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SWITZERLAND GLOBAL ENTERPRISE

Republic of Korea

Legal Provisions

Compiled by

Swiss Business Hub Korea

Seoul, 28 March 2025

GENERAL REMARKS

The Republic of Korea (ROK), also known as Korea or South Korea, is a constitutional, democratic republic with a presidential system. Its government is divided into three branches: executive, judicial, and legislative. The 17 semi-autonomous local governments, each with its executive and legislative bodies, add another layer to the administrative structure.

Korea and Switzerland have various bilateral agreements, including the Free Trade Agreement between EFTA and ROK (2006), the Avoidance of Double Taxation Agreement (1980), and the Korean-Swiss Science and Technology Agreement (2008), along with several other treaties related to social security and intellectual property. For more details, visit the website of the Federal Department of Foreign Affairs of Switzerland.

2023 marked the 60th anniversary of bilateral relations between Korea and Switzerland. Additionally, it commemorated the 70th anniversary of the Swiss Neutral Nations Supervisory Commission (NNSC) in Korea, established under the 1953 Armistice Agreement. As there's no peace agreement yet, the NNSC remains a crucial legal mechanism in maintaining stability on the Korean Peninsula. Alongside other legal frameworks, the NNSC plays a key role in monitoring the armistice and supporting confidence-building efforts between the parties.

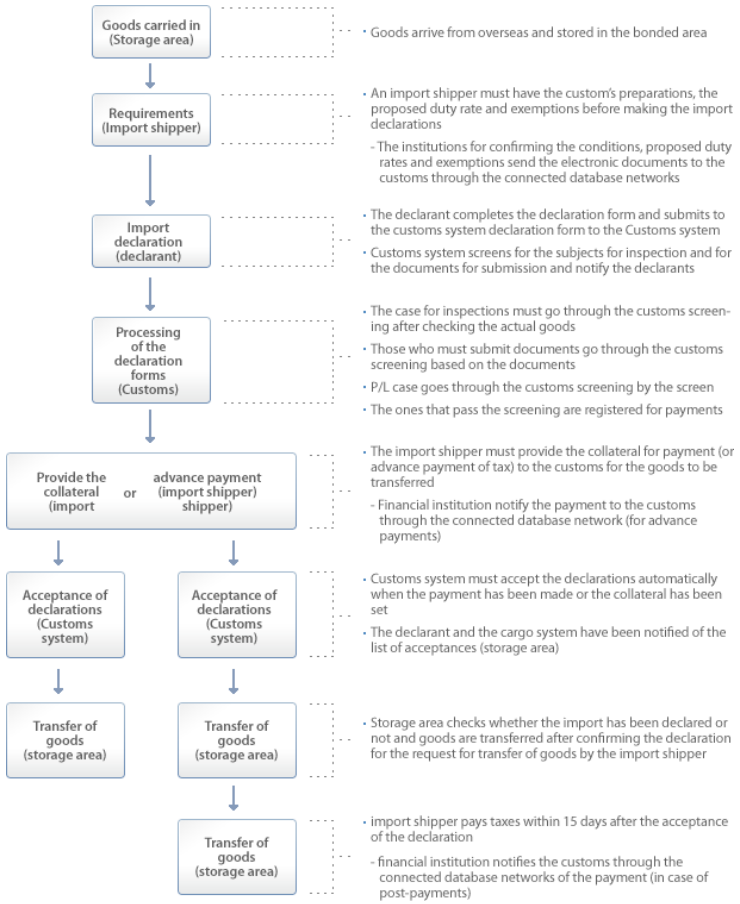
FREE-TRADE AGREEMENTS

As of January 2025, Korea has signed Free Trade Agreements (FTAs) with 22 countries, covering a total of 59 nations: Chile, Singapore, EFTA (4 countries), ASEAN (10 countries), India, EU (27 countries), Peru, USA, Turkey, Australia, Canada, China, New Zealand, Vietnam, Colombia, and the UK. Collectively, these markets represent more than 73.4% of the global population and contribute to 85% of the worldwide GDP. In 2023, Korea's trade with its FTA partners accounted for approximately 82% of its overall exports and 75% of its imports.

