of the FIPA, the transferee foreign national shall be exempted from the obligation of notification of stock acquisition. However, a certificate of nationality of the transferee foreign national is required).
  - Acquisition of stocks on the stock exchange market:
    - For example, where a foreign national who has already acquired 9% of the total stocks of a company in the stock market pursuant to the Securities and Exchange Act hopes to acquire an additional 3.5% (thus making the total stock acquisition ratio 10% higher), he/she shall file the FDI notification (or request for an approval) of acquisition of existing stocks, etc., because the additional 3.5% is acknowledged as the FDI pursuant to the FIPA. In this case, the notification can be made within 30 days of acquisition as it is an exemption from the prior notification. (Article

6.(1) proviso of the FIPA).

- Investment in a company of which the ratio of the turnover from a restricted category of business is not more than 1% of the total turnover (Article 5.(2) and 5.(3) of the Enforcement Decree of the FIPA):
  - Foreign nationals may invest in a company of which the ratio of the turnover from a restricted category of business does not exceed 1% of the total turnover;
  - However, in cases where the ratio of the turnover of a restricted category of business of a company exceeds 1% of the total turnover of the company after a foreign national has acquired stocks, the stocks acquired in excess of the ratio of investment permissible to foreign nationals shall be transferred.
- Restrictions on investment in companies engaged in FDI-restricted business (Article 5.(4) of the Enforcement Decree of the FIPA):
  - Foreign nationals shall not invest in a company that operates concurrently both a category of business in which FDI is not permitted and one in which FDI is only partially permitted;
  - In the case of investment in a company that operates no less than two categories of business in which FDI is only partially permitted, the foreign investor shall be prohibited from making an investment in the company in excess of the ratio of FDI in the category of business in which the ratio of investment permissible to foreign nationals is lowest.

FDI Through Acquisition of Existing Stocks

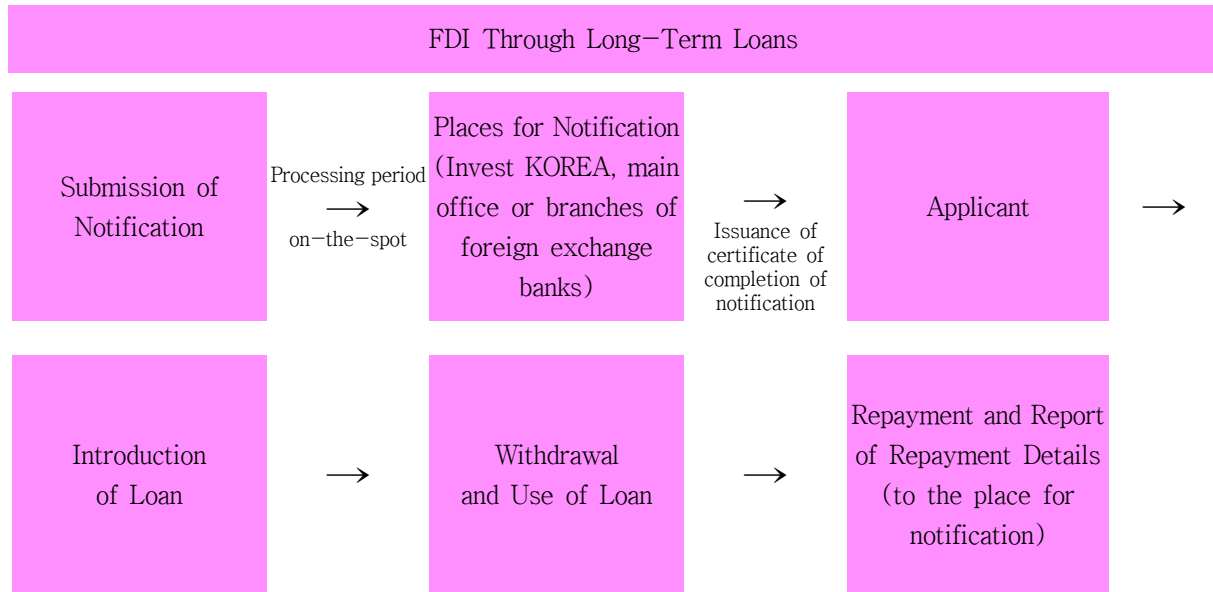


### (3) FDI through Long-Term Loans

#### Types of investment

Loans with a maturity of five years or more (based on the term of the loan agreed upon in the initial loan contract) which is extended to an FDI company by its overseas parent company or a foreign investor (individual), or by a company which has capital affiliation with the said parent company or a foreign investor (individual) as prescribed by the Enforcement Decree.

- FDI notification (Article 8.(1) of the FIPA)
  - Foreign investors or their proxies in possession of a power of attorney) may file for notification at Invest KOREA, main offices or branches of major domestic banks, domestic branches of foreign banks, or any of KBCs.
  - Documentation required:
    - Notification form for FDI of long-term loans (two copies);
    - Copy of document verifying that the company has capital affiliation with an overseas parent company or the parent company;
    - Copy of document verifying that the company has capital affiliation with a foreign investor (individual) or the foreign investor;
    - Copy of the loan contract.
  - Modification of notification of FDI of long-term loans
    - For modification of the loan contract: Notification form (two copies) and a copy of the modified loan contract;
    - For modification of the loan provider: notification form (two copies), and documents verifying the capital affiliation and copy of the modified loan contract;
  - Processing period: On-the-spot (Issuance of certificate of completion of notification).
- Reporting early redemption of loan (Article 6.(2) of the Enforcement Decree of the FIPA)
  - Among the notified modifications pursuant to Article 8.(1) of the FIPA, the early redemption of loans shall be immediately reported to the head of the National Tax Service, the Korea Customs Service, and the mayor of Seoul/ the mayors of the metropolitan cities/ the governors of the provinces or of special self-governing province by the head of the entrusted agency pursuant to Article 8.(1) of the FIPA.



(4) FDI through Acquisition of Stocks, etc., by Mergers, etc.

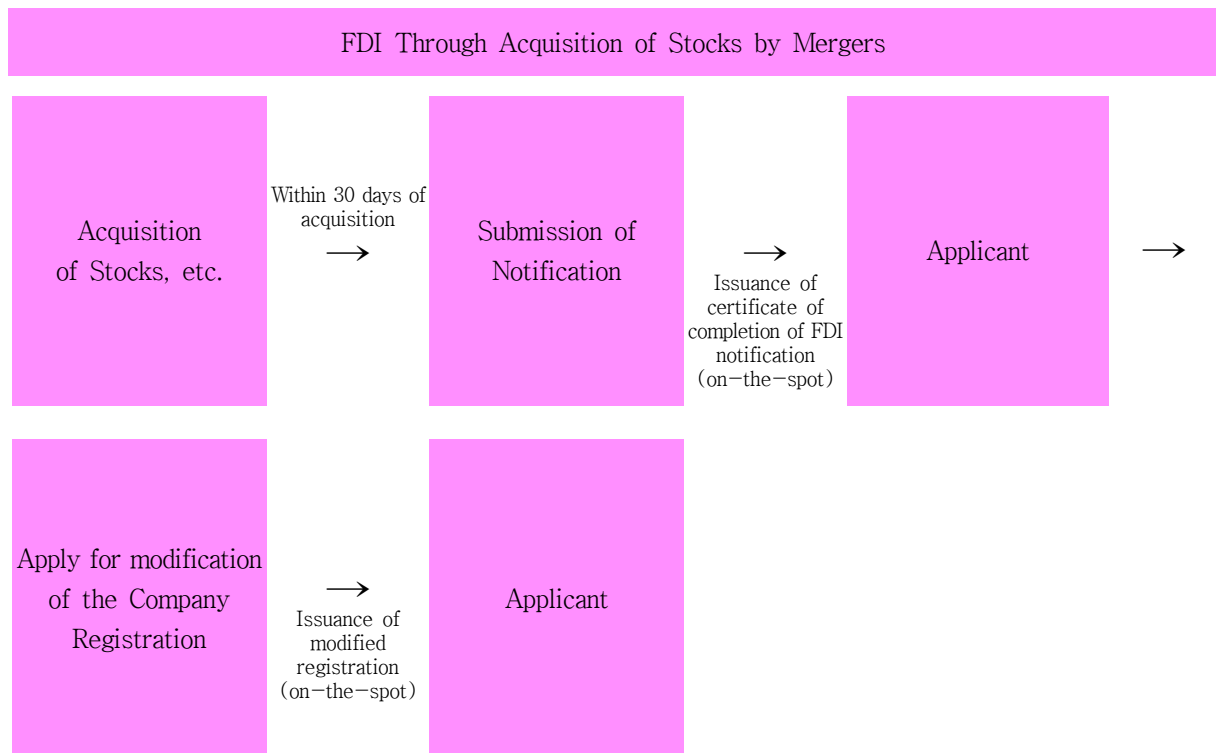
Types of investment

- ① Where a foreign investor has acquired stocks issued upon the capitalization of the reserve or reevaluation reserve of the foreign-capital invested company;
- ② Where a foreign investor acquires the stocks of a newly incorporated corporation or a surviving corporation after a merger, the comprehensive exchange/transfer of stock, and a company division with the stock he possesses at the time when the relevant foreign-invested company is merged, the stock is comprehensively swapped, the stock is transferred or the company is divided;
- ③ Where a foreign national has acquired stocks of a foreign-capital invested company registered by means of purchase, inheritance, bequest, or gift from a foreign investor;
- ④ Where a foreign investor has acquired stocks by means of investing the proceeds from the acquired stocks, etc.;
- ⑤ Where a foreign national has acquired stocks using convertible bonds, exchangeable bonds, stock depositary receipts, and such other similar ones as may be converted into, available for the acceptance of, or exchanged for stocks.

■ FDI notification (Article 7.(1) of the FIPA)

- Foreign investors or their proxies (in possession of a power of attorney) file for notification at the agencies that issued the certificate of completion of FDI notification (or notification of approval).
- Documentation required:

- FDI notification form of acquisition of stocks or shares (two copies);
- Copy of the document verifying acquisition of stocks or shares;
- Where FDI ratio is less than 10%, contract documents fall under any categories listed below:
  - a. A contract enabling the foreign national to dispatch or elect officers (referring to directors, representative directors, general partners, auditors or persons corresponding thereto holding a right to participate in important decision-making for business management);
  - b. A contract for delivering raw materials or purchasing products for one year or more;
  - c. A contract for providing or introducing technology or for joint research and development.
- Notification period: Within 30 days from the date of acquisition of stocks, etc.
- Processing period: On-the-spot (Issuance of certificate of completion of FDI notification)



### 3. Civil Petitions Required for Factory Establishment and Commencement of Business

#### (1) Processing of FDI-related Civil Petitions

- Systemic classification of FDI-related civil petitions
  - 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 of the civil petitions. Invest KOREA will process these civil petitions.
- Prompt processing of FDI-related permission and approval
  - Processing civil petitions in bulk
    - Civil petitions required to obtain approvals including approval for the establishment of a factory are categorized into 10 different sections according to their relevance. Where major permissions or approvals are issued, it is considered that the incidental permission or approvals are also issued.
    - Inconvenience of the foreign investors will be minimized because the foreign investors do not need to visit several administrative agencies to have their civil petitions processed.
- Foreign investment promotion offices in cities and provinces (Article 16.(1) of the FIPA)
  - A foreign investment promotion office may be set up in central administrative agencies, the Special Metropolitan City, the Metropolitan cities, Do (Provinces), and Si/Gun/Gu (City/County/District) for the purpose of rendering support for foreign investment by facilitating the process of civil petitions concerning the permission, authorization, licensing, approval, designation, cancellation, reporting, recommendation, and building consultation networks of the related agencies.
  - The foreign investment promotion office assists the procedure of the civil petitions for FDI companies, including filing and submitting the FDI-related civil affairs documents.
- Consultation with relevant organizations (Article 17.(4) of the FIPA)
  - The head of a civil affairs administrative agency to whom an application form related to civil affairs is transferred, or who has received an application form related to civil affairs shall without delay consult with the head of the relevant administrative agency. The head of the relevant administrative agency shall submit an opinion within the period prescribed in the FIPA.
  - If the head of the relevant administrative agency disagrees, he/she shall explicitly express the reasons for the opinion. If the head of the relevant administrative agency has not submitted his/her opinion within the prescribed period, it shall be regarded as he/she has no opinion on the matter.

- Automatic approval system (Article 17.(5) of the FIPA)
  - Where the head of a civil affairs administrative agency or the seconded officer has not notified the relevant person of his rejection for permission of the application within the processing period, the permission shall be regarded as having been granted as of the day immediately following the last day of the processing period.
- Prior (conditional) approval system (Article 17.(10) of the FIPA)
  - Even in cases where some of the requirements for obtaining permission such as the required documents have not been met, the head of a civil affairs administrative agency may grant approval on the condition that the requirements will be satisfied thereafter.
- Rejection of applications
  - Notification of reasons for rejection (Article 17.(5) of the FIPA)
    - If the head of a civil affairs administrative agency or the seconded officer intends to reject the application for permission within the processing period, he/she shall notify the foreign investor, etc., in writing of the reasons for rejecting the application.
  - Granting the permission when reasons for the rejection were eliminated (Article 17.(7) of the FIPA)
    - Where the foreign investor who was notified of the rejection of the application for permission remedies the reasons for the rejection and submits documentation verifying that the conditions for the granting of permission have been met, the head of a civil affairs administrative agency shall grant the permission within three days.
    - In this case, the head of a civil affairs administrative agency or the seconded officer shall not refuse to grant the permission for reasons other than the ones given before.
- Others
  - Except where otherwise prescribed in the FIPA or Enforcement Decree of the FIPA, the process of FDI-related civil petitions shall conform to the Civil Petitions Treatment Act (Article 24.(13) of the Enforcement Decree of the FIPA).
  - Where Acts and subordinate statutes other than this Act contain provisions concerning civil affairs which affect the realization of the goal that an FDI company is able to pursue only with the permission granted in accordance with the relevant Acts and subordinate statutes from the time when the foreign investment was reported to the time of launching the business, and which do not fall under civil petitions to be treated in bulk; civil petitions to be individually treated; civil petitions to be directly treated; and civil petitions relating to the permission as prescribed by the provisions, the provisions shall not apply to the foreign investor or to the foreign investment business of the FDI company. (Article 17.(11) of the FIPA)



## (2) Processing of Civil Petitions by Type

### Civil petitions to be directly treated

- Concept (Article 17.(2) of the FIPA)
  - Civil petitions may be handled directly by a seconded official (at Invest KOREA) when the head of the relevant administrative agency to which the seconded official is attached delegated the right to handle such civil petitions.
  - Types of civil petitions to be directly treated (11 in total):
    - Confirmation of the Completion of Investment in–Kind
    - Business Registration
    - Permission for Activities Other Than Status of Sojourn
    - Change or Addition of Workplace
    - Granting the Status of Sojourn
    - Permission for Change of Status of Sojourn
    - Permission on Extension of Sojourn Period
    - Permission for Re–entry
    - Alien Registration
    - Report on Change in Alien Registration Matters
    - Change of Location of Sojourn
- Procedure
  - When a foreign investor or a proxy files civil petitions to be directly processed by Invest KOREA, a seconded officer from the relevant civil affairs administrative agency will deal with the petitions;
  - The civil petitions to be directly dealt with will be handled in accordance with the forms prescribed in the relevant acts and periods stipulated in the FIPA.

