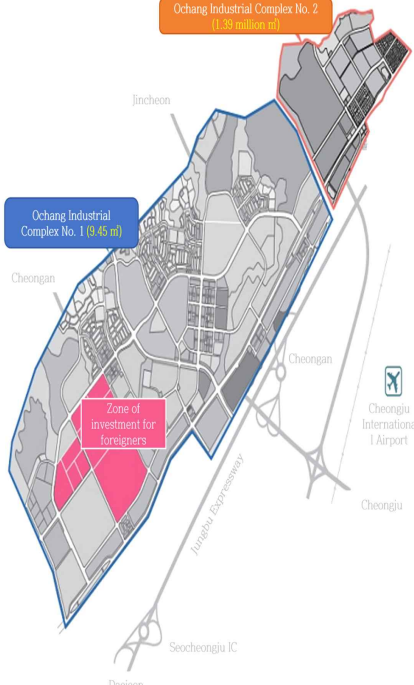


# 1 Ochang Scientific Industrial Complex

Ochang Scientific Industrial Complex is the mecca of the BIMIT industry specializing in IT and semiconductors, and is home to research and development centers, manufacturing industrial facilities, green space, residential areas and schools. R&D facilities supporting related industries, such as the Korea Research Institute of Bioscience and Biotechnology, the Korea Basic Science Institute, and Chungbuk Technopark is housed within the Ochang Scientific Industrial Complex.

	Location	Gak-ri, Ochang-eup, Cheongwon-gu, Cheongju-si
	Area	805,954m <sup>2</sup>
	Year of designation	2002
	Description	Foreign investment zone operation
		Electronics/electricity, new materials/biotechnology, optical/medical equipment, etc.
		Companies resident in the foreign investment zone <ul style="list-style-type: none"> <li>▸ LINTEC (Japan, semiconductor materials)</li> <li>▸ BORG WARNER (USA, auto parts)</li> <li>▸ STACKPOLE (Canada, auto parts)</li> <li>▸ W-SCOPE (Japan, secondary battery separators)</li> <li>▸ TOSOH (Japan, quartz glass for semiconductor manufacturing)</li> <li>▸ SFC (Japan, OLED)</li> <li>▸ AVANCIS KOREA (China, solar cells)</li> <li>▸ AGC DISPLAY (Japan, LCD substrates)</li> <li>▸ JSR (Japan, LCD materials)</li> <li>▸ KSM METAL (Australia, rare earth elements)</li> <li>▸ Powermaster Semiconductor (Thailand, power semiconductors)</li> <li>▸ STEMCO (Japan, LCD parts)</li> </ul>

<그림 영문번역>

Image: Ochang Industrial Complex No. 2 (1.39M.m<sup>2</sup>)

Ochang Industrial Complex No. 1 (9.45M.m<sup>2</sup>)

Foreign Investment Zone

Jincheon

Cheongan

Ochang IC

Cheongju International Airport

Cheongju

Jungbu Expressway

Seochongju IC

Daejeon

## 2 Support and Benefits for Foreign Investors

### Occupancy Requirements and Benefits

#### ① Tax Reduction

Category	Complex-type Foreign Investment Zone	Individual-type Foreign Investment Zone
Designated Area	Within the industrial complex	No restrictions (desired area)
Designation (occupancy) Requirements	Foreign investment share: 30% or more	Foreign investment amount: 100 million KRW or more

#### ► Benefits for Designated Investors

Eligible Recipients of Tax Reduction	Tax reduction/exemption details		
	Types of taxes Subject to Reduction	Investment Requirements for Reduction	Reduction Period
Business engaged with technologies for new growth engine industries and the industry support services  Resident company occupying the individual-type foreign investment zone	Local tax, acquisition tax, property tax	. New growth engine industries - Business engaged with technologies  . Development-oriented investment area  Manufacturing: 30 million USD Tourism: 20 million USD Logistics: 5 million USD R&D: 2 million USD	. Acquisition tax - 10 years (85% for 7 years, 30% for 3 years) - Business engaged with technologies for new growth engine industries and the industry support services - Over 8 years (50% for 5 years, 30% for 3 years)  . Property tax - Cheongju: For 15 years (85% for 10 years, 50% for 3 years)
	Tariffs, special consumption tax, VAT	. Capital goods input as an investment for newly issued stock acquisition	. Subject to completion of import declaration within 5 years
Companies occupying the complex-type foreign investment zone	Local tax, acquisition tax, property tax	. Manufacturing industry : 10 million USD	. Acquisition tax - 5 years (85% for 3 years, 50% for 2 years) - Cheongju : For 10 years (85% for 6 years, 50% for 4 years)
	Tariffs	. Capital goods input as investment for newly issued stock acquisition ※ Manufacturing industry: 10 million USD or more	. Subject to completion of import declaration within 5 years
Rent reduction	. Reduction of 75-100%		. 100% reduction (If necessary, the central government or local governments will purchase and lease the land)