Free trade negotiations between the European Free Trade Association (EFTA) - comprising Iceland, Norway, Liechtenstein, and Switzerland - and Korea commenced in December 2004, initiated by ministers from both parties. The Agreement was officially signed in December 2005 and came into effect on September 1, 2006. Currently, it encompasses all significant aspects of trade relations, including goods, services, government procurement, competition, and intellectual property, along with a dedicated chapter on dispute settlement. Additionally, Switzerland and Korea have bilateral agreements concerning primary agricultural products, and Korea has reached investment agreements with Switzerland, Iceland, and Liechtenstein. Discussions are underway to modernize the current FTA. For detailed legal provisions, kindly visit the EFTA website. For tariff rates under the ROK-EFTA FTA, please refer to the Korea Customs Services (KCS) using your product's HS code.

CUSTOMS

Customs duties must be paid in advance when importing foods into Korea. The customs process is outlined below:



Customs duties are calculated by multiplying the tax base (the value of the imported goods or the quantity) by the tariff rate. The tariff schedule categorizes tariff rates into groups of items. Each item or group of items is assigned an HS Code, and the tariff rate applies accordingly. The tariff is determined based on the item's taxable value. An ad valorem tariff is based on the item's value, while a specific commercial duty depends on the item's quantity. The taxable value, used for ad valorem duty, is the item's value. Korean customs valuations on taxable values adhere to the principles of the WTO Valuation Agreement. Further information can be found on the KCS website.

IMPORT AND EXPORT REGULATIONS

Preferential tariff treatment

To receive preferential tariff treatment from the FTA partner country:

1. The products must meet the preferential criteria outlined in the Agreement.
2. A Certificate of Origin for the specified products in the Agreement must be prepared.

The KCS website offers information on preferential tariff treatment and laws/regulations for import and export.

Regulatory Oversight and Certification Standards

1. Ministry of Food and Drug Safety (MFDS): The MFDS is responsible for ensuring the safety, efficacy, and quality of various products in Korea, including food, pharmaceuticals, medical devices, cosmetics, and other items. This involves establishing and enforcing regulations for their production, distribution, and marketing. The MFDS conducts safety evaluations, assessments, and inspections of manufacturing facilities, distribution channels, and retail outlets to ensure compliance with regulations. It also takes enforcement actions against any violations of these regulations.
2. Korean Agency for Technology and Standards (KATS): This authority is pivotal in Korea's standardization and conformity assessment infrastructure. To ensure public health and safety, KATS mandates that specific consumer products, children's goods, and electronic products obtain certification with a Korea Certification (KC) Mark from authorized testing centers before sale. Certain items requiring compulsory legal certification are outlined in laws and ordinances about safety, health, environment, and quality. Final product testing is fundamental, and the KC Mark must be prominently displayed on the product or packaging through non-removable printing or engraving. The KC Mark cannot be substituted with the European Conformity(CE) mark.

   Please check the KATS website for more information on the KC mark.

Amendments to the Country-of-Origin Labelling Requirements

The Ministry of Trade, Industry, and Energy (MOTIE) revised the Foreign Trade Act to establish legal provisions for enforcing country-of-origin (COO) labeling requirements for goods manufactured in Korea. Effective as of December 11, 2022, the key amendments include:

Establishment of a legal framework for enforcing COO labeling requirements for domestically produced goods.

- Penalties for violating COO labeling rules include fines of up to KRW 100 million or up to 5 years in prison for mislabelling or tampering with labels.
- Confirmation that domestically produced goods qualify for certificates of origin.

Source: Kim & Chang

TAXES

Taxes in Korea are classified based on the governing authority responsible for the collection, the purpose of taxation, and the taxable income category.