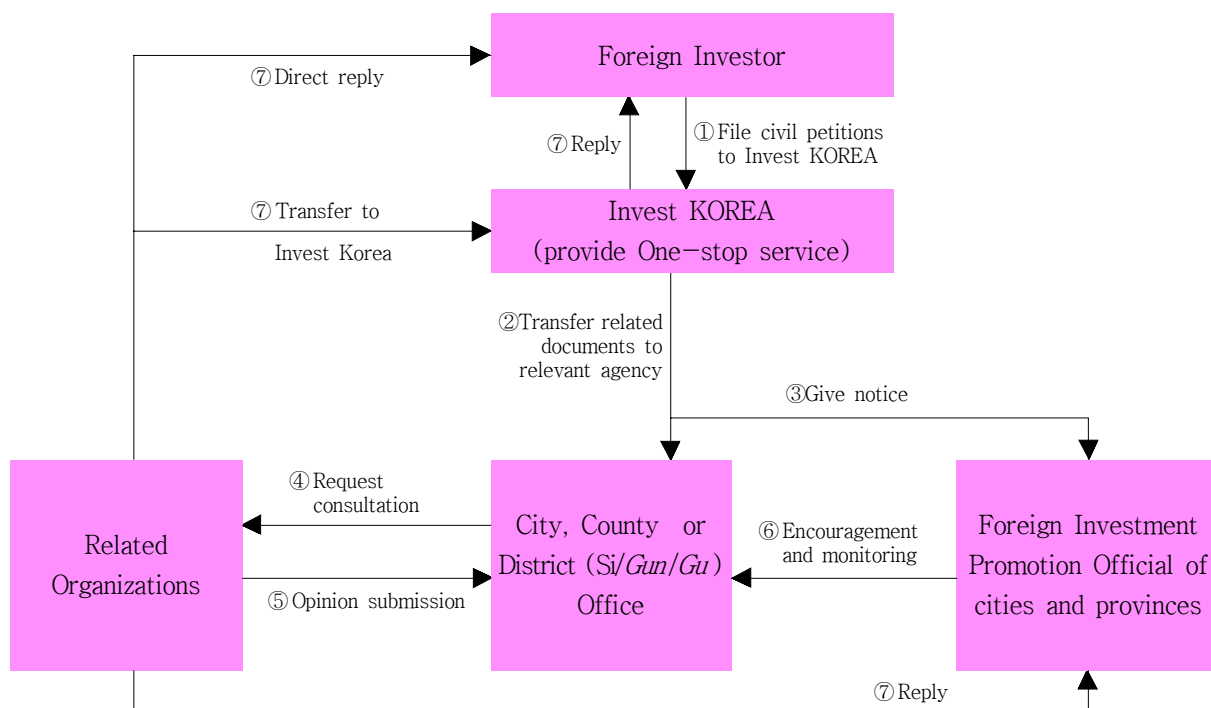
- Types and processing period of civil petitions to be directly treated (Article 24.(1) and Addendum 1 of the Enforcement Decree of the FIPA)

Civil Petition	Relevant Act	Processing period
1. Confirmation of Completion of Investment In-kind	Article 30.(3) of the FIPA	Immediately
2. Business Registration	Article 5 of the Act on Value Added Tax	Within 7 days
3. Permission for Activities Other Than Status of Sojourn	Article 20 of the Immigration Control Act	Immediately
4. Change or Addition of Workplace	Article 21 of the Immigration Control Act	Immediately
5. Granting the Status of Sojourn	Article 23 of the Immigration Control Act	Immediately
6. Permission for Change of Status of Sojourn	Article 24.(1) of the Immigration Control Act	Immediately
7. Permission on Extension of Sojourn Period	Article 25 of the Immigration Control Act	Immediately
8. Permission for Re-entry	Article 30.(1) of the Immigration Control Act	Immediately
9. Alien Registration	Article 31 of the Immigration Control Act	Immediately
10. Report on Change in Alien Registration Matters	Article 35 of the Immigration Control Act	Immediately
11. Change of Location of Sojourn	Article 36 of the Immigration Control Act	Immediately

#### Civil petitions to be treated in bulk

- Concept (Article 17.(1), 17.(3), and 17.(4) of the FIPA)
  - Civil petitions are classified into 10 categories according to their characteristics and relevant institutions handling them. Where the major permissions or approvals have been issued, it is considered that the incidental permissions or approvals have also been issued.
- Procedure
  - Civil petitions to be treated in bulk will be handled in accordance with the forms and periods prescribed in the FIPA;
  - Civil-petitioners are required to attach a list of other permissions to the application form of civil petitions to be dealt with in bulk.

■ Workflow of civil petitions to be treated in bulk



※ Note

- ⑧ Notification of extension of processing period: The period can be extended within the original processing period.
- ⑨ Request for supplement: If a petitioner was requested to supplement the certain conditions, he/she shall meet the required conditions within the notified period. (This period shall not be included in the processing period of civil petitions).
- ⑩ Conditional approval: Prior approval on condition that the unsatisfied requirements will be met thereafter.
- ⑪ Rejection: In case of re-application after eliminating the reasons for rejection, the permission for re-application will be granted within three days from the day of re-application.

<Explanation >

- ① Application: A foreign investor or an FDI company may request Invest KOREA or the foreign investment promotion offices of cities(Si) and provinces (Do) to carry out matters of civil petition, such as the filling out and submission of application forms. The foreign investor or the FDI company may also file civil petitions directly to a city (Si), county (Gun) or district (Gu)
- ② Invest KOREA may assist filling out and transfers (submits) the application forms for civil petitions

for a foreign investor or an FDI company

- Submission of application forms with the required documents for civil petitions to be treated in bulk or civil petitions to be individually dealt with shall be made to the heads of the relevant civil affairs administrative agencies. In the case of petitions subject to legal fiction, the relevant documents required for each petition will also be submitted.
- ③ Invest KOREA transfers (submits) the document and notifies the relevant foreign investment promotion official thereof.
  - ④ The documents shall be submitted to the relevant department of the agency. If necessary, the head of the relevant civil affairs administrative agencies shall without delay request consultation with the relevant organizations.
  - ⑤ The head of the organization who receives the request shall submit his/her opinion one or two days before the expiration date of the civil petition processing period (in the case of civil petitions that required seven or more days of processing period) to the head of the relevant civil affairs administrative agency. In cases where he/she disagrees, the reasons shall be explicitly stated.
  - ⑥ The foreign investment promotion officials who are informed of the submission of civil petitions shall encourage and monitor the procedure. In the event of the rejection of civil petitions, the officials may review the adequacy of the reasons for rejection and try to resolve the issues.
  - ⑦ The head of the relevant civil affairs administrative agency shall review the adequacy of permissions and approvals and notify Invest KOREA and the petitioner of the result, as well as foreign investment promotion officials in cities and provinces within the processing period.
    - If the head of the civil affairs administrative agency has not notified the petitioner of his/her rejection of the application for permission within the processing period, the permission shall be regarded as having been granted as of the following day of the last day of the processing period (automatic approval system).
    - In this case, the head of the civil affairs administrative agency shall issue, without delay, upon the request of the foreign investor or the FDI company, a document certifying that the permission was granted.
  - ⑧ Extension of processing period
    - In cases where there are reasonable and objective grounds for the inability to properly deal with civil petitions within the processing period, the head of the relevant civil affairs administrative agency may extend the processing period once within the original processing period.
  - ⑨ Request for supplement or revision

If necessary, the head of a civil affairs administrative agency may require revision or supplementation of the documents within a certain period of time. In this case, the period will not be included in the processing period.

⑩ Prior (conditional) approval

- Even when, with respect to the permission of civil petitions to be treated in bulk, some of the requirements (required documents, etc.) for permission have not been met, the head of a civil affairs administrative agency may grant permission on the condition that the requirements will be satisfied within a certain period of time.
- In cases where the conditional approval was granted, the written confirmation that all conditions were satisfied shall be submitted to the head of a civil affairs administrative agency before proceeding to the next phase.

※ Period for supplementation of the required conditions

- (1) Factory establishment and business plan approval: By the application date of the construction permission (in case the construction permission is considered to have been fictitiously granted, until the reporting date of the commencement of construction)
- (2) Construction permission: By the reporting date of the commencement of construction
- (3) Construction permission for wastewater or air pollutant emission facilities: By the reporting date of the commencement of operation
- (4) Approval of building use: By the date of the registration in the building ledger

- ⑪ In case of rejection of the application for permission, the foreign investment promotion officials and the petitioner shall be notified in writing of the reasons and legal grounds for the rejection. If the petitioner reapplies after eliminating the reasons for rejection, the approval shall be granted within three days and the application shall not be rejected for reasons other than the ones previously provided.

■ Relevant civil affairs administrative agencies for civil petitions to be treated in bulk

- ① Factory establishment (Form No.12 of the Enforcement Regulations)  
: Mayors of cities(Si), counties (Gun) and districts (Gu);
- ② Business plan approval (Form No.13 of the Enforcement Regulations)  
: Mayors of cities, counties and districts;
- ③ Construction permission (Form No.14 of the Enforcement Regulations)  
: Mayors of cities, counties, and districts;
- ④ Construction permission for wastewater or air pollutant emission facilities (Form No.15 of the Enforcement Regulations) : Mayors of cities and Provincial (Do) governors;
- ⑤ Approval of building use (Form No.16 of the Enforcement Regulations)  
: Mayors of cities, counties, and districts;
- ⑥ Approval of tourist resort complex development plan (Form No.16-2 the Enforcement Regulations)  
: Mayors of cities and Provincial governors;

- ⑦ Tourism business registration (Form No.16-3 of the Enforcement Regulations)  
: Mayors of cities and Provincial governors;
  - ⑧ Approval of business plan for registered sports facilities (Form No.16-4 of the Enforcement Regulations): Mayors of cities, counties, and districts;
  - ⑨ Approval of development plan (Form No.16-5 of the Enforcement Regulations)  
: Governor of the Jeju Special Self-governing Province;
  - ⑩ Factory registration (Form No.16-6 of the Enforcement Regulations)  
: Mayors of cities, counties, and districts or heads of the management agencies.
- Types of documents required for civil petitions to be treated in bulk

Types	Legal Fiction of Permission	Documentation Required/ Processing Period
Type 1. Approvals for factory establishment pursuant to Article 13.(1) of the Industrial Cluster Development and Factory Construction Act	37 civil petitions in accordance with 20 individual acts such as permission on land exclusive for agricultural use (Article 34 of the Farmland Act)	Documentation required: <ul style="list-style-type: none"> <li>- Business plan</li> <li>- Land registration map indicating planned site for factory establishment</li> <li>- Detailed statement on legal fiction of permission</li> <li>- Document verifying the right to use land and buildings (limited to cases of obtaining permission using an existing building)</li> </ul> Processing period: <ul style="list-style-type: none"> <li>- When legal fiction of permission is not necessary: 7 days</li> <li>- When the approvals of all the requests are under the authority of mayor/county governor/head of ward office, and do not accompany the designation of Class II District Unit Planning Zone pursuant to the National Land Planning and Utilization Act: 14 days</li> <li>- Other cases including the case accompanying the designation of Class II District Unit Planning Zone pursuant to the National Land Planning and Utilization Act: 30 days</li> </ul>

Types	Legal Fiction of Permission	Documentation Required/ Processing Period
<p>Type 2. Approvals for business plan pursuant to Article 21 of the Support for Small and Medium Enterprise Establishment Act</p>	<p>22 civil petitions in accordance with 14 individual acts, such as permission on occupation and use of road(Article 40.(1) of the Road Act)</p>	<p>Documentation required:</p> <ul style="list-style-type: none"> <li>– Business plan (limited to cases where the application for approval is submitted)</li> <li>– Modification plan, document stating reasons for modification, document comparing the original and modified contents of the business plan (limited to cases where the application for approval of the modification is submitted)</li> <li>– Detailed statement on legal fiction of permission</li> </ul> <p>Processing period:</p> <ul style="list-style-type: none"> <li>– When legal fiction of permission is not necessary: 7 days</li> <li>– When the approvals of all the requests are under the authority of mayor/county governor/head of ward office or when accompanying the designation of Class II District Unit Planning Zone pursuant to the National Land Planning and Utilization Act: 14 days</li> <li>– Other cases including the case where a consultation with other agency is required: 14 days</li> </ul>
<p>Type 3. Permission for construction pursuant to Article 8 of the Building Act</p>	<p>27 civil petitions in accordance with 19 individual acts, such as permission on installation of exclusive waterworks (52.(1) of the Water Supply and Waterworks Installation Act)</p>	<p>Documentation required:</p> <ul style="list-style-type: none"> <li>– Document verifying the size of the land for construction and the ownership or the right to use such land</li> <li>– Basic blueprint of the building (including an outline of the building)</li> <li>– Detailed statement on legal fiction of permission</li> </ul> <p>Processing period:</p> <ul style="list-style-type: none"> <li>– Buildings that will be constructed following standard drawings and specifications: 7 days (3 days when the certified architect execute on-the spot survey/inspection/confirmation)</li> <li>– Buildings subject to construction deliberation by construction committee of city/province/district (including buildings subject to pre-approval): 30 days (15 days when the certified architect execute on-the spot survey/inspection/confirmation)</li> <li>– Other buildings : 14 days (7 days when the certified architect execute on-the spot survey/inspection/confirmation)</li> </ul>

Types	Legal Fiction of Permission	Documentation Required/ Processing Period
<p>Type 4. Permission for wastewater discharge facilities pursuant to Article 33 of the Water Quality Conservation Act (in cases where there is no wastewater discharge facility, permission for air pollutant discharge facilities pursuant to Article 23 of the Clean Air Conservation Act)</p>	<p>7 civil petitions in accordance with 6 individual acts, such as permission and report on installation of emission facilities (Article 23 of the Clean Air Conservation Act)</p>	<p>Documentation required:</p> <ul style="list-style-type: none"> <li>- Flow chart showing the operation process of facilities</li> <li>- Detailed statement on legal fiction of permission</li> </ul> <p>Processing period:</p> <ul style="list-style-type: none"> <li>- 7 days</li> </ul>
<p>Type 5. Approvals of use of buildings pursuant to Article 18 of the Buildings Act</p>	<p>17 civil petitions in accordance with 14 individual acts, such as inspection prior to operation (Article 63 of the Electric Utility Act)</p>	<p>Documentation required:</p> <ul style="list-style-type: none"> <li>- Report on the completion of construction supervision</li> <li>- Blueprint (limited to cases that are subjects to report pursuant to Article 9.(1) of the Construction Act)</li> <li>- Detailed statement on legal fiction of permission</li> </ul> <p>Processing period:</p> <ul style="list-style-type: none"> <li>- When water quality analysis by the analysis agency is necessary: 14 days</li> <li>- Other cases: 6 days</li> </ul>
<p>Type 6. Approvals of a tourist resort complex development plan pursuant to Article 54 of the Tourism Promotion Act</p>	<p>29 civil petitions in accordance with 18 individual acts, such as determination of urban management planning (Article 30 of the National Land Planning and Utilization Act)</p>	<p>Documentation required:</p> <ul style="list-style-type: none"> <li>- Investment plan, management plan of the tourist resort, and tourist resort plan including followings: <ul style="list-style-type: none"> <li>• Facility installation plan (drawn on a land registration map on a scale of 1/500 or 1/6000)</li> <li>• Land use plan specifying the uses</li> <li>• Landscaping scheme</li> <li>• Installation plan of water supply and drainage, and electricity supply and communication facilities</li> </ul> </li> <li>- Statement of land specifying lot numbers, land category, land register, owners, and areas by facilities</li> <li>- Bird's-eye-view</li> <li>- Documents verifying the ownership of the land or right to use the land</li> <li>- Detailed statement on legal fiction of permission</li> </ul> <p>Processing period:</p> <ul style="list-style-type: none"> <li>- As prescribed by the relevant laws</li> </ul>