## Occupancy Support

- ① Lease period: 50 years
- ② Rent: 1% of the appraised value of the land per year
- ③ Additional rent reductions

Reduction rate	Eligibility for reduction
100%	Individual-type foreign investment zone New growth engine business with foreign investment of 1 million USD or more Foreign investment of 2.5 million USD or more, with 200 regular employees
90%	Foreign investment of 2.5 million USD or more, with 150 or more and but less than 200 regular employees
75%	New growth engine business with foreign investment of 2.5 million USD or more Business with foreign investment of 2.5 million USD or more

## Scope of Recognized Foreign Direct Investment, Before and After the Amendment of the *Foreign Investment Promotion Act*

Recognized Foreign Direct Investment Before Amendment	Recognized Foreign Direct Investment After Amendment
<ul style="list-style-type: none"><li>① Acquisition of domestic corporations or stocks by foreigners (Recognized only when the investment amount is 100 million KRW or more and the ratio of foreign investment is 10% or more)</li><li>② long-term loans of 5 years or more issued by a foreign parent company to a foreign-invested company</li><li>③ Additional rent reduction:</li></ul>	<ul style="list-style-type: none"><li>*Addition of ③ to the existing scope of recognition (①, ②)</li><li>③ Cases of foreign-invested companies reinvesting undisposed retained earnings into new or expanded factories without capital transfers are also recognized as foreign investments</li></ul>

\* Proposal of amendment (November 2018) -> National Assembly resolution (January 2020) -> Resolution of the State Council (January 2020) -> Promulgation (February 2020) -> Implementation (August 2020)

## Financial Support

### ① Cash Grants

- Eligible recipients: Foreign direct investment ratio of 30% or more
- Grant limit : FDI 5%~30% (subject to negotiation)
- Intended uses: Hiring and education and training, land purchase and rental, construction costs

② Subsidies

Purpose	Eligibility	Amount of subsidy	Duration
Hiring	20 or more new local employees	500 USD (1 individual per month)	Up to 6 months
Education and training	Support training for new local hires *Minimum of 20 employees	500 USD (1 individual per month)	Up to 6 months

③ Dormitory Rental Assistance for Small and Medium-sized Businesses

- Content of assistance: Subsidy for a portion of the rental fee when a business provides workers with dormitories by renting multi-unit housing (apartments, villas, etc.) near the workplace
- Eligible recipients: Employees of small and medium-sized businesses (with 300 or fewer employees) enrolled in employment insurance
- Limit : Less than 10 individuals per company (up to 300,000 KRW per individual per month)
- Duration : 1 year from the date of notification of recipient selection

 Administrative Support

- \* Project manager system
  - One-stop service from consultation to move-in
  - Fastest administrative service through the simplification of permit and approval procedures

 Incentives to Relocate Overseas Factories to Chungcheongbuk-do Province (including Cheongju)  
Cheongju is a central destination in South Korea, a country that has gained the reputation of being the “world’s most secure investment destination” since the COVID-19 pandemic.)

1. Around 324,000 square feet of area space are provided free of charge for investments of 300 billion KRW or more
2. 1% lease (for 50 years) for investments of 500 billion KRW (500 individuals) or more
3. Assistance of up to 10 billion KRW in the manufacturing industry and 5 billion KRW in the service industry, within 30% of the total amount of investment
4. Infrastructure support for investments in large-scale tourism complexes and service industries

### 3 Foreign Investment Cash Grant Programme

#### What is the Cash Grant Programme?

- For investment projects meeting certain requirements with a foreign investment ratio of 30% or more, the cash grant programme allows the Ministry of Trade, Industry and Energy and local self-governments to provide a part of the funds invested for specific purposes, such as new factory facilities, in the form of cash to foreign investors.