National Tax	**Internal Tax**	Income tax, corporate tax, inheritance tax, gift tax, gross real estate tax, value-added tax, individual consumption tax, liquor tax, transportation, energy, and environmental tax, stamp tax, securities transaction tax, education tax, farming and fishing village special tax
	Customs Duty	Customs duty
Local Tax	Acquisition tax, registration and license tax, leisure tax, tobacco consumption tax, local consumption tax, resident tax, local income tax, property tax, automobiles tax, ordinary facilities tax, local education tax	

Source: www.investkorea.org

Corporate Tax

Domestic businesses in Korea pay corporate income tax both domestically and internationally, while foreign companies pay corporate tax only on income earned from Korean sources. A corporation is regarded as a resident of Korea if its headquarters or primary office, or its place of effective management, is located in Korea, according to the Corporate Income Tax Law. The place of effective management is defined as the location where essential management and business decisions are made. Corporate income tax (CIT) is levied on a company's taxable income. It constitutes a significant portion of taxes related to foreign investment, given that many foreign investors are corporations subject to this tax. Tax treaties stipulate that only income from a foreign company's permanent establishment in Korea is taxable. Permanent establishments include branches, warehouses, stores, installation sites, and construction projects.

Companies engaging in contractual activities or conducting business through agents authorized to buy or sell stocks on their behalf are also subject to tax. Three types of taxable income fall under corporate tax: annual business income, liquidation income, and capital gains from property transfer. Yearly business income is determined by deducting deductible expenses from gross revenue. Liquidation income refers to the residual property value of dissolved (merged or divided) business parts exceeding the total equity capital. However, capital gains from the sale of non-business-purpose real estate are subject to additional capital gains tax at 10%.

Tax Reform 2025

Item	Tax Reform effective on 1 January 2023
Change in corporate income tax rates	Certain corporations are no longer eligible for the minimum tax bracket (less than KRW 200 million) (See table below).
Introduction of New Refund Claims Rule for Foreign Investors on Domestic Tax Exemption for Government Bonds	Foreign investors and corporations can submit refund claims directly without going through Korean withholding tax agents if they do not receive a withholding tax exemption on income earned from government bonds.
Simplified Withholding Tax Process for Foreign Investors	The reform streamlines the withholding tax process, allowing foreign individuals or corporate investors who invest in government bonds and monetary stabilization through private or public overseas investment vehicles (OIVs) to apply for a domestic withholding tax exemption. This can

	be done by submitting the exemption application and the OIV's resident tax certificate, establishing them as deemed beneficial owners.
Deferral of Taxation on Virtual Assets	Under the current Korean tax law, gains derived from the disposal of virtual assets by a foreign individual or foreign corporation are categorized as "other income" subject to withholding tax at the lesser of 11% of the transfer price or 22% of the net capital gains. Under the 2025 Tax Reform, the application of this tax rule for virtual assets will be postponed from 1 January 2025 to 1 January 2027.
Extension of Application Period for R&D Tax Credits	The sunset period of current research and development (R&D) tax credit from 20% to 50% for national strategic technologies (seven fields) and new growth/original technologies (14 fields) extends from 31 December 2024 to 31 December 2027.
Tax-exemption Application Requirement for Korean-sourced Personal Service Income	Starting from January 1, 2026, it will be mandatory to submit tax-exemption applications and payment statements for Korean-sourced personal service income paid to foreign individuals or corporations.

Source: Ernst & Young

Changes in CIT rates

Tax Base	Tax Rate (Progressive)	
	All	For Certain Corporations* Only (Effective on 1 January 2025)
Less than KRW 200 million	9% of the tax base	KRW 18 million + 19% of the amount over KRW 200 million *The certain corporations include the ones (i) whose primary business is real estate rental or whose revenue consists of more than 50% from real estate rental, interest, and dividend income; (ii) with fewer than five regular employees; or (iii) with controlling shareholder ownership exceeding 50%.
More than KRW 200 million and less than KRW 20 billion	KRW 18 million + 19% of the amount over KRW 200 million	
More than KRW 20 billion and less than KRW 300 billion	KRW 3.78 billion + 21% of the amount over KRW 20 billion	KRW 3.78 billion + 21% of the amount over KRW 20 billion
More than KRW 300 billion	KRW 62.58 billion + 24% of the amount over KRW 300 billion	KRW 62.58 billion + 24% of the amount over KRW 300 billion

Source: www.investkorea.org & PWC

Furthermore, a 10% local surtax is added to the previous rates, resulting in final rates ranging from 9.9% to 26.4% based on the tax base.