Types	Legal Fiction of Permission	Documentation Required/ Processing Period
<p>Type 7. Registration of travel business pursuant to Article 4.(2) of the Tourism Promotion Act</p>	<p>8 civil petitions in accordance with 8 individual acts, such as report on commencement of public health business(Article 3 of the Public Health Control Act)</p>	<p>Documentation required:</p> <ul style="list-style-type: none"> <li>- Business plan</li> <li>- Document certified by an embassy or consulate of the Republic of Korea in the relevant country pursuant to the Act on Notarial Acts Done at Overseas Diplomatic and Consular Missions</li> <li>- Certified copy of corporation registration (limited to the corporations)</li> <li>- Documents verifying the ownership of the land or right to use the land</li> <li>- Detailed statement on legal fiction of permission</li> <li>- Balance sheet at the time of the registration confirmed by an CPA or the head of the relevant tax office (in case of tourist businesses and international conference services), detailed statement on amount of assets for business and verifying documents (in case of individuals)</li> <li>- Additional documents are required for permission on tourist accommodation businesses, tourist facilities businesses, and international conference facilities businesses</li> </ul> <p>Processing period:</p> <ul style="list-style-type: none"> <li>- As prescribed by the relevant laws</li> </ul>
<p>Type 8. Approvals of business plan pursuant to Article 12 of the Installation and Utilization of Sports Facilities Act</p>	<p>10 civil petitions in accordance with 9 individual acts, such as permission on land exclusive for agricultural use (Article 34 of the Farmland Act)</p>	<p>Documentation required:</p> <ul style="list-style-type: none"> <li>- Certified copy of corporation registration (limited to the corporations)</li> <li>- Documents which include the size of land, land use plan, transcript of land registration</li> <li>- Map of the planned area (at least 1/3000 with contour lines)</li> <li>- Map of the planned area location (at least 1/25,000)</li> <li>- Plan of facility installation (to be marked in the land registration map)</li> <li>- Area size of each floor of the construction building and details about facilities</li> <li>- Construction plan and plan on procurement of budget</li> <li>- Installation plan of major equipment and machinery</li> <li>- Plan of operation (positioning of trainer/coach, insurance, etc.)</li> <li>- Detailed statement on legal fiction of permission</li> </ul> <p>Processing period:</p> <ul style="list-style-type: none"> <li>-As prescribed by the relevant laws</li> </ul>

Types	Legal Fiction of Permission	Documentation Required/ Processing Period
<p>Type 9. Approvals of development project implementation pursuant to Article 229 of the Special Act on Establishment of Jeju Special Self-governing Province and Development of Free International City</p>	<p>43 civil petitions in accordance with 26 individual acts, such as permission on grassland development (Article 5 of the Grassland Act)</p>	<p>Documentation required:</p> <ul style="list-style-type: none"> <li>- Business plan</li> <li>- Basic investigation, integrated effect evaluation (if applicable)</li> <li>- Map of planned site (1/25,000), map of surroundings of planned site</li> <li>- Documents certifying the ownership and related persons of the land, buildings, and others located on the planned site</li> <li>- Landscape and restoration plan for the damaged land;</li> <li>- Management plan for state/public-owned land and public facilities</li> <li>- Support plan for land-seller</li> <li>- Employment plan by sector</li> <li>- Detailed statement on legal fiction of permission</li> </ul> <p>Processing period:</p> <ul style="list-style-type: none"> <li>- As prescribed by the relevant laws</li> </ul>
<p>Type 10. Factory registration pursuant to Article 16 of the Industrial Cluster Development and Factory Establishment Act</p>	<p>21 civil petitions in accordance with 20 individual acts, such as report of publishing and printing company (Article 9.(1) of the Publication and Printing Promotion Act)</p>	<p>Documentation required:</p> <ul style="list-style-type: none"> <li>- Business plan (limited to cases where the application for registration is submitted)</li> <li>- In case of modification of registration, documents verifying the modifications (in case of transfer or lease of registered factory, documents verifying the fact should be included)</li> <li>- Copy of the building register of the factory structure (in case of factory registration)</li> <li>- Detailed statement on legal fiction of permission</li> </ul> <p>Processing period:</p> <ul style="list-style-type: none"> <li>- When legal fiction of permission is not necessary: 7 days</li> <li>- When fictitiously granting the permission for registration or modification of registration pursuant to subparagraphs of Article 16.(7) or (8) of the Industrial Cluster Development and Factory Establishment Act: 20 days</li> </ul>

## Civil petitions to be individually treated

- Concept (Article 17.(3) of the FIPA and Article 24.(5) of the Enforcement Decree of the FIPA)
  - Civil petitions 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 (97 in total)
  - Addendum 2 of the FIPA (related to Article 17.(3)): 13 in total
  - Addendum 3 of the Enforcement Decree of the FIPA (related to Article 24.(5)): 81 in total
  - Addendum 1 of the Enforcement Regulations of the FIPA (related to Article 10.(4)): Three in total

## 4. Follow-up Management of FDI Companies

## (1) Modification of FDI Company Registration (Article 27.(2) of the FIPA)

- Modification of the FDI company registration
  - Where a foreign investor acquires existing stocks through a merger, etc. (Article 7 of the FIPA);
  - Where a foreign investor transfers stocks of an FDI company, etc. (Article 23.(1) of the FIPA);
  - Where the title and trade name of an FDI company change (Article 27.(2).3 of the Enforcement Decree of the FIPA);
  - Where subjects falling under any subparagraph of Article 6 of the Enforcement Decree of the FIPA change, including the title and trade name of a foreign investor, FDI amount, FDI ratio, FDI method, operating business, and address of FDI company.
- Application for modification
  - Submit application to the follow-up management agency (entrusted agency) within 30 days from the day the reasons for modification were generated.
  - Documentation required:
    - Application form for FDI company registration (registration of modification);
    - Document verifying the modification;
    - Original copy of FDI company registration.

(2) Disposal of Capital Goods Subject to the Exemption from Customs Duties (for purposes other than those reported) (Article 22 of the FIPA)

- Less than five years since the date of import declaration : Prior notification
  - Places for notification: Follow-up management agency (the agency where the FDI notification was made)
  - Documentation required: Declaration form for the disposal of capital goods
- Five or more years since the date of import declaration: Notification is not required (Article 29.(1) of Enforcement Decree of the FIPA)
  - Capital goods can be disposed of without notification.

(3) Additional Business Operations of FDI Companies

- FDI company with less than 10% of FDI ratio
  - All kinds of additional business operations are allowed without notification.
- FDI company with 10% or more of FDI ratio (Article 29.(2).1 of the Enforcement Decree of the FIPA)
  - Additional business operation is allowed without notification pursuant to FIPA when:
    - Additionally conducting business fully opened to foreign nationals;
    - Conducting business partially restricted to foreign nationals within the extent allowed by the relevant laws.
  - Additional business operation is restricted when:
    - Conducting business partially restricted to foreign nationals in excess of the extent allowed by the relevant laws;
    - Additionally conducting business closed to foreign nationals.

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

- FDI companies with less than 50% of FDI ratio and whose largest shareholder is not a foreign national
  - Acquisition of existing stocks of other domestic companies is allowed.
- FDI companies with 50% or more of FDI ratio or whose largest shareholder is a foreign national (Article 29.(2).2 of the Enforcement Decree of the FIPA)
  - Acquisition of existing stocks by FDI companies is allowed when:
    - Acquiring existing stocks, etc., of other domestic companies operating businesses fully opened

to FDI;

- Acquiring existing stocks, etc., of other domestic companies operating businesses partially opened to FDI within the extent allowed by the relevant laws;
  - Acquiring less than 10% of existing stocks, etc., of other domestic companies operating businesses closed to FDI;
  - FDI companies in finance, insurance, etc., whose main or partial business objective is to acquire stocks, etc., of other companies acquires stocks, etc., of other domestic companies pursuant to other relevant laws.
- Acquisition of existing stocks by FDI companies is restricted when:
- Acquiring existing stocks, etc., of other domestic companies operating businesses partially opened to FDI in excess of the extent allowed by the relevant laws;
  - Acquiring 10% or more of existing stocks, etc., of other domestic companies operating businesses closed to FDI.

(5) Notification of Transfer/Decrease of Stocks (Article 23.(1) of the FIPA and Article 30.(1) of the Enforcement Decree of the FIPA)

- Notification shall be made:
  - When foreign investors transfer their stocks, etc., to others;
  - When foreign investors decrease their stocks, etc., through capital decrease.
- Notification period:
  - Transfer of stocks, etc.: Within 30 days from the date on which the transfer contract was concluded
  - Capital decrease: Within 30 days from the date of termination of the period of peremptory notice for creditors pursuant to Article 439 of the Commercial Law
- Documentation required:
  - Notification form for transfer/decrease of stocks or shares (two copies);
  - Documents verifying the transfer or decrease of stocks (such as contract of transfer, registration certificate for modification of capital decrease, etc.);
  - Document verifying the nationality of the transferee (in case where the transferee is a new foreign investor).
    - ※ In cases where a notification form for transfer or decrease of stocks is submitted, the head of the entrusted agency has to immediately notify this to the heads of the National Tax Service, Korea Customs Service, and the relevant local government. (Article 30.(4) of the Enforcement

Decree of the FIPA)

Notification for transfer or decrease of stocks or shares	Application for modification of FDI company registration
<ul style="list-style-type: none"> <li>○ Documentation required:               <ul style="list-style-type: none"> <li>– Application form for transfer/decrease of stocks (two copies)</li> <li>– Copy of documents verifying the transfer or decrease of stocks (e.g. contract of transfer, registration certificate for modification of capital decrease, etc.)</li> <li>– Document verifying the nationality of the transferee (in case where the transferee is a new foreign investor)</li> </ul> </li> <li>○ Place for notification:               <ul style="list-style-type: none"> <li>Follow-up management agency (entrusted agency)</li> </ul> </li> <li>○ Processing period : On-the-spot (Issuance of certificate of completion of report)</li> <li>○ Notification period : Within 30 days of the transfer or decrease of stocks, etc.</li> </ul>	<ul style="list-style-type: none"> <li>○ Documentation required:               <ul style="list-style-type: none"> <li>– Notification form for modification of FDI registration</li> <li>– Copy of documents verifying the modification</li> <li>– Original copy of FDI company registration</li> </ul> </li> <li>○ Place for notification:               <ul style="list-style-type: none"> <li>Follow-up management agency (entrusted agency)</li> </ul> </li> <li>○ Processing period: One day (Issuance of certificate of registration)</li> <li>○ Notification period : Within 30 days from the date when the reasons for modification were generated</li> </ul>

## IV. SUPPORT FOR FDI

### 1. Tax Incentives

#### (1) Purpose

- Under the Restriction of Special Taxation Act, reduction or exemption from corporate tax, income tax, acquisition tax, registration tax, property tax, and comprehensive real estate tax may be granted to FDI that is vital to strengthen the competitiveness of domestic industry.

#### (2) Businesses Eligible for Tax Incentives (Chapter 5 of the Restriction of Special Taxation Act)

- Businesses accompanying high-tech or industry-supporting service businesses (Article 121-2.(1).1 of the Restriction of Special Taxation Act)
  - Tax incentives may be granted to businesses that meet all the following requirements, and establish and operate factory facilities in order to operate industry-supporting service businesses and businesses accompanying high-tech as determined by the Minister of Strategy and Finance after a review by the Foreign Investment Commission based on its necessity to strengthen the international competitiveness of Korea's domestic industry:
    - Technology which has substantial economic and technological benefits to the national economy and is critical in advancing the nation's industrial structure and strengthening the international competitiveness of Korea's domestic industry;
    - Technology which has been introduced less than three years previously (as of the filing date of the FDI notification or the technology inducement contract); or technology which has been introduced less than three years previously but is evaluated as having a superior economic effect and technological performance compared to already-introduced technologies;
    - Technology whose major processes or services are mainly conducted in Korea.

Industry-Supporting  
Service Business

Service industry that has high value-added; greatly supports the development of other industries including the manufacturing industry; and is considered necessary for the international competitiveness of domestic industry.

Business accompanying  
high-tech

Business accompanying technologies that have not been invented or are at a lower level and are considered necessary for the international competitiveness of domestic industry.

- Businesses located in Individual FIZs (Article 18.(1).2 of the FIPA and Article 121–2.1.(2) of the Restriction of Special Taxation Act)
  - Designation of FIZ:
    - Mayors or provincial governors may designate, after the review by the Foreign Investment Commission, a region where foreign investors hope to invest (Individual FIZ).
  - Requisites for tax reduction or exemption of Individual FIZ: A company shall establish new facilities in the FIZ and meet any of the following requirements:
    - ① Establishing a new factory to operate manufacturing business and having more than US\$30 million of foreign investment;
    - ② Establishing a new facility to operate the following businesses and having more than US\$20 million of foreign investment:
      - Tourist hotel, floating tourist hotel, traditional hotel, special recreational service, resort complex and amusement facility businesses pursuant to the Tourism Promotion Act;
      - International conference facility pursuant to the International Conference Industry Promotion Act.
    - ③ Establishing a new facility to operate the following businesses and having more than US\$10 million of foreign investment.
      - Combined cargo terminal business pursuant to the Goods Distribution Promotion Act;
      - Joint collection and delivery center business pursuant to the Distribution Industry Development Act;
      - Harbor (airport) facility business and logistics business pursuant to the Harbor Act and the Aviation Act;
    - ④ Establishing or expanding research facilities to conduct R&D for industry–supporting service business and business accompanying high–tech (All the following requirements shall be met):
      - US\$2 million or more of FDI;
      - The regular employment of 10 or more researchers who have bachelor's degrees in the concerned business related fields with three years or more research experience.
    - ⑤ Business operated by 2 or more FDI companies located in the same foreign investment zone (All the following requirements shall be met):
      - US\$30 million or more of total FDI of the companies;
      - Operating business or a category of business shall fall under any of ①~④;
      - Facilities of ①~④ shall be established in or adjunct to the same national industrial complex or regional industrial complex.
  - ※ Previous export–free zone shall be considered as individual foreign investment zone (116–2.(4) of the Enforcement Decree of the Restriction of Special Taxation Act).