#### Eligible Recipients:

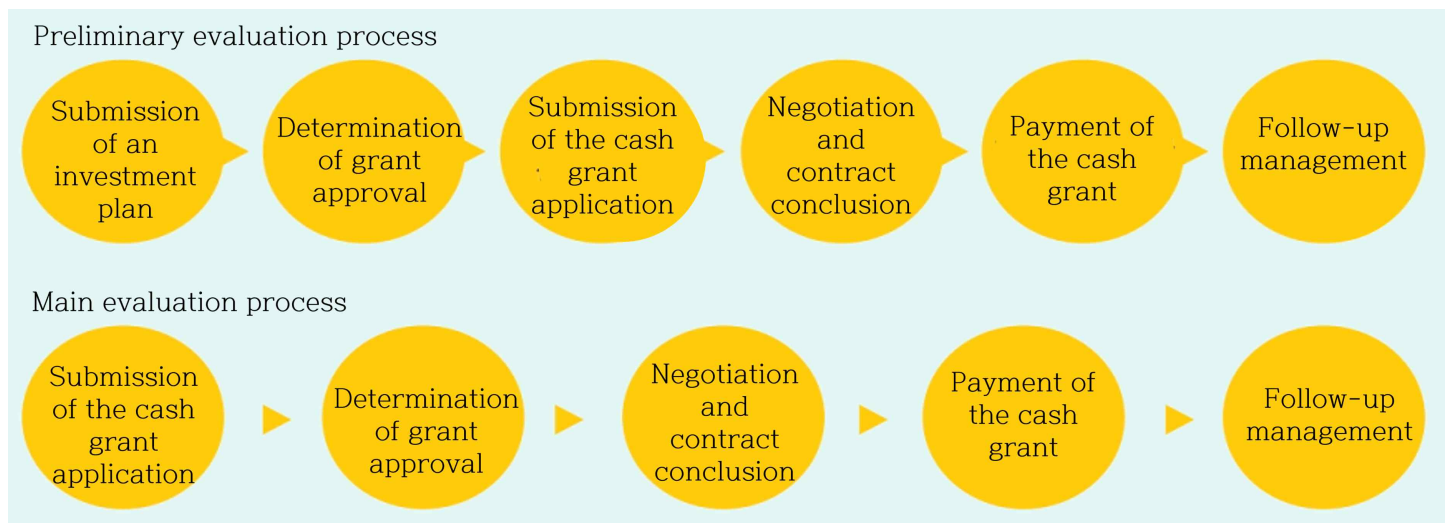
- ① New establishment or expansion of factory facilities (or other worksites, if the company is not in the manufacturing industry) to operate a business for the following purposes:
  - Business engaged in technologies for new growth engine industries  
Technologies for new growth engine industries - *Restriction of Special Taxation Act*, Article 121, Paragraph 1.1
  - Business with advanced technologies and high-tech products  
Advanced technologies and high-tech products - *Industrial Development Act*, Article 5
  - Business that produce materials, components, and equipment  
Materials, components, and equipment - *Act on Special Measures for the Competitiveness Enhancement of Specialized Enterprises, etc. for Materials and Components*, Article 2.1 and 2.2
  - Business that create jobs that exceed the number of new regular employments to be eligible for a cash grant by type of industry  
Number of new regular employments to be eligible for a cash grant by type of industry - Attached table in the *Enforcement Decree of the Foreign Investment Promotion Act*
- ② When a foreign investor or a non-profit corporation that has received funding corresponding to foreign investment establishes or expands a research facility for the following purposes:  
(on condition that 5 researchers with a master's degree or researchers with a bachelor's degree over 3 years of research experience in the business-related field are employed on a regular basis)  
  
Funding corresponding to foreign investment - Multiple items in the *Foreign Investment Promotion Act* Article 2.1.4
  - Business engaged in technologies for new growth engine industries
  - Business with advanced technologies and high-tech products
  - Business that produces materials, components, and equipment
- ③ Other cases in which the effect on the domestic economy relative to the investment amount enables the establishment of a regional headquarters through investment, or generates a regionally specialized industry or a regional cooperation industry
  - Criterion for "regional headquarters": *Enforcement Rules of the Foreign Investment Promotion Act* Article 9.3.1
  - Regionally specialized industry and regional cooperation industry - *Special Act on Balanced National Development*, Article 2.4 and 2.5

## Purpose of Use

- ① Cost of purchasing or renting land and buildings for the installation of factory facilities (or research facilities)
- ② Cost of constructing factory facilities (or research facilities)
- ③ Cost of purchasing capital goods and research equipment for the business or research operations of the factory facilities (or research facilities)
- ④ Cost of installing infrastructure such as electricity and communication equipment required for the new construction of factory facilities (or research facilities)
- ⑤ Employment subsidy or education and training subsidy

## Application Process

- The cash grant application is divided into the preliminary review and main evaluation stages. The preliminary evaluation (administered by KOTRA) determines whether or not the applicant is eligible for the cash grant before the application is received. The main evaluation determines whether a cash grant is possible and the amount of support to be received and is conducted after receiving the application.