Tax Reform 2025 - Global Minimum Tax (GMT) in Korea

In October 2021, the OECD/G20 Inclusive Framework on BEPS implemented a two-pillar approach to tackle the tax challenges posed by the digital economy. The second pillar of this approach (Pillar Two) establishes the Global anti-Base Erosion (GloBE) rules, which aim to ensure that multinational enterprises (MNEs) with substantial global revenues pay a minimum effective tax rate (ETR) of 15% in the jurisdictions where they operate. If the ETR is below 15%, the shortfall will be taxed further using (i) Income Inclusive Rules (IIR) and/or (ii) an Undertaxed Payment Rule (UTPR).

On December 31, 2024, Korea enacted the 2025 Tax Reform Bill to reflect Pillar Two. These rules are effective for fiscal years beginning on or after January 1, 2025.

Key amendments are outlined in the table below:

2025 Tax Reform	Details
Identifying Consolidated Revenue (Article 62)	The amount of sales in the consolidated financial statements will reflect the adjustments prescribed by the Presidential Decree, such as the addition of profits from ordinary business activities that are shown separately from sales in the consolidated financial statements.
Special Treatment for Losses (Article 67(4))	Constituent entities can apply 15% of GloBE losses as a deferred tax asset instead of calculating the total deferred tax adjustment amount.
Allocation Method for the UTPR (Article 73(5)-(6))	The UTPR allocation to constituent entities in a jurisdiction is generally based on (i) a method prescribed by Presidential Decree, taking into account the ownership ratio of the domestic constituent entity company directly or indirectly held by the ultimate parent entity (“UPE”) and the available capacity of the constituent entity, or (ii) a method designated by the reporting constituent entity, agreed upon by all domestic constituent entities of the MNE group.
De Minimis Exclusion (Article 74(2))	The de minimis exclusion will not apply for the fiscal year if there is any change in the country's status of meeting the conditions (e.g., post-filing adjustments after the GloBE Information Return is filed).
Transitional UTPR Safe Harbour (Article 80)	The July 2023 OECD Administrative Guidance included a safe harbor that deems the UTPR Top-up Tax amount for a UPE Jurisdiction to be zero if the UPE Jurisdiction has a corporate income tax rate of at least 20%. This applies to Fiscal Years beginning on or before 31 December 2025 and ending before 31 December 2026.
GIR Filing Date (Article 83)	If the filing date for the GloBE Information Return falls before June 30, 2026, the filing deadline will be extended to June 30, 2026.

Source: www.oecdpillars.com

K-CHIPS ACT

The tax law amendment to increase the tax credit rate for semiconductor R&D and facility investment by 5 % passed the National Assembly's Planning and Finance Committee on February 18, 2025. The sunset deadline for the tax credit has also been extended to the end of 2031.

Under the current law, the semiconductor industry is included as a "national strategic technology" along with secondary batteries, vaccines, displays, and biopharmaceuticals and thus qualifies for an investment tax credit. The credit rates are 15% for large and medium enterprises and 25% for small enterprises. Once the amendment is implemented, the tax credit rates for semiconductor R&D and facility investment will increase to 20% and 30%, respectively.

FOREIGN DIRECT INVESTMENT

A foreign investor may make a foreign investment in Korea in two ways: (i) a foreign direct investment under the Foreign Investment Promotion Act (FIPA) and (ii) an acquisition of shares (e.g., portfolio investment) under the Foreign Exchange Transaction Act (FETA).

Under the FIPA, which was established in 1998 to promote foreign direct investment (FDI) in Korea by providing necessary support and benefits, foreign direct investment refers to an investment made by foreigners amounting to at least KRW 100 million and owning 10% or more of the equity interest in the target company. Alternatively, foreigners may acquire less than 10% of stocks issued by a domestic corporation or business or invest less than 10% of the total investment amount. Still, they should appoint an executive member holding authority to participate in the major decision-making of the corporation per FETA.

Korea's incentives for foreign investment encompass tax support, cash grants, and industrial site assistance. In particular, the "2025 Economic Policy Direction" announced by the Ministry of Economy and Finance (MOEF) on January 2, 2025, includes the following measures to promote foreign investment.