- Businesses located in FIZ Complex (previous the Exclusive Zones for FDI companies) (Article 18.(1).1 of the FIPA and Article 121–2.(1).2–5 of the Restriction of Special Taxation Act)
  - Businesses eligible for tax incentives:
    - Manufacturing/logistics businesses operated by an FDI company located in the areas of a national industrial complex and general industrial complex that are designated by a mayor or provincial governor to lease or transfer exclusively to FDI companies (FIZ Complex).
  - Requirements for tax reduction or exemption:
    - For manufacturing businesses: New factory facilities shall be established and the amount of FDI shall be at least US\$10 million;
    - For logistics businesses: New factory facilities shall be established and the amount of FDI shall be at least US\$5 million.
- Businesses located in Free Economic Zone (FEZ) (Article 121–1.(1).2–2 of the Restriction of Special Taxation Act)
  - Businesses eligible for tax incentives:
    - Manufacturing, tourism, and logistics businesses, medical institutions, R&D facilities moving into areas prescribed in the Act on Designation and Management of FEZs.
  - Requirements for tax reduction or exemption:
    - Installation of new facilities, etc., in FEZs;
    - US\$10 million or more of FDI for manufacturing and tourism businesses and US\$5 million or more of FDI for logistics businesses and medical institutions;
    - US\$1 million or more for R&D facilities and the regular employment of 10 or more researchers who have bachelor's or higher degrees in the relevant business–related fields with three years or more research experience.
- Businesses located in Free Trade Zones (FTZ) (Article 121–1.(1).3 of the Restriction of Special Taxation Act)
  - Businesses eligible for tax incentives:
    - Export, manufacturing, cargo–working, transportation, storage, display businesses, etc., operated by regional companies located in an FTZ prescribed in the Act on Designation and Management of FTZs.
  - Requirements for tax reduction or exemption:
    - Installation of new factory facilities, etc., in FTZs
    - US\$10 million or more of FDI for export and manufacturing businesses; and US\$5 million or more of FDI for cargo–working, transportation businesses, etc.

- Businesses in Enterprise City Development Zone (Article 121–1.(1).2–6 of the Restriction of Special Taxation Act)
  - Businesses eligible for tax incentives:
    - Manufacturing, tourism, distribution, engineering, additional communication, research and development, information processing, and other areas related to computer operation businesses; science and technology service businesses; and film and video production businesses, etc., moving into the zones pursuant to Article 2.(2) of the Special Act on the Development of Enterprise Cities.
  - Requirements for tax reduction or exemption:
    - Installation of new facilities, etc.;
    - US\$5 million or more of FDI for R&D and distribution businesses and US\$10 million or more of FDI for other businesses.
- FEZ development undertakers (Article 121–1.(1).2–3 of the Restriction of Special Taxation Act)
  - Businesses eligible for tax incentives:
    - Development business operating plan, finance, design, construction, marketing, lease, sale, etc., together in order to develop the FEZs following FEZ development plans pursuant to Article 6 of the Act on Designation and Management of Free Economic Zones.
  - Requirements for tax reduction or exemption:
    - US\$30 million or more of FDI;
    - 50% or higher FDI ratio and US\$500 million or more of total development costs for the concerned FEZ.
- Jeju investment promotion zone development undertakers
  - Businesses eligible for tax incentives:
    - Development business operating plan, finance, design, construction, marketing, lease, sale, etc., together in order to develop the Jeju investment promotion zone pursuant to Article 217 of the Special Act on Establishment of Jeju Special Self–governing Province and Development of Free International City.
  - Requirements for tax reduction or exemption:
    - US\$10 million or more of FDI;
    - 50% or higher FDI ratio and US\$100 million or more of total development costs for the concerned Jeju investment promotion zone.
- Enterprise cities development undertakers
  - Businesses eligible for tax incentives:

Development business in order to develop an enterprise cities development zone following the enterprise cities development plan pursuant to Article 11 of the Special Act on the Development of Enterprise Cities.

- Requirements for tax reduction or exemption:
  - US\$30 million or more of FDI;
  - 50% or higher FDI ratio and US\$500 million or more of total development costs for the concerned enterprise cities development zone.
- Exclusions from tax reduction or exemption
  - FDI through acquisition of existing stocks (Article 121–2.(9) of the Restriction of Special Taxation Act).
    - ※ Other supports, including the lease of state and public–owned land and administrative support, are still provided.
  - Capital contribution made through stocks of a foreign corporation listed/registered on a foreign stock exchange market or stocks owned by foreign nationals under the FIPA and the Foreign Exchange Transactions Act.
  - Stocks that a Korean corporation (or Korean national) owns directly or indirectly comprising 10% or more of voting stocks of a foreign company or corporation and the foreign company or corporation invest in Korea (Article 121–2.(11) of the Restriction of Special Taxation Act and Article 116–2.(11) or 116–2.(13) of the Enforcement Decree of the Restriction of Special Taxation Act).
- ※ Calculating indirect ownership ratio
  1. In cases where a Korean national, etc., owns more than 50% of voting shares of stockholder of a foreign corporation or investing corporation (“stockholder corporation”), the ratio of voting shares of the foreign corporations, etc., owned by the stockholder corporation to the total voting shares issued by the foreign corporation, etc., (“stockholding ratio of stockholder corporation”) shall be the indirect ownership ratio of Korean nationals, etc., to the foreign corporation, etc.
  2. In cases where a Korean national, etc., owns more than 50% of voting shares of a stockholder corporation such as a foreign corporation, the ratio multiplying the ownership ratio by the stockholding ratio of the stockholder corporation shall be the indirect ownership ratio of Korean nationals, etc., to the foreign corporation, etc.
  3. In cases where there are two or more stockholder corporations, when applying 1 and 2, the ratio adding up the ratios calculated by each stockholder corporation pursuant to 1 and 2 shall be the indirect ownership ratio of Korean nationals, etc., to the foreign corporation, etc.
  4. Calculation methods of 1 or 3 shall be applied *mutatis mutandis* when there are one or more

corporations between stockholder corporation such as a foreign corporation, etc., and Korean nationals and these corporations are connected through shared ownership.

\* Long-term loans are not included in the FDI ratio that is applied when calculating reduction ratio.

### (3) Period and Amount of Tax Incentives (Article 121-2 of the Restriction of Special Taxation Act and Article 116-2 of the Enforcement Decree of the Restriction of Special Taxation Act)

#### ■ Corporate tax/income tax

##### ○ Tax amount to be reduced:

– (Corporate/income tax amount on income derived by carrying on a business eligible for tax reduction or exemption) x (FDI ratio)

##### ○ Period and ratio

– Businesses accompanying high-tech & companies located in FIZs (individual FIZ, Article 18.(1).2 of the FIPA):

- 100% exemption for five years from the year in which the initial profit was made;
- 50% reduction for the following two years.

Other companies eligible for tax reduction or exemption:

- 100% for three years, 50% for the following two years.

When no income accrues by the taxable year whereto belongs the date on which five years lapse from the commencement of the business, the time period will be calculated from the taxable year to which the date on which five years lapse belongs.

#### ■ Corporate tax/income tax on dividends

##### ○ Tax amount to be reduced:

(Calculated dividend tax) x (a percentage of income derived from the operation of the business eligible for reduction or exemption to gross income)

##### ○ Period and ratio:

Same as corporate tax/income tax

#### ■ Acquisition tax/registration tax on building and land

##### ○ Tax amount to be reduced:

(Calculated tax amount) x (FDI ratio)

##### ○ Period and ratio:

Businesses accompanying high-tech & businesses located in FIZ (individual FIZ, Article 18.(1).2 of the FIPA):

- 100% exemption for the first five years from the commencement of the business;
- 50% reduction for the following two years.

Other FDI companies:

- 100% exemption for three years, 50% reduction for the following two years.

In cases where a local government extends the period of reduction or exemption up to 15 years or increases the rates of reduction or exemption under the conditions as prescribed by the Municipal Ordinance, the modified period and ratio shall apply.

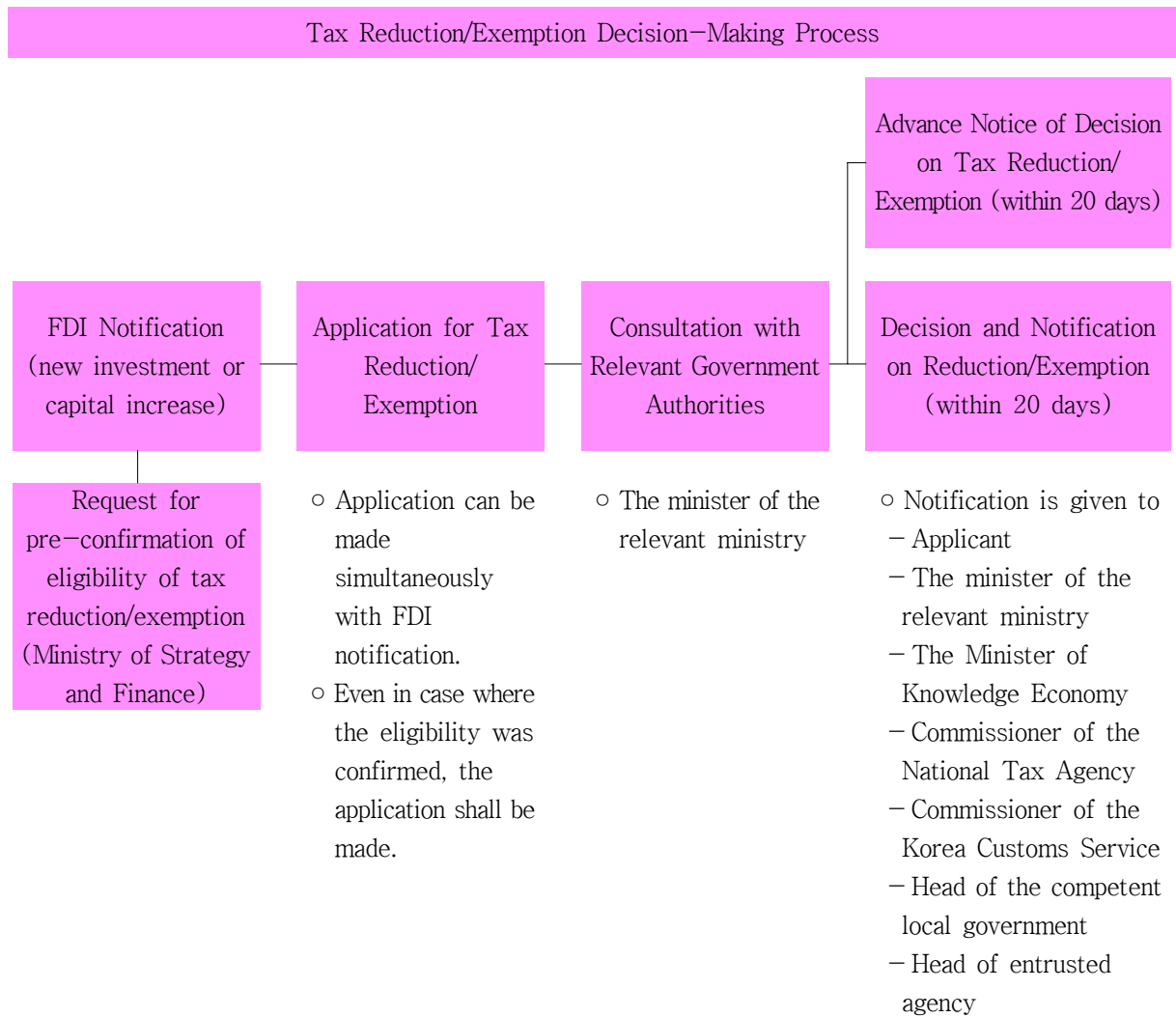
- Property tax
  - Tax amount to be deducted:
    - {(Tax base for property acquired) x (FDI ratio)} will be deducted from the tax base.
  - Period and ratio:
    - Similar to those of acquisition/registration tax
- Customs duties / individual consumption tax / value-added tax
  - Exemption from customs duties, individual consumption tax, and value-added tax:
    - Capital goods imported for the use of businesses accompanying high-tech or businesses located in FIZs (individual FIZ, Article 18.(1).2 of the FIPA).
  - For other FDI companies, only customs duties will be exempted or reduced.
- Tax reduction or exemption for capital increase (Article 121–4 of the Restriction of Special Taxation Act and Article 116–6 of the Enforcement Decree of the Restriction of Special Taxation Act)
  - In cases where an FDI company increases its capital, the relevant provisions shall apply *mutatis mutandis* to the tax reduction or exemption for the portion of relevant capital increase. In this case, the date of commencement of business shall be the date that the modification registration for the capital increase was made.
  - For stocks which foreign investors acquire through the capitalization of a reserve, a reserve for revaluation, or other reserves, the reduction/exemption shall be made depending on the remainder of such reduction/exemption period and the reduction/exemption ratio for the relevant remaining period in conformity with the examples of reduction/exemption for the existing stocks.
  - However, if the relevant FDI company makes an application for tax reduction or exemption by increasing its capital within five years after making the paid-in capital reduction, the decision on tax reduction or exemption shall be made only for the foreign investment ratio against the portion of net increase.
  - In cases where an FDI company who was granted tax reduction or exemption for the portion of its capital increase makes a paid-in capital decrease within even years after the capital increases,

with respect to the calculation of the reduced and exempted tax amount, the relevant FDI company shall be deemed to have decreased its capital in a reverse order, starting with the portion of its increased capital that is made immediately prior to the relevant paid-in capital decrease (excluding any capital increase that is made in the form of issuing shares through the capitalization of reserves and revaluation reserves provided for in Article 7.(1).1 of the FIPA and other reserves provided for in other Acts and subordinate statutes).

- In cases where an FDI company increases its capital within the scope of the reported FDI amount that is confirmed when the decision on the tax reduction or exemption is made prior to the date on which three years lapse from the date on which the first notice concerning the decision on the tax reduction or exemption is served after reporting the FDI, even if no application is filed for tax reduction or exemption, the FDI company shall be deemed eligible for the decision on the tax reduction or exemption for the portion of the increased capital.
- Tax reduction for FDI in a method as business takeover (Article 121-2.(12) of the Restriction of Special Taxation Act)
  - In the case of FDI as a method of business takeover in the businesses accompanying high-tech and industry-supporting service businesses, the period and amount for tax reduction or exemption shall be reduced.
    - Corporate/income tax:
      - 50% reduction for the first three years from the year in which the initial profit was made;
      - 30% reduction for the following two years.
    - Corporate/income tax on dividends:
      - Same as the reduction or exemption on FDI company's corporate/income tax.
    - Acquisition/registration/property/comprehensive real estate tax:
      - 50% reduction for the first three years from the commencement of the business;
      - 30% reduction for the following two years.

However, in case of tax reduction or exemption on properties acquired before the commencement of the business and after the decision on tax reduction or exemption, 50% of acquisition/registration tax reduction will be granted for the first three years from the commencement of the business and 30% reduction will be granted for the following two years.