### Preliminary evaluation process

Submission of an investment plan > Determination of grant approval > Submission of the cash grant application > Negotiation and contract conclusion > Payment of the cash grant > Follow-up management

### Main evaluation process

Submission of the cash grant application > Determination of grant approval > Negotiation and contract conclusion > Payment of the cash grant > Follow-up management

## Stage-by-stage Details of the Main Evaluation Process

### ① Submission of the Cash Grant Application (required documents)

- Cash grant application form (form provided in the *Enforcement Rules of the Foreign Investment Promotion Act*, Attachment No. 11.3)
- Investment plan and summary
- \* For details of the investment plan, refer to the “attached documents” information in the application form.
- Applicant's financial statements (only in the case of corporations)

- Details of each source of funding for investment and related verifications
- A copy of the foreign investment notification form (submit only if the notification has been completed )

## ② Determination of Grant Approval (evaluation criteria)

- The evaluation committee composed of the Ministry of Trade, Industry and Energy, local self-governments and experts from the private sector (with expertise in foreign investment, technology, industry, and finance) evaluates whether to approve a cash grant for investment projects based on the following criteria:

<Evaluation criteria>	1. Engagement with advanced technology	4. Overlap with domestic investments
	2. Technology transfer effect	5. Effects on the local and national economy
	3. Number of jobs created	6. The viability of the investment, etc.

Evaluation Criteria:

1. Engagement with advanced technology
2. Technology transfer effect
3. Number of jobs created
4. Overlap with domestic investments
5. Effects on the local and national economy
6. The viability of the investment, etc.

## ③ Negotiation and Contract Conclusion (evaluation of cash grant amount)

- The amount of the grant is determined by the Cash Grant Limit Determination Committee, which consists of 5 or more members, including negotiators from the Ministry of Trade, Industry and Energy and local self-governments, KOTRA, and related experts.
- In the case the grant recipient has received a rent reduction or exemption for the lease of national or public land or for occupancy in a foreign investment zone, the reduced rent is included in the grant support limit.
- The cash grant be applied to the same items that have been subsidized by a local investment promotion subsidy and other local government funding to attract foreign investment.

## ④ Payment of the Cash Grant

- The cash grant can be paid in a lump sum within 1 year after signing the contract, or in installments with a maximum of 10 installments within 5 years
- If the grant is paid in installments, the applicant must submit an application for support to the Ministry of Trade, Industry and Energy and the local government every year, specifying the amount, purpose, and contents of the grant for the year.

► Payment Items and Methods

Items	Payment Methods
Land purchase cost	After the conclusion of the land-sale contract, the grant is paid in installments, for the payment of the intermediate payment or the final balance payment.
Rent	The grant payment is made according to the lease agreement between the applicant and the owner of the leased land or an entrusted manager
Cost of construction, capital goods, research equipment, purchases, infrastructure installation, or R&D	The grant payment is based on an evaluation of the performance of the investment expenditure plan
Subsidies for employment and education and training	The grant is paid based on an evaluation of the performance of the hiring plan within the investment period

► Ratio of Grant Provisions by the Ministry of Trade, Industry and Energy and Local Government

Category	Seoul Metropolitan Area		Others	
	Ministry of Trade, Industry and Energy	Local government	Ministry of Trade, Industry and Energy	Local government
Land purchase cost and rent	30	70	60	40
Cost of purchasing or leasing a building for R&D facilities				
Cost of construction, capital goods and research equipment purchases, infrastructure installation, and R&D				
Subsidies for employment and education and training ► Note that employment subsidies for interns in the technical field are fully supported by the national treasury.	50	50	50	50

⑤ Follow-up Management After the Cash Grant

- The Ministry of Trade, Industry and Energy and local governments shall verify whether the applicant's obligations such as investment implementation and execution plan, employment plan, R&D plan, etc. have been fulfilled as specified in the cash grant contract every year.
- The applicant must submit a performance report within 2 months of using the cash grant, and return any interest accrued from the cash grant.
- Contract period: investment period + business operation period (5 years after the end of the investment period)
- Matters pertaining to the cancellation or termination of the cash grant contract due to reasons such as non-performance of business operations or non-fulfillment of contract obligations, reduction of the cash grant amount, redemption, etc. shall be handled in accordance with the terms of the cash grant contract and operating guidelines of the cash grant programme.