

Strengthening Government Support for Foreign Investment

1. Introduction

The Korean government held a Ministers' Meeting (involving 18 ministries, including the Ministry of Economy and Finance, the Ministry of Science and ICT, and the Ministry of Trade, Industry, and Energy) and announced the "2025 Economic Policy Direction" on January 2, 2025.

One of the key measures includes strengthening financial (including cash grants) and tax support to promote foreign investment.

Financial Support

- The maximum cash grant limit, previously set at 30%–50% of the investment amount, will be permanently increased to 40%–50%. For investments made in 2025, this ratio will be further increased to 50%–75%.
- Additionally, the government plans to fully execute a cash support budget of KRW 2 trillion in the first half of 2025 to actively encourage foreign investment.
- Areas eligible for up to 75% cash grants in 2025 include:
 - Regional Headquarters of Global Enterprises (currently 30%)
 - R&D Centers in National Advanced Strategic Industries (currently 50%).
- Areas eligible for up to 60% cash grants include:
 - R&D Centers in Other Industries (currently 50%)
 - National Advanced Technologies (currently 50%)

Tax Support

- The tax relief period for the importation of capital goods for foreign investments (including exemptions for customs duties, individual consumption tax, and value-added tax) will be extended from the current maximum of 6 years to 7 years.

- Foreign investment companies that establish corporations or additional business sites in non-metropolitan areas designated as “Opportunity Development Zones” by local governments will be eligible for corporate tax, acquisition tax, and property tax exemptions.

2. Key Takeaway of the Cash Grant Support Policy

According to the recent Economic Policy Direction report, the maximum support rate for cash grants related to foreign investment has been increased by industry sector as outlined below.

<Table 1: Cash Grant Maximum Limit for Foreign Investment by Industry Sector >

Current		Revised (% Applicable in 2025)	
R&D Center, National Advanced Strategic Technology	50%	R&D Center (National Advanced Strategic Industry)	50% (75%)
		R&D Center (Other), National Advanced Strategic Technology	50% (60%)
Regional Headquarters of Global Enterprises Notes	30%	Regional Headquarters of Global Enterprises Notes	50% (75%)
New Growth · Advanced · Material Parts & Equipment	40%	New Growth · Advanced · Material Parts & Equipment	45% (55%)
Mass Employment, Region Specific Industry, etc.	30%	Mass Employment, Region Specific Industry, etc.	40% (50%)

[Notes]

1. The scope of regional headquarters under the cash grant support policy is broader than customary regional headquarters. The detailed requirements to qualify as a regional headquarter are provided in the “Appendix”.
2. The specific details regarding cash grant support will be determined after the Foreign Investment Committee reviews each individual application and decides on the eligibility and support ratio for cash grants.

As stated in the table above, the maximum support ratio for "regional headquarters of global enterprises" has been significantly increased from 30% to 75% (as of 2025), marking the largest adjustment. Similarly, the maximum support ratio applicable to R&D centers in the national strategic industries sector has been raised from 50% to 75%. Additionally, the support ratio limit for investments in R&D centers (general sectors) and national strategic technologies has been increased from 50% to 60%, while the maximum support ratio for other sectors has also been raised by 15 to 20 percentage points, resulting in adjusted limits of 50% to 55%.

Meanwhile, the funding for cash grants is shared between the central government and local governments. According to the Economic Policy Direction report, the central government's contribution rate has been increased to reduce the financial burden on local governments, enabling more active support through cash grants.

<Table 2: Cash Grant Support for Foreign Investment: Central – Local Government Contribution Rate>

Region	Current	Revised
Metropolitan Areas	30 : 70	30 : 70
Non-Metropolitan Areas	60 : 40	70 : 30
Opportunity Development Zones:	70 : 30	80 : 20

3. Key Takeaway of the Tax Support Policy

Under the current tax law, foreign investment companies are eligible for tax incentives, including full exemptions (100%) on customs duties, individual consumption tax, and value-added tax for capital goods imported as part of an approved foreign investment for a period of five years. If the investment is delayed due to unavoidable circumstances, a one-year extension is currently allowed. According to the newly announced "Economic Policy Direction," this extension period will be increased to two years in such cases.

Under the current tax law, a separate measure exists to support balanced regional development since 2024. From 2024 to 2026, businesses investing in areas designated as "Opportunity Development Zones" by local governments (subject to area limits: 4.95 km² for metropolitan cities and 6.6 km² for provinces) can receive the following corporate tax benefits:

- Full exemption (100%) of corporate tax for five years.
- 50% reduction of corporate tax for the subsequent two years.

This applies to new corporations established in these zones or to new business sites added by existing corporations (excluding cases where existing business sites are relocated).

According to the recent Economic Policy Direction report, regulations will be eased so that, in the future, when local governments designate areas as Opportunity Development Zones for foreign investment, the area limit restrictions will no longer apply.

Note: As of November 6, 2024, Daegu, Busan, Jeonnam, Kyungbook, Jeonbook, Kyungnam, Daejun, Jeju (1st designated areas), Choongbook, Choongnam, Sejong, Ulsan, Gwangju, Gangwon (2nd designated areas) have designated Opportunity Development Zones, in which mainly domestic corporations have invested.

Appendix: Requirements for Regional Headquarters of Global Enterprises Under the Foreign Investment Promotion Act

(1) Requirements for Regional Headquarters of Global Enterprises

According to the Foreign Investment Promotion Act, the requirements for regional headquarters of global enterprises are as follows.

1. Parent Company Requirements

- The average revenue of the parent company over the past **five years** must be at least **KRW 3 trillion**.
- However, if the parent company is recognized by the **Foreign Investment Committee** as a leading enterprise in the global market based on its asset size, global market share, etc., this requirement may be waived.

2. Functional Requirements

- The regional headquarters must perform at least one of the following functions for two or more overseas subsidiaries:
 - i. Establishing **sales strategies** and supporting or coordinating sales-related activities.
 - ii. Developing **production plans** and coordinating production items and volumes.
 - iii. Establishing **raw material procurement plans** and selecting/operating procurement vendors.
 - iv. Developing and coordinating **HR policies** and exercising relevant authority.
 - v. Planning **R&D strategies** and supporting or coordinating R&D-related activities.
 - vi. Supporting or coordinating other **core corporate functions** as specified by the Minister of Trade, Industry, and Energy.

3. Personnel Requirements

- The regional headquarters must employ at least **10 full-time workers, executives, or dedicated research personnel** to perform the above functions.

4. Foreign Investment Requirements

- The amount of foreign investment must be at least **KRW 100 million**, and the parent company must directly or indirectly hold **50% or more of the voting shares or total capital** of the regional headquarters.

(2) Designation of Regional Headquarters of Global Enterprises

To be designated as regional headquarters of a global enterprise, the following documents must be submitted to the Ministry of Trade, Industry, and Energy for review and approval.

1. Published materials such as annual reports that confirm the parent company's average revenue.
2. (If the parent company's five-year average revenue is less than KRW 3 trillion) Financial statements, global market share, or other materials proving the parent company's status as a global enterprise.
3. Business or operational plans that verify the functions of the regional headquarters.
4. Financial statements of the overseas subsidiaries under supervision/control of the regional headquarters.
5. A list of employees and executives performing regional headquarters duties, along with the organizational chart.
6. Shareholder registry or other documents verifying the ownership ratio of the parent company in the regional headquarters.

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