(4) Application and Procedures for Tax Reduction/Exemption



- Application for tax reduction or exemption (Article 121–2.(6) of the Restriction of Special Taxation Act)
  - Application period:
    - For new FDI: By the closing date of the taxable year pertaining to the date of commencement of the business of FDI
    - For capital increase: By the closing date of the taxable year pertaining to the date of notification of capital increase
    - ※ Application after the assigned period: Tax reduction/exemption for the remaining period shall be granted.
  - Pre–confirmation of tax reduction/exemption (Article 121–2.(7) of the Restriction of Special Taxation Act):
    - The purpose of the pre–confirmation is to facilitate decision–making of foreign investors by confirming whether a business intended to invest is subject to tax reduction or exemption in advance.
    - Even though a business is confirmed as eligible for tax exemption or reduction, the application for tax exemption or reduction shall be made after the FDI notification.
  - Application for modification of contents of tax reduction or exemption:
    - Application shall be made within two years from the reasons for modification were generated.
  - Places for application: Ministry of Strategy and Finance (☎ 82–2–2150–2623)
    - Foreign investors may submit the application form for tax reduction or exemption and FDI notification at the same time to Invest KOREA or to a foreign exchange bank. In this case, the agency shall process the FDI notification following the relevant procedures and shall transfer the application form for tax reduction or exemption and related documents to the Ministry of Strategy and Finance immediately.
- Documentation required
  - Application form for tax reduction/exemption and documents listed below (two copies each):
    - Documents explaining the technology concerned;
    - Documents describing the scope of use of the products/services produced and provided using the technology concerned;
    - Documents describing production methods and its procedures (limited to manufacturing technology)
      - Total procedures shall be included and the procedure requires high–tech shall be specified.
      - It shall be stated whether the production of each procedure is processed domestically.



- Documents showing economic benefits or technological performance
  - Comparative analysis of performance, quality and cost–savings regarding the same or similar products.
- Other documents verifying that the technology concerned is high–tech:
  - Documents related to industrial property rights including certificate of industrial property rights, certificate of authentication, certificates proving the test pass, documents related to development of technology, past records of technology provided to third countries, patent rights, etc.
  - Other documents verifying the high technological level of the technology.
    - ※ The same documents listed above shall be submitted when making a request for the pre–confirmation for tax reduction/exemption.
- Decision and notification on tax reduction or exemption (Article 121–2.(8) of the Restriction of Special Taxation Act)
  - Processing Period: Within 20 days from the date of submission of application.
  - Consultation with the relevant ministries:
    - Consultation with the pertinent Minister of the relevant business regarding whether the business falls under categories of businesses accompanying high–tech or industry–supporting service businesses.
  - The Minister of Strategy and Finance shall decide to approve or reject the tax reduction/exemption based on the result of the consultation.
    - ※ However, in case of capital increase investment in the business that tax reduction/exemption is already granted, the consultation can be omitted
  - In cases where the Minister of Strategy and Finance is determined to reject the application, the Minister shall give advance notice of the decision within 20 days of the application.
  - A person who receives the advance notice can make a request for a review of the fairness of the decision with attached materials for explanation within 20 days.
  - In cases where tax reduction or exemption is granted by the Minister of Strategy and Finance, notification of the decision shall be provided to the applicant, Invest KOREA, the head of the entrusted agency, the Commissioner of the National Tax Agency, the Commissioner of the Korea Customs Service, and the head of the local government.
- Additional collection of reduced or exempted tax (Article 121–5 of the Restriction of Special Taxation Act)
  - Reasons for additional collection of reduced or exempted corporate tax:
    - Where a foreigner registration is revoked under Article 21.(3) of the FIPA;

- Where the standards for tax reduction or exemption becomes not satisfied;
  - Where a person, who has received a corrective order as he/she failed to implement the contents of reports, fails to comply with it;
  - Where a foreign investor transfers the stocks, etc., which he owns under the FIPA to a Korean national, etc.;
  - Where the relevant FDI company closes down its business;
  - Where the payment of investment in subject matters, etc., is not provided within three years from the FDI notification.
- Reasons for additional collection of reduced or exempted customs, special consumption tax, and value-added tax:
- Where a foreigner registration is revoked under Article 21.(3) of the FIPA;
  - Where the subject-matter of investment is used for any other purpose than the reported ones or disposed of;
  - Where a foreign investor transfers the stocks, etc., which he owns under the FIPA to a Korean national, etc.;
  - Where the relevant FDI company closes down its business.
- Reasons for additional collection of reduced or exempted local taxes including acquisition tax, etc.:
- Where a foreigner registration is revoked under Article 21.(3) of the FIPA;
  - Where the investment ratio of foreign investors falls short of the investment ratio at the time of reduction or exemption;
  - Where a foreign investor transfers the stocks, etc., which he owns under the FIPA to a Korean national, etc.;
  - Where the relevant FDI company closes down its business.
- Additional collection of reduced or exempted taxes:
- Corporate tax, etc.: Reduced or exempted tax amount for five years retroactive to the date on which the causes for additional collection were generated. However, in case where a foreign investor transfers stocks to a Korean national, etc., reduced or exempted tax amount for three years;
  - Customs: Reduced or exempted tax amount for three years retroactive to the date on which the causes for additional collection were generated;
  - Local taxes including acquisition tax, etc.: Reduced or exempted tax amount equivalent to reduced or exempted ratio for five years from the date on which the causes for additional collection were generated.

- Exception of additional collection of taxes:
    - Where the registration of an FDI company is revoked due to a dissolution through a merger;
    - Where any capital goods that have been imported with their customs duties, etc., exempted become unusable for their original purposes due to a natural disaster, etc., and are used for other purposes than the original ones or disposed of under approval by the Minister of Strategy and Finance;
    - Where an FDI company 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;
    - Where another purpose of tax reduction or exemption has been achieved.
- (5) Reduction or Exemption from Tax on Technical License Royalties (Article 121–6 of the Restriction of Special Taxation Act)
- Subjects to tax reduction or exemption
    - In case where Korean nationals or Korean corporations import a high–level technology vital to strengthen the international competitiveness of the domestic industry, the corporate tax or income tax on royalties for such technical license that the licensor receives may be exempted.
  - Period of Exemption
 

For five years from the date on which such royalties are paid for the first time under the competent agreement.
  - Application period
 

Within one year from the date on which the contract agreement was concluded or the date on which the royalty is paid for the first time, whichever comes first. (Application after the assigned period: Tax reduction/exemption for the remaining period shall be granted)
  - Places for applications
 

Application shall be made to the competent minister of the concerned technology.
  - Processing period
 

Within 20 days from the date on which the application for tax reduction/exemption was submitted (in inevitable cases, it can be extended for another 20 days).
  - Documentation required:
    - The application form for tax reduction or exemption on technology introduction (two copies);
    - Copy of the contract of technology introduction;

- Documents verifying the amount of capital for technology development and verifying the high technological level of the technology;
- Other documents verifying or explaining the technology to be imported is subject to tax reduction or exemption.

[Note] Report on contracts for introduction of technology (Article 25 of the FIPA)

- Subject of notification: Contract of the introduction of technology listed below with a one or more year term of contract or payment period for technology introduction
  - High-tech which is subject to tax reduction or exemption and is applied for tax reduction or exemption;
  - Technology related to aircraft, spacecraft, apparatus and materials pursuant to Article 2.(2) and 2.(3) of the Aerospace Industry Development Promotion Act;
  - Technology related to defense industry materials pursuant to Article 35.(2).1, 35.(2).2, 35.(2).4, 35.(2).6, 35.(2).7, and 35.(2).10 of the Defense Industry Act.
- Places for applications: Application shall be made to the competent ministers of the technology concerned.
- Processing period: On-the-spot (however, in cases where the application for tax reduction or exemption and report on contracts for introduction of technology are made at the same time, it takes seven days).
- Effectuation: The contract for the introduction of technology shall come into effect within the period of six months from the day on which the report is made. (However, the period may be extended upon approval by the competent minister of the technology concerned).

## 2. Lease and Rent Incentives on State and Public Properties

(1) Lease and Rent Reduction or Exemption of State Properties (Article 13 of the FIPA and Article 19 of the Enforcement Decree of the FIPA)

- Rental period and rent
  - Rental period may be up to 50 years
    - Rental period can be extended within the 50-year period
  - The rent for the land, etc., shall be the amount derived from the multiplication of the value of the land, etc. under consideration by the rate of 10/1000 or more.
- Reduction or exemption on rent
  - Subject of reduction or exemption on rent: FIZs (individual, complex), lands in national, regional,

city high-tech industrial, and agro-industrial complexes pursuant to the Industrial Sites and Development Act

○ Criteria and ratio:

- 100% exemption: FDI companies located in individual FIZ, and FDI companies located in FIZ complexes that operate high-tech business with US\$1 million or more of FDI
- 75% reduction: Manufacturing companies located in FIZ complex with US\$5 million or more of FDI, and companies which contribute to the expansion of social overhead capital, restructuring of industrial structure, financial independence of local governments, etc.
- 50% reduction: Lands in national, regional, city high-tech industrial, and agro-industrial complexes

(2) Lease and Rent Reduction or Exemption of Public Properties (Article 13 of the FIPA and Article 19 of the Enforcement Decree of the FIPA)

■ Rental period

- Rental period may be up to 50 years (same as state properties).

■ Subject and ratio

- Businesses eligible for rent reduction/exemption for public properties, the reduction or exemption ratio, etc., shall be provided by Municipal Ordinances of local governments.

(3) Application and Procedure for Sale, Lease and Rent Reduction of State and Public Properties (Article 13 of the FIPA and Article 19 of the Enforcement Decree of the FIPA)

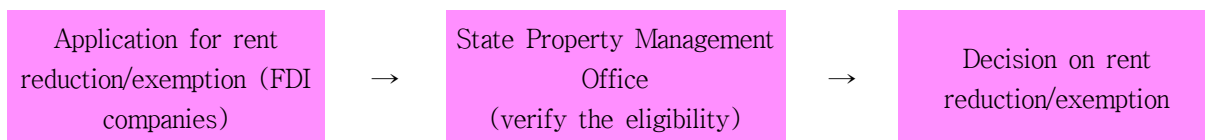
■ Sale and lease process

- Land, factories, and other state and public properties owned by the state or local governments may be leased to, sold to or used by FDI companies through free contract.
- The rental period can be extended up to 50 years, and the FDI company may construct a factory, etc., on the leased land on the condition that the factory, etc., in question be given free of charge to state or local governments, or be recovered to its original state at the time of the completion of the rental period of the land.
- In cases where an FDI company is acknowledged to have difficulty in making a lump-sum payment of the purchase price, the payment may be deferred or made in installments (at an interest rate of around 4%):
  - State properties: The payment may be deferred within a one-year period or made in installments within 20-year period.

- Public properties: The payment may be deferred or made in installments pursuant to Municipal Ordinance.

#### Procedures for Rent Reduction / Exemption for Public Properties

- For state properties

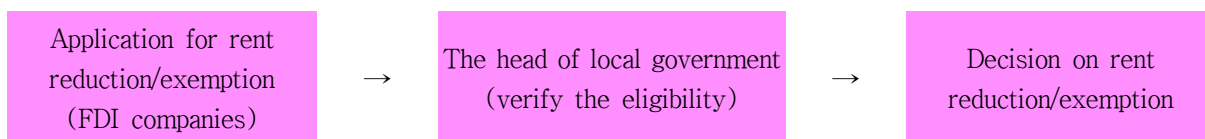


#### ※ Documentation required:

- Copy of documents verifying applicant is the operator of the facility, or the business is eligible for the rent reduction or exemption;
- Copy of rental contract of land, etc.

※ The rent reduction/exemption shall be applied from the following month on which the decision was made.

- For public properties:



### 3. Customs Support

#### (1) Reduction or Exemption from Customs Duties (Article 121–3 of the Restriction of Special Taxation Act)

- Tax items for tax exemption: Customs duties, individual consumption tax and value-added tax
- Subjects of exemption
  - Capital goods needed for the use of the businesses that are subjects to reduction or exemption from corporate tax or acquisition tax and imported in compliance with their contents as reported, such as subscription of new stocks, etc.:
    - Capital goods that an FDI company brings in as a foreign or domestic means of payment obtained from a foreign investor as equity investment;
    - Capital goods that a foreign investor brings in as objects for investment.

※ Not applicable to FDI made through the acquisition of existing stocks.

※ Capital goods are 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 the test operation of facilities, freight and insurance premium costs for the transportation of such materials, technology utilized in the installation of related facilities, or services engaging in consultation with respect to the import of such materials deemed necessary by the competent minister.

- Period (Article 116-5 of the Enforcement Decree of the Restriction of Special Taxation Act)
  - An import declaration under the Customs Act shall be completed within three years from the date on which FDI notification is made. (However, in cases where an import declaration cannot be completed within the said period due to a delay in approval for a factory installation and other unavoidable causes, if the Minister of Strategy and Finance grants an approval for extension of the period within the limit of additional three years, the granted period shall be applied).
- Place for application
  - Application shall be made to the head of the customs office for import declaration.
- Documentation required (one copy each)
  - Application form for the customs exemption, etc.;
  - Copy of document verifying the company is eligible for the corporate tax reduction or exemption, etc. (official document of decision on tax reduction or exemption);
  - Copy of document verifying capital goods are imported as the objects of investment (certificate of FDI notification);
  - Copy of the confirmation on written specification of items to be introduced, including capital goods.

## (2) Written Specification of Capital Goods

- Written specification of the items to be introduced
  - Capital goods subject to the exemption from the customs duties, etc., and introduced into Korea by a foreign investor as the object of his/her investment or an FDI company as a foreign or domestic means of payment obtained from a foreign investor as equity investment.
- Confirmation on written specification of the items to be introduced (Article 29 of the FIPA, Article 38.(2) of the Enforcement Decree of the FIPA, and Article 23 of the Enforcement Regulations of the FIPA)

- A person who intends to introduce capital goods listed above shall draw up a written specification of the items to be introduced, including the quantity, standard size, price, and manufacturer of the capital goods to be introduced, and apply for their examination and confirmation by a foreign exchange bank or KOTRA (Invest KOREA) before shipment.

- When applying, the documentation verifying the value of the capital goods, such as the certificates of sale of goods, shall be submitted.

※ Customs clearance procedures

- Documentation required:

- Application form for exemption of customs duties, etc.;

- Documentation verifying that capital goods are introduced as a foreign or domestic means of payment obtained from a foreign investor as equity investment or as objects for investment;

- Certificate of confirmation on written specification of the items to be introduced;

- Other documentation basically required for customs clearance (invoice, B/L, value declaration form, etc.)

- \* Even though the imported capital goods are eligible for customs reduction or exemption, applications and relevant documents shall be submitted before the import declaration is accepted in order to be granted for customs reduction or exemption.

- \* 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 of the Completion of FDI In-Kind

- Confirmation of the completion of FDI in-kind (Article 30.(3) of the FIPA, Article 39 of the Enforcement Decree of the FIPA, and Article 24 of the Enforcement Regulations of the FIPA)

- With respect to capital goods (FDI in-kind) imported as the object of investment, foreign investors should apply for confirmation of the completion of FDI in-kind after customs clearance. Applications for confirmation of the completion of FDI in-kind may be submitted to Invest KOREA (A seconded officer from the Korea Customs Service will process the application).

- Where a foreign investor makes an investment in-kind with the capital goods, 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 a certificate of confirmation of the completion of FDI in-kind shall be made when



the last shipment of the capital goods passes through customs, in cases where there are several shipments of the capital goods.

- Notice of confirmation of the completion of FDI in-kind (Article 39 of the Enforcement Decree of the FIPA)
  - Where the Commissioner of the Korea Customs Service has confirmed the completion of the investment in-kind, he shall, without delay, notify this to the President of the Bank of Korea.
- Registration of capital and FDI company registration (Article 21 of the FIPA, and Article 27 of the Enforcement Decree of the FIPA)
  - If the introduction of capital goods as objects of investment is completed, the FDI company concerned shall register the capital or the corporation at the competent court and apply for FDI notification at a foreign exchange bank or KOTRA (Invest KOREA).

#### (4) Follow-Up Management of Capital Goods

- Restrictions on disposal of capital goods (Article 22 of the FIPA, and Article 29 of the Enforcement Decree of the FIPA)
  - Where a foreign investor or an FDI company intends to convey, lend or use capital goods which are introduced into Korea with their customs duties, etc. exempted for purposes other than those reported, he/she/it shall report this in advance to a foreign exchange bank or KOTRA (Invest KOREA) and receive the certificate of completion of report without delay.
    - However, in cases where the capital goods which had been introduced into Korea with their customs duties exempted were disposed of or used after the expiration of five years from the day of the receipt of the importation report, the restriction shall not be applied.
  - A person who has not reported on the disposal of capital goods, in violation of the provisions of Article 22, shall be sentenced to imprisonment for up to five years or to a fine not exceeding KRW50 million. (Article 33 of the FIPA)
- Additional collection of reduced or exempted customs (Article 121-5 of the Restriction of Special Taxation Act and 116-8 of the Enforcement Decree of the Restriction of Special Taxation Act)
  - In cases where an FDI company registration is revoked or an FDI company closes down its business, the reduced or exempted tax amount within three years (five years for the special consumption tax and value-added tax) from the date of revocation or closedown shall be additionally collected;
  - In cases where the capital goods disposed of or used for other purposes than the declared purpose, the reduced or exempted tax amount for the capital goods used for other purposes within three years (five 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;

- In cases where a foreign investor transfers the stocks, etc., which he/she owns under the FIPA to a national or a corporation of the Republic of Korea within three years from the date of reduction or exemption, the reduced or exempted tax for the capital goods shall be additionally collected;
  - In cases where the value of the capital goods has reduced due to deterioration, damage, or use, customs corresponding to the reduced value may be reduced when calculating the amount of additional tax.
- Exemption of additional tax collection (Article 121–5.(5) of the Restriction of Special Taxation Act and Article 116–10 of the Enforcement Decree of the Restriction of Special Taxation Act)
- In cases where FDI company registration is revoked as the company is dissolved by a merger;
  - In cases where capital goods that have been imported with their customs duties, etc., exempted and been used therefrom become unusable for their original purposes due to a natural disaster or other unavoidable causes, or depreciation, technological advancement, and other fluctuations in economic conditions, and are used for other purposes than original ones or disposed of under an approval of the Minister of Strategy and Finance;
  - In cases where an FDI company transfers the stocks, etc., to a national or a corporation of the Republic of Korea in order to make itself publicly pursuant to the Securities and Exchange Act;
  - In cases where it is prescribed by the Enforcement Decree in terms of cases where the purpose of tax reduction or exemption has been achieved.

#### 4. Others

- Notwithstanding the proviso of the Commercial Act stipulating that stock dividends may not exceed the amount equivalent to a half of the total amount of dividends, an FDI company may pay dividends with its new stock up to the total dividend amount of its profits to be divided, where a special resolution has been passed. (Article 30 of the FIPA)
- In cases where a technology evaluation agency as prescribed by the Enforcement Decree of the Act on Special Measures for the Promotion of Venture Businesses has evaluated the price of an industrial property right invested as the object of FDI, 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. (Article 30 of the FIPA)

## V. CASH GRANTS FOR FDI (Article 14–2 of the FIPA)

When any foreign national makes a foreign investment (with 30% or more of FDI – Article 3 of the Regulations on the Operation of Cash Grant System), the State and local governments may furnish the foreign national with cash funding required for the purposes, including the construction of new factories, which are prescribed by the Enforcement Decree. Such support should, however, take into account whether the relevant foreign investment is accompanied by high technology; the effect of technology transfer; the size of job creation; whether the foreign investment overlaps with any domestic investment; the propriety of the location in which the foreign investment is made, etc.

### 1. Criteria (Article 14–2 of the FIPA)

- Where the amount of the foreign investment is US\$10 million or more and is to be used for newly installing or expanding factory facilities (referring to the workplace in the case of other businesses than the manufacturing business) in order to run the business provided for in Article 121–2.(1).1 of the Restriction of Special Taxation Act.
- Where the amount of the foreign investment is US\$10 million or more that is to be used for newly installing or expanding factory facilities in order to produce parts and materials that are provided for in subparagraph 1 of Article 2 and Addendum 1 of the Act on Special Measures for the Promotion of Specialized Enterprises, etc., for Component and Material among parts and materials falling any of the categories listed below (limited to the business types pursuant to Addendum 4 of the said Act) :
  - Parts and materials that increase the value-added of the final product;
  - Parts and materials that accompany high-tech or core high-tech and have technology spillover effects and value-added effects;
  - Parts and materials that constitute the basis of an industry or can be utilized in a multiple number of industries.
- ※ Types of business pursuant to Addendum 4
 

Manufacture of textile; manufacture of pulp, paper and paper products; manufacture of chemicals and chemical products, manufacture of rubber and plastic products; manufacture of other non-metallic mineral products; manufacture of basic metal products; manufacture of fabricated metal products; manufacture of other machinery and equipment; manufacture of other electronic components, computer, radio, television, and communication equipment and apparatuses; manufacture of medical, precision and optical instrument, watches and clocks; manufacture of motor vehicles and trailers; manufacture of other transport equipment; manufacture of furniture; and other manufacturing.

- Where there are 10 persons or more in regular employment as full-time researchers, consisting of persons with master's degrees or higher in the field related to a project pursuant to Article 121-2.(1).1 of the Restriction of Special Taxation Act, or consisting of persons with bachelors' or higher degrees related to the project having at least three years of experience in a research career, and meets any of the requirements falling under any of the items listed below:
  - Where a research facility is newly installed or expanded in order to conduct R&D activities for the business;
  - Where the nonprofit corporation that has received contribution (non-profit Korean corporations in science and technology fields prescribed by the Enforcement Decree) newly installs or expands research facilities;
  - Where the Foreign Investment Commission acknowledges the necessity of a cash grant:
    - Where a foreign company who owns businesses in three or more regions establishes its regional headquarters in Korea covering two or more regions;
    - Where conducting regional strategic industries which contribute to the development of regional economy pursuant to Article 2.4 of the Special Act on Balanced National Development.
- The amount of the cash grant shall be determined after negotiations with the relevant foreign investor and the deliberation of the Foreign Investment Commission.
  - ※ Cash grant and financial support (mainly, location support) are not provided together. The applicant may decide between the two.
- Application and processing procedures of cash grant (Article 20-3 of the Enforcement Decree of the FIPA)
  - A foreign national who intends to receive a cash grant from the State shall submit a written application for cash grant with the attachment of a written investment plan comprising the following to the Minister of Knowledge Economy:
    - Total investment amount and contents thereof, size of employment, beneficial effects of technology diffusion, and extent of contribution to the local economy;
    - Other matters as determined by the Minister of Knowledge Economy.
  - The Minister of Knowledge Economy shall consult with the Minister of Strategy and Finance on whether or not a cash grant is to be granted, and the amount to be granted, after completing negotiations with the foreign investor.
  - The Minister of Knowledge Economy may pay a cash grant once within a year following the year in which the cash grant is decided, or in a maximum of 10 installments within a period of five years from such a decision.
    - In cases where the Minister of Knowledge Economy pays a cash grant in installments, he/she may adjust the amount and time for payment of the cash grant paid in installments taking into account any change of the investment plan and the actual results of the execution of the cash

grant paid in installments.

- The matters necessary for cash grant, etc., except for the matters listed above shall be determined by the Minister of Knowledge Economy after a deliberation by the Commission.

## 2. Use of Cash Grants (Article 20–2.(1) of the Enforcement Decree of the FIPA)

- Purchase cost or rental fee of the land for establishing a factory facility or research facility;
- Construction cost of a factory facility or research facility;
- Purchase cost of capital goods, and 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 a factory facility or research facility;
- Grants for employment or educational training.

## VI. DESIGNATION/OPERATION OF PROJECT MANAGER

### 1. Purpose

- The purpose of the designation of a project manager is to efficiently support the investment affairs of a foreign investor or an FDI company.

### 2. Designation of Project Manager

- A person falling under any of the following categories can be designated as a project manager to foreign investor or FDI company. In this case, the relevant foreign investor and FDI company will be notified of the designated project manager:
  - An employee of KOTRA;
  - A seconded official;
  - A public official or employee of the central government, a local government, a government–invested institution or public institution pursuant to the Framework Act on the Management of Government–Invested Institutions related to foreign investment. In this case, he/she shall obtain approval of the head of the relevant agency, government or institution.

### 3. Role of Project Manager

- Collection and offer of data or information, and assist to interview at the request of a foreign investor or FDI company;
- Providing opinion regarding a support related to a foreign investment under the provisions of Articles 9, 13, 14 and 14–2 of the FIPA;
- Assist in the affairs and vicarious execution of civil affairs related to foreign investment under the provisions of Articles 15 and 17 of the FIPA;
- Assist in the settling–in of executives, employees and their families pertaining to a foreign investor or FDI company, such as housing rental and guidance regarding school admission;
- Other matters related to foreign investment.

## VII. FOREIGN INVESTMENT ZONES (FIZs)

### 1. Types and Designation of Foreign Investment Zones

#### (1) FIZ Complex

- National and local industrial complexes that are leased or transferred exclusively to foreign-invested companies.

Type	Criteria
New	<ul style="list-style-type: none"> <li>○ Complex shall be developed for companies' immediate occupation</li> <li>○ Occupation needs of FDI companies shall be clearly presented (at least in the form of an MOU)</li> </ul>
Expansion of existing zones	<ul style="list-style-type: none"> <li>○ An occupation contract of 3/4 or more of the designated zone area shall be concluded</li> <li>○ A complex subject to expansion shall be developed for companies' immediate occupation</li> <li>○ Demand of FDI companies to move in shall be clearly presented (at least in the form of an MOU)</li> </ul>

#### (2) Individual FIZ

- FIZs designated by business sector in a region in which a foreign investor who makes an investment (which meets certain criteria, such as investment scale and types of business) hopes to invest.

Industry	Criteria
Manufacturing	<p style="text-align: center;">&lt; US\$30 million or more of FDI &gt;</p> <ul style="list-style-type: none"> <li>○ Installing a new factory facility to conduct business accompanying by high-tech, manufacturing or industry-supporting business (notified by the Minister of Knowledge Economy).</li> </ul>
Tourism	<p style="text-align: center;">&lt; US\$20 million or more of FDI &gt;</p> <ul style="list-style-type: none"> <li>○ Tourist hotel, floating tourist hotel, traditional hotel, special recreation service, resort complex and amusement facility businesses</li> <li>○ International conference facilities</li> <li>○ Industry-supporting businesses (exclusive of businesses notified by the Minister of Knowledge Economy)</li> </ul> <p>※ Application can be made after the business approval pursuant to the Tourism Promotion Act</p>

Industry	Criteria
Logistics & SOC	<p style="text-align: center;">&lt;US\$10 million or more of FDI &gt;</p> <ul style="list-style-type: none"> <li>○ Development and operation of combined cargo terminal businesses, and joint collection and delivery center businesses</li> <li>○ Harbor facility operating businesses and logistics businesses in port hinterland</li> <li>○ Airport facility operating businesses and logistics businesses in airport district</li> <li>○ Social infrastructure facility creating businesses (limited to revertible facilities) by implementing private investment project</li> </ul>
R&D	<p style="text-align: center;">&lt;US\$2 million or more of FDI &gt;</p> <ul style="list-style-type: none"> <li>○ Installing new R&amp;D facility or expanding an existing one to conduct R&amp;D activities for industry-supporting businesses and businesses accompanying high-tech <ul style="list-style-type: none"> <li>– The regular employment of 10 or more full-time researchers with master's or higher degrees having 3 years or more of research career experience</li> </ul> </li> </ul>

※ Industries notified by the Minister of Knowledge Economy: Logistics business pursuant to Addendum 1, Chapter 2, Article 11-4 of the Regulations on the Tax Reduction or exemption from Foreign Investment, etc. (Notification of Knowledge Economy No.2006-4) – stipulated by Article 22-2 of the Regulations on Foreign Investment and Technology Introduction.

※ In calculating FDI ratio of a foreign corporation whose stocks or equity share are directly or indirectly owned by Korean nationals or corporations, the ratio calculated pursuant to Article 116-2.(11) and 116-2.(12) of the Enforcement Decree of the Restriction of Special Taxation Act is not included in FDI ratio.



## 2. Designation/Development/Management of Foreign Investment Zones (Article 18 of the FIPA)

① Confirmation of meeting the FIZ designation criteria			
Individual FIZ		FIZ complex	
Manufacturing	US\$30 million or more of FDI	New	Complex (national or regional) shall be developed for companies' immediate occupation and the demand of FDI companies for the complex shall be clearly presented (at least in the form of an MOU).
Tourism	US\$20 million or more of FDI		
Distribution	US\$10 million or more of FDI	Existing	Residential contract of 3/4 or more of the designated zone area shall be concluded and complex subject to expansions shall be developed for companies' immediate occupation.
R&D	US\$2 million or more of FDI		



② Consultation on investment attraction/FIZ designation and devising a designation plan	
-Tax reduction/exemption: Granted through an application and decision process when certain requirements are met. -Location & financial support: Decided through negotiation.	
Individual FIZ	FIZ complex
- Investing company, the central and local governments make an agreement on providing incentives at the investment attraction phase.	- It shall be preceded by an agreement on allotment of land purchase between the central and local government, and a land purchase contract after the designation is the final confirmation of the agreement.



③ Request for a review of FIZ designation (Local governments → Ministry of Knowledge Economy)



**④ Presentation to the Foreign Investment Working Committee**

- Chairperson: Vice-Minister of Knowledge Economy
- Committee members: First-grade public official of the relevant ministry, Deputy-mayor or Vice-governor of the relevant city/province, head of Invest KOREA, Foreign Investment Ombudsman

**⑤ Review of Foreign Investment Commission and notification of the decision  
(Foreign Investment Commission → Local governments)**

- FIC: Supreme decision-making organization
- Chairperson: Minister of Knowledge Economy
- Committee members: Ministers of nine central ministries and the head of the relevant local government

**⑥ Designation/Notification of FIZ (head of the local government)**

- Title/location/size of FIZ
- Development plan, management plan, etc.

## 3. Status Quo of Designated Foreign Investment Zones

## (1) Individual FIZ (29 FIZs)

(As of Dec 2007)

Company name	Location	Area (1,000m <sup>2</sup> )	Date of designation	Amount Invested (US\$ million)		Employ- ment (persons)	Business sector
				Total Invest.	FDI		
Taiyo Yuden	Gyeongnam Sacheon	171.6	'99.10.28	209	52	2,572	Ceramic Condenser
Cheonan Film Culture Complex	Chungnam Cheonan	493.3	'99.11. 2	46	36	1,000	Animation
J.S.T	Gyeongnam Yangsan	20.2	'00. 3. 3	32	32	300	Electric and electronic connection parts
BASF	Jeonnam Yeosu/ Jeonbuk Gunsan/ Ulsan	671.2	'00.12.30 '01. 1.12 —	414	231	303	Petrochemical products
Korea Autoglass	Chungnam Yeongi	190.4	'00.12.30	242	66	531	Automotive safety glass
Dongbu Electronics	Chungbuk Eumsong	137.2	'01. 6.29	750	240	1,427	Semiconductor wafers
Sumimoto	Gyeonggi Pyeongtaek (Poseung)	252.3	'03.12.29	483	155	1,471	LCD color filters and polarizer films
S-LCD	Chungnam Asan	123.4	'04. 5.25	3,746	1,823	4,300	LCD-TV panels
Asahi Glass Find Techno	Gyeongbuk Gumi	300.7	'04.12.21	294	180	503	LCD glass substrates
MCC Logistics	Busan Gamcheon	66.2	'04.12.23	20	10	115	Logistics
NH Techno Glass Korea	Gyeonggi Pyeongtaek (Hyeongok)	88.5	'04.12.30	148	64	63	LCD glass substrates
Hoya Eletronics Korea	Gyeonggi Pyeongtaek (Hyeongok)	18.6	'04.12.30	52	52	71	LCD Photo Mask
LINTEC Korea	Chungbuk Chungwon (Ohchang)	49.6	'04.12.31	83	40	160	Semiconductor materials
Air Liquide Korea	Jeonnam Yeosu	15.2	'04.12.27	109	59	45	Industrial gas

(As of Dec 2007)

Company name	Location	Area (1,000m <sup>2</sup> )	Date of designation	Amount Invested (US\$ million)		Employ- ment (persons)	Business sector
				Total Invest.	FDI		
Toray SaeHan	Gyeongbuk Gumi	192.8	'04.12.27	293	100	399	Chemical materials
Schott	Chungbuk Chungwon (Ohchang)	310.1	'05. 5.27	505	328	955	LCD glass substrates
DGA	Gyeongbuk Gumi	74.6	'05.12. 5	78	31	92	PDP glass substrates
BOC	Gyeonggi Yongin	24.4	'05.11.28	100	100	30	Industrial gas
Praxair	Gyeonggi Yongin	16.6	'05.11.28	54	31	19	Industrial gas
WTA	Gyeonggi Gimpo	295.0	'06.3.29	220	220	57	Helicopter ability improvement
Hanwook Techno Glass	Gyeongbuk Gumi	105.8	'06.5.8	68	30	100	PDP glass substrates
Air products Korea Electronics	Ulsan	23.7	'06.12.21	60	60	68	Industrial gas
Lafarge Gypsum Co., Ltd	Chungnam Dangjin	17.8	'06.12.21	30	30	42	Gypsum
Asahi PD Glass Korea Co., Ltd	Gyeongbuk Gumi	62.3	'06.12.21	100	45	200	PDP glass substrates
Dae San MMA	Chungnam Seosan	62.9	'07.4.23	75	37.5	52	PMMA, artificial marble
Stanford Hotel	Seoul	3.4	07.4.23	42	20	114	Hotel business
Yeosu Ocean Resort	Jeonnam Yeosu	116	'07.7.31	335	198	608	Hotel, Resort Complex
Horizon Taeyoung Korea Terminals	Ulsan	43.6	'07.11.30	66	10.4	58	Harbor Distribution facility
3M Korea	Jeonnam Naju	5.5	'07.12.27	55	55	71	Micro glass beads
Total		3,952.9		8,709	4,335.9	15,726	

## (2) FIZ Complexes (12 complexes)

(As of Dec 2007)

Region	Date of designation	Area (1000m <sup>2</sup> )	Leased area (1000m <sup>2</sup> )	Residency ratio	Rent (Won/m <sup>2</sup> -year)	No. of residential companies	Employment	FDI (US\$ million)
Chungnam Chonan	'94.10.13	491.4	491.4	100.0	1,740	44	3,614	257
Gwangju Pyungdong	'94.10.13 '01.08.17	959.2	893.0	93.1	600	56	2,279	156
Jeonnam Deabul	'98. 8.29 '01.08.17	1,614.4	1,540.6	95.4	348	43	2,155	82
Gyeongnam Sacheon	'01. 8.17 '02.11.06 '03.11.28	495.9	292.3	58.9	1,152	11	401	97
Chungbuk Ohchang	'02.11.06 '03.11.28	446.3	274.3	61.5	1,344	6	1,214	108
Gyeongbuk Gumi	'02.11.06 '04.06.28 '07.07.31	446.0	196.8	44.1	1,092	7	973	57
Gyeonggi Jangan 1	'04. 9.30	418.1	293.4	70.2	2,040	12	829	119
Chungnam Injoo	'04.12.21	164.7	143.6	87.2	1,272	6	113	21
Gyeonggi Dangdong	'05. 9.12	239.4	56.1	23.4	4,589	4	203	34
Busan Jisa	'05.11.30	298.1	292.6	98.1	1,810	12	288	48
Gyeonggi Jangan 2	06.12.21	379.6	32	8.4	3,705	1	—	—
Chungbuk Ohsong	'07.07.31	301.7	—	—	—	—	—	—
Total		7,254.8	5,506.1	72.0		202	12,069	979

## 4. Support for FDI Companies in Foreign Investment Zones

Types		Individual FIZ	FIZ complex
Tax Reduction/Exemption	FDI amount	<ul style="list-style-type: none"> <li>○ Manufacturing : US\$30 mil. or more</li> <li>○ Tourism: US\$20 mil. or more</li> <li>○ Logistics: US\$10 mil. or more</li> <li>○ R&amp;D: US\$2 mil. or more</li> </ul>	<ul style="list-style-type: none"> <li>○ Manufacturing: US\$10 mil. or more</li> <li>○ Logistics: US\$5 mil. or more</li> </ul>
	Subject of reduction/exemption	<ul style="list-style-type: none"> <li>○ National tax (corporate tax, income tax)</li> <li>○ Local tax (acquisition tax, registration tax, property tax, comprehensive real estate tax)</li> </ul>	<ul style="list-style-type: none"> <li>○ National tax (corporate tax, income tax)</li> <li>○ Local tax (acquisition tax, registration tax, property tax, comprehensive real estate tax)</li> </ul>
	Period	<ul style="list-style-type: none"> <li>○ 100% for the first five years, 50% for the following two years</li> <li>* Period for local tax reduction/exemption may extended up to 15 years by Municipal Ordinance</li> </ul>	<ul style="list-style-type: none"> <li>○ 100% for the first three years, 50% for the following two years</li> <li>* Period for local tax reduction/exemption may extended up to 15 years by Municipal Ordinance</li> </ul>
Location Support	Support for land purchase for lease	<ul style="list-style-type: none"> <li>○ Provide land for lease through designation and purchase of FIZs</li> <li>○ Allotment of purchase expenses : <ul style="list-style-type: none"> <li>– Metropolitan Areas : the State 40%, local government 60%</li> <li>– Other areas : the State 75%, local government 25%</li> </ul> </li> </ul>	
	Rent reduction/exemption	<ul style="list-style-type: none"> <li>○ 100% exemption</li> </ul>	<ul style="list-style-type: none"> <li>○ Biz accompanying high-tech &amp; US\$1 mil. or more of FDI :100% exemption</li> <li>○ Manufacturing &amp; US\$5 mil. or more of FDI: 75% reduction</li> </ul>
	Support for differentials	<ul style="list-style-type: none"> <li>○ In case of leasing industrial complex to FDI company below the development cost, the differentials shall be subsidized. (allotment ratio is the same as that of support for land for lease)</li> </ul>	
Financial support	Cash grant	<ul style="list-style-type: none"> <li>○ Cash grant shall be provided to investor (US\$10 mil. or more, biz accompanying high-tech, etc.) so that some of investment amount can be used for factory establishment, facility purchase, etc.</li> </ul>	
	Education/training subsidy	<ul style="list-style-type: none"> <li>○ In case of conducting education/training after newly employing 20 or more people, local government may support KRW100,000~500,000 per person for 6 months max.</li> </ul>	
	Wage subsidy	<ul style="list-style-type: none"> <li>○ In case of newly employing 20 or more people, local government may support KRW100,000~500,000 per additional person for 6 months max.</li> </ul>	
Exclusion from application of other laws		<ul style="list-style-type: none"> <li>○ Exemption from obtaining permission for subdividing land in urban areas</li> <li>○ Exemption from the preferential hiring obligation of a company to people rendering distinguished services to the nation, etc.</li> </ul>	

※ Note : Major Support for the foreign investment attraction

Section	FIZ		FTZ		FEZ
	FIZ complex	Individual FIZ	Industrial complex	Airport, harbor, logistics	
Legal ground	FIPA		Act on Designation and Management of Free Trade Zones		Act on Designation and Management of Free Economic Zones
Purpose	Foreign capital attraction		Foreign capital attraction, trade promotion, regional development	Foreign capital attraction, establishment of international logistics center	Foreign capital attraction, national competitiveness, balanced regional development
Location	Within industrial complex	No limitation	– Areas near harbors & airports – industrial complex	Harbors, airports, logistics centers, cargo terminals, etc.	Areas near international harbors & airports
Characteristics	Operational guidelines for complexes for lease	Individual workplace unit	Non-tariff zone		Special administrative zone level (association of local government agencies)
Appointer	Mayor or Provincial governor * Consultation with Foreign Investment Commission		– Minister of Knowledge Economy – Minister of Land, Transport, and Maritime Affairs * Consultation with FTZ Commission	– Minister of Knowledge Economy * Consultation with FEZ Commission	
Qualification	– FDI companies – Manufacturing logistics, etc. (30% or more of FDI ratio)	– FDI companies – Manufacturing: US\$30 mil. or more Tourism: US\$20 mil or more Logistics: US\$ 10 mil. or more R&D: US\$2 mil. or more	– FDI companies/Domestic companies – Manufacturing • Export-oriented domestic companies • FDI companies – Logistics, trade business, etc.	– FDI companies – Manufacturing, logistics, medical institutions, educational institutions, foreign broadcasting centers, financial institutions, etc.	

Section	FIZ		FTZ		FEZ
	FIZ complex	Individual FIZ	Industrial complex	Airport, harbor, logistics	
Requisites for the tax reduction/exemption	<ul style="list-style-type: none"> <li>- Manufacturing: USD 10 mil. or more</li> <li>- Logistics: USD 5 mil. or more</li> </ul>	Same as above	<ul style="list-style-type: none"> <li>- Manufacturing: USD 10 mil. or more</li> <li>- Logistics: US\$ 5 mil. or more</li> <li>※ Masan and Iksan are considered as FIZs</li> </ul>	<ul style="list-style-type: none"> <li>- Manufacturing: US\$10 mil. or more</li> <li>- Logistics: USD 5 mil. or more</li> </ul>	<ul style="list-style-type: none"> <li>- Manufacturing: US\$10 mil. or more</li> <li>- Tourism : US\$10 mil. or more</li> <li>- Logistics: US\$5 mil. or more</li> </ul>
Tax reduction/exemption period	<ul style="list-style-type: none"> <li>- Corporate tax, income tax : 5 years</li> <li>- Local tax : 8~15 years</li> </ul>	<ul style="list-style-type: none"> <li>- Corporate tax, income tax : 7 years</li> <li>- Local tax : 8~15 years</li> </ul>	<ul style="list-style-type: none"> <li>- Corporate tax, income tax : 5 years</li> <li>- Local tax : 8~15 years</li> </ul>		<ul style="list-style-type: none"> <li>- Corporate tax, income tax : 5 years</li> <li>- Local tax : 8~15 years</li> </ul>
Imposition of customs	Exempted for capital goods for 3 years		On-hold		Exempted for capital goods for 3 years
Rent	Around 10/1,000 of land value (finalize after consultation)	More than 10/1,000 of land value	Around 10/1,000 of land value (finalize after consultation)		Around 10/1,000 of land value
Rent reduction/exemption	<ul style="list-style-type: none"> <li>- Businesses accompanying high-tech : 100% (US\$1 mil. or more)</li> <li>- Manufacturing : 75% (US\$5 mil. or more)</li> </ul>	100% exemption	Same as FIZs (100% exemption for FDI companies) <ul style="list-style-type: none"> <li>- Biz accompanying high-tech : 100% (US\$1 mil. or more)</li> <li>- Manufacturing : 100% (US\$10 mil. or more)</li> </ul>		Undecided (Reduction ratio shall be decided by supervisory agency)
Allotment ratio for support	<ul style="list-style-type: none"> <li>- Metropolitan areas: the State 40%</li> <li>- Other areas: the State 75%</li> </ul>		The ratio will be decided at the designation phase.		Undecided
Etc.	<ul style="list-style-type: none"> <li>- Foreign Company Exclusive Zone → Foreign Investment Zone ('04.12.31)</li> <li>- Amendment of the FIPA</li> </ul>		<ul style="list-style-type: none"> <li>- Tariff Free Zone → Free Trade Zone ('04.6.23)</li> <li>- Amendment of the Act on Designation and Management of Free Trade Zones ('04.3.22)</li> </ul>		



## < APPENDIX >

### FDI-Related Notification and Application Forms

[Form No. 1] .....	90
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Notification Form for Change in Content of Foreign Investment with regard to the Acquisition of Newly-Issued Stocks	
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[Form No. 1]

(Front)

<b>Foreign Investment Notification Form for the Acquisition of Newly Issued Stocks</b>						<b>Foreign investment</b>	
						Term of Completion	
						Immediate	
Foreign Investor	①Name					③Nationality	
	②Address						
Domestic Investor	④Name		(Tel: )				
Foreign Invested Enterprise	⑤Name		Korean:		⑥Capital	Before Acquisition: Won	
			English:			After Acquisition: Won	
	⑦Business Registration Number(Headquarters)						
	⑧Address		Headquarter		(Tel: )		
			Factory (or 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 company) <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					Won (USD )	
		Cash Amount	Won (USD )		Intellectual Property Rights		
		Capital in Kind	Won (USD )				
		Stocks	Won (USD )				
		Real estate	Won (USD )				
⑭Content of Stocks (Shares) to be Acquired	Type		Face Value per Stock (Share)		Acquisition Price per Stock (Share)		
	Quantity		Total Face Value of Stocks		Total Acquisition Price		
⑮Foreign Investment Amount and Percentage after the Acquisition			Acquisition Price: Won (USD ), %				
<p>In accordance with the 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>The above notification is confirmed.</p> <p style="text-align: center;">       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 another law, the applicant should meet the requirements prescribed in that law.</p>							

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[Form No. 2]		<b>Foreign Investment</b>		
<b>Notification Form of a Change in Contents of Foreign Investment with regard to the Acquisition of Newly-Issued Stocks</b>			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 Company			
	Change of Content	⑧Content Previously Notified		⑨Content After Change
<p>In accordance with the 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 another law, the applicant should meet the requirements prescribed in the that law.</p>				
※ Required Document			Processing Fee	
			Exempt	
<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 a change of foreign investor)</p>				

[Form No. 3]

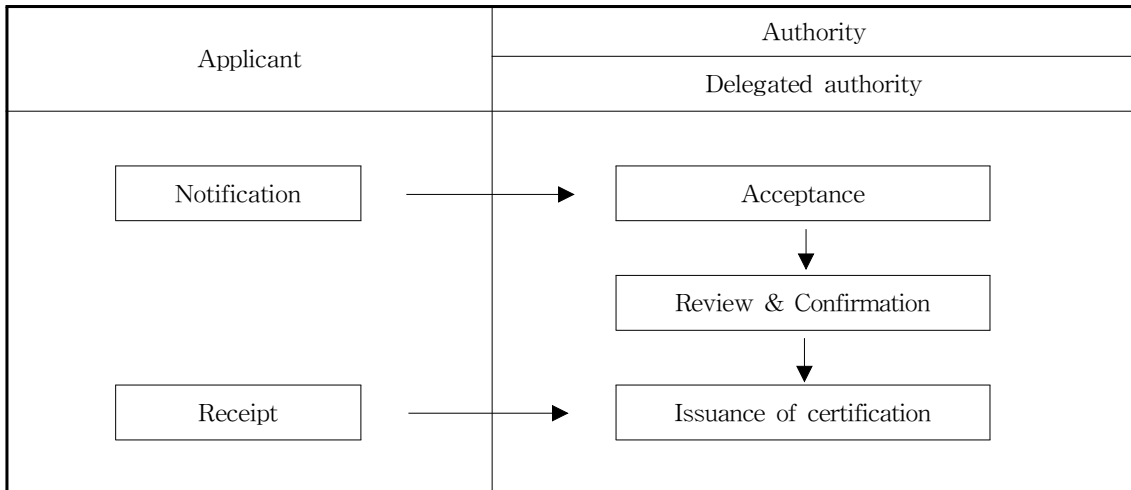
Foreign Investment		<input type="checkbox"/> Notification Form <input type="checkbox"/> Authorization Application Form		For the Acquisition of Existing Stocks		Term of Completion Notification : Immediate Authorization : 15 days	
Company Information	①Name			②Business Registration No.			
	③Address						
	④Factory(Business) Location	(Telephone No. : )					
	⑤Present Business			⑥Capital			
	*in Korean Standard Industrial Classification code No.	(will be provided by the Delegated Authority)					
⑦Acquirer of Stocks (shares)		Name				⑧Nationality	
		Address		(Tel: )			
⑨Seller of Stock (shares)		Name		(Tel: )			
⑩Present Foreign Investment Amount and Percentage		Acquisition Price		Won (USD )		%	
⑪Content of Stocks (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 )		%	
In accordance with the regulations in Article 6, Paragraph 1, and Paragraph 3, 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 (or the Minister of Knowledge Economy)</p>							
<p>For the Applicant</p> <p>Notification (Authorization) No :</p> <p><input type="checkbox"/> The above notification is confirmed</p> <p><input type="checkbox"/> The above is authorized</p> <p>Authorization Condition :</p> <p style="text-align: center;">Year                      Month                      Day</p> <p style="text-align: center;">Delegated Authority (or The Minister of Knowledge Economy)</p> <p>* This notification(or authorization) does not confirm the arrival of the investment. When any authorization, permission or notification is required by another law, the applicant should meet the requirements prescribed in that law.</p>							
* Required Documents						Processing Fee	
						Exempt	
<p>1. A copy of a document in relation to the regulations in Article 2, Paragraph 1, Item 2, Item 3, Item 6, Item 7 of the Working Rules</p> <p>2. In the event that 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</p> <p>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)</p> <p>4. A document proving the nationality of the foreign investor (except when the foreign investor is already notified or registered)</p>							

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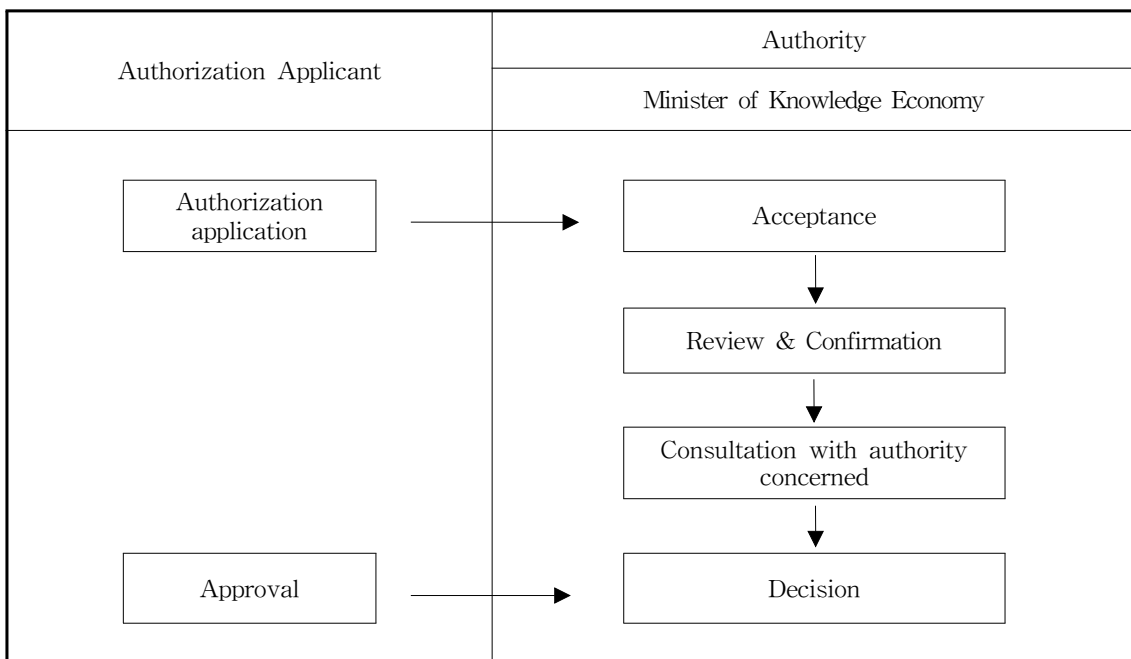
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This notification and authorization application will be processed as follows

[In case of notification] :



[In case of authorization application]



[Form No. 4]

<input type="checkbox"/> Notification Form <input type="checkbox"/> Authorization Application Form		<b>For Change in Content of Foreign Investment with regard to the Acquisition of Existing Stocks</b>		Term of Completion Notification: Immediately Authorization Application: 15 days
① Date of Notification (Authorization) of Stock Acquisition		Year	Month	Day
② Name of Foreign Investor		(Telephone No. :       -       )		
③ Name of Enterprise Issuing Stock				
Change of Content	④ Content Previously Notified (Authorized)		⑤ Content After Change	
In accordance with the 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 Knowledge Economy) :				
For the Applicant Notification (Authorization) No. : The above notification is confirmed (the above is authorized).				
Year                      Month                      Day Delegated Authority (or the Minister of Knowledge Economy)				
<div style="border: 1px solid black; padding: 5px; display: inline-block;"> <b>Official Seal</b> </div>				
※ This notification(or authorization) does not confirm the arrival of the investment. When any authorization, permission or notification is required by another 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 that there are more than two recipients of the stocks, 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 foreign investor)				

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[Form No. 5]

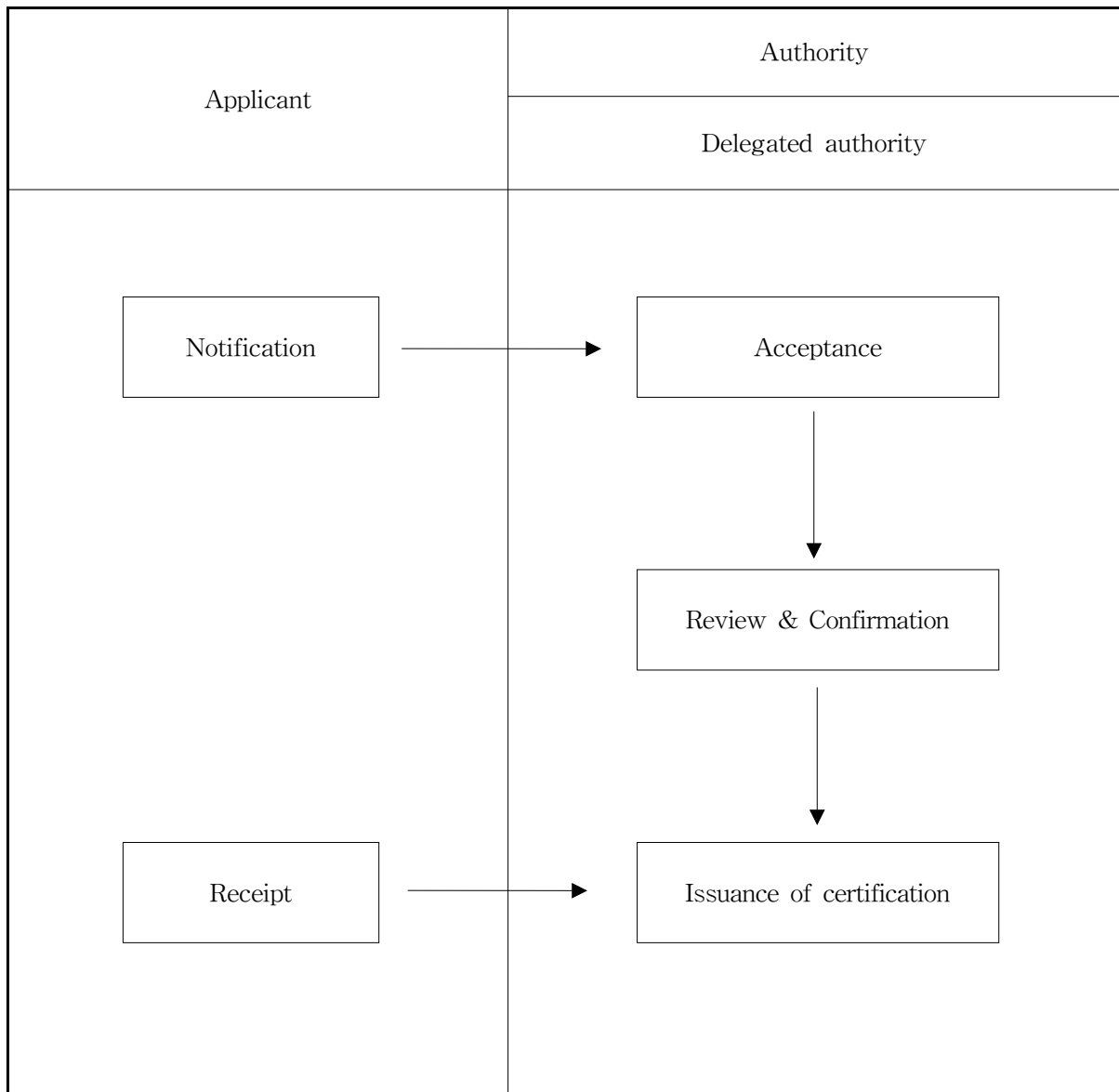
(front)

Notification Form of Acquisition of Stocks or Shares						Term of Completion		
						Immediate		
Foreign-Invested Company	①Name	Korean:		②Business Registration No. (Headquarter)				
		English:						
	③Address	Headquarter	(Tel: )	④Capital			Before Acquisition:	Won
		Factory (Business) Location	(Tel: )				After 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 Face Value of Stocks	⑬ Acquisition Price per Stock	⑭Total Acquisition Price		
⑮Basis of Acquisition								
⑯Total quality of stocks (shares) owned, invested percentage after acquisition		Shares, Acquisition Price: Won, (USD ), %						
<p>In accordance with the regulations in Article 7, Paragraph 1, 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</p>								
<p>For the Applicant Notification No. : 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="text-align: right; border: 1px solid black; padding: 5px; display: inline-block;"> <b>Official Seal</b> </div> <p>※ This notification does not confirm the arrival of the investment. When any authorization, permission or notification is required by another law, the applicant should meet the requirements prescribed in that law.</p>								
※ Required Documents						Processing Fee		
						Exempt		
<p>1. A copy of a document providing the acquisition of stock or shares</p> <p>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 if Article 2, Paragraph 2, Item 2, of the Enforcement Decree is applicable)</p> <p>3. A document proving the nationality of the foreign investor (except when the existing foreign investor acquires additional stocks(shares) of the foreign-invested company)</p>								

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This notification will be processed as follows:







[Form No. 22]

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

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[Form No. 80]

**Foreign Investment**

<input type="checkbox"/> <b>Application Form for Tax Reduction or Exemption</b>						Term of Processing
<input type="checkbox"/> <b>Application Form with regard to Change in the Contents of Tax Reduction or Exemption</b>						20 Days
Foreign Investor		①Name		②Nationality		
③Name of the Foreign-Invested Company			④Business Registration No.			
Content of Foreign Investment	⑤Business of Notification		⑥Date of Notification			
	⑦Acquisition Price of Shares		Won (USD )	⑧Aggregate Par Value of Shares	Won	
	⑨Is the ratio of direct or indirect ownership of shares in accordance with paragraph 7 under article 116-2 of the Enforcement Decree of the Special Tax Treatment Control Act not less than 10 percent?				<input type="checkbox"/> Yes <input type="checkbox"/> No	
⑩Method of Investment	Cash Amount	Won (USD )	Capital in-kind	Won (USD )	Shares (USD )	
	Real Estate	Won (USD )	Intellectual Property Rights, etc.	Won (USD )		
⑪Factory Location						
⑫Type	<input type="checkbox"/> New Investment <input type="checkbox"/> Additional Investment			⑬The initial date of business operation		
Content of Application for Tax Reduction or Exemption	⑭Legal Basis		Pursuant to Article 121-2, Paragraph 1, Item ( ) of the Special Tax Treatment Control Act			
	⑮Reason for Tax Reduction or Exemption					
⑯Change of Contents	Content of decision previously received for tax reduction or exemption			Content of application for change in previous tax reduction or exemption decision		
In accordance with Paragraph 6 of Article 121-2 of the Special Tax Treatment Control Act this application is submitted by the undersigned.						
Year                      Month                      Day Applicant or Power of Attorney                      (Signature or Seal) (Telephone No :                      )						
To the Minister of Strategy and Finance						
Required Document : A Copy of a document certifying or explaining the reason for tax reduction/exemption or a change in the content of tax reduction/exemption					Processing Fee	
					Exempt	
cf. ⑮ Fill in this section only if the business is related to Item 1 of Article 121-2 of the Special Tax Treatment Control Act. It should include the relevant information on the business involving high technology and industry-supporting service business indicated in Annex 1 of the Regulation on Tax Reduction or Exemption for Foreign Direct Investment and the Royalty for the Technology Inducement Contract.						
⑯ This applies only when an Application for a Change in the Content of Tax Reduction or Exemption is made.						

[Form No. 81]

Application Form for Prior Checking of Tax Reduction or Exemption			Foreign Investment
			Term of Processing
			20 Days
Applicant	①Name		②Nationality
	③Address	(Telephone No.: )	
Content of Application	④Business of Intent		
	⑤Location		
	⑥Legal Basis	Pursuant to Article 121-2, Paragraph 1, Item( ) of the Special Tax Treatment Control Act	
	⑦Reason for Tax Reduction or Exemption		
<p>In accordance with Paragraph 7 of Article 121-2 of the Special Tax Treatment Control Act, this application is submitted by the undersigned.</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>To the Minister of Strategy and Finance</p>			
<u>Required Documents</u>			Processing Fee
			Exempt
A copy of a document certifying whether or not tax reduction/exemption is applicable.			