Types	Details
Financial Support	- The maximum cash grant limit, which was previously set at 30%–50% of the investment amount, was permanently increased to 40%–50%. For investments made in 2025, this limit is further increased to 50%–75%. (i) The areas eligible for up to 75% cash grants in 2025 include: a. Regional Headquarters of Global Enterprises (currently 30%) b. R&D Centers in National Advanced Strategic Industries (currently 50%). (ii) The areas eligible for up to 60% cash grants include: a. R&D Centers in Other Industries (currently 50%) b. National Advanced Technologies (currently 50%). - The government plans to execute a cash support budget of KRW 2 - trillion in the first half of 2025 to encourage foreign investment.
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 are eligible for corporate tax, acquisition tax, and property tax exemptions.

Source: KPMG

Generally, foreigners can conduct business in Korea without restrictions unless specified by relevant acts and laws. However, certain prohibited and restricted business categories are outlined in the FDI regulations. For more information, visit Invest Korea or KOTRA.

Types	Business Category	
Prohibited Business categories	Postal services, central banking, individual mutual aid organizations, pension funding, financial market administration, activities auxiliary to financial services, etc. Legislative, judiciary, administrative bodies, foreign embassies, extra-territorial organizations and bodies Education (pre-primary, primary, secondary, higher education, universities, graduate schools, schools for people with disabilities,etc.)	
	Artistic, religious, business, professional, environmental advocacy, political, labor organizations, etc.	
Restricted Business Categories	Not-opened	Nuclear power generation, radio broadcasting, over-the-air broadcasting.
	Permitted where the Foreign Investment Ratio is less than 50%	Livestock farming, meat wholesale, transmission and distribution of electric power, trade of electricity, coastal water passenger/freight transport, passenger/freight air transport, publication of magazines and periodicals, etc.
	Permitted where the Foreign Investment Ratio is 49% or less	Program distribution, cable networks, satellite, and other broadcasting, wired/wireless and satellite communications, and other electronic communications.
	Permitted where the Foreign Investment Ratio is 30% or less	Hydroelectric power/firepower/solar and sunlight power and other power generation.
	Permitted where the Foreign Investment Ratio is less than 25%	News agency business.
	Partially Permitted	Growing of cereals and other food crops, manufacture of other basic inorganic chemicals, manufacture of other smelting refining and alloys of non-ferrous metals, disposal of radioactive waste, domestic and commercial banks except the National Agricultural Cooperative Foundation and the National Federation of Fisheries Cooperative (finance).

Source: www.kotra.or.kr

COMPANY ESTABLISHMENT

Foreign investors planning to conduct business in Korea have the option of establishing a subsidiary, branch, or liaison office.

A Foreign-Invested Company under the Foreign Investment Promotion Act

Establishing a business entity in Korea by a foreign individual or corporation is governed by the Foreign Investment Promotion Act (FIPA) and the Commercial Act. Under FIPA, a minimum investment of KRW 100 million is required for the entity to be recognized as a foreign investment.

Additionally, a private business established by a foreigner with an investment of at least KRW 100 million qualifies as a foreign investment under FIPA. However, if the investee entity is a private business, it cannot issue a business investment D-8 visa. Instead, a trade D-9 visa is issued for investments totaling KRW 300 million or more.

FDI under FIPA also covers Foreign Direct Investment (FDI), where foreign investors invest a minimum of KRW 100 million to acquire more than 10% of local stocks or for foreign-invested companies to introduce long-term loans exceeding 5 years from overseas parent companies.

Furthermore, FDI incentives include:

- Assured Overseas Wire Transfer / Remittance: FDI-registered companies can securely transfer or remit funds overseas, including profit dividends, liquidation proceeds, sales of shares, interest, and commissions, among other transactions.
- Tax Incentives: Under applicable laws and conditions, both Korean and local governments provide tax benefits, including corporate tax, income tax, local taxes, and customs duties.
- Visa and Residence Permits: Officers and employees of FDI companies are eligible for D-8 visas, allowing unrestricted entry, exit, and residence in the country.

For more information, go to www.fdiservice.com.

Domestic Branch and Liaison Office of a Non-resident under the Foreign Exchange Transaction Act

A "branch" of a foreign company operates a business in Korea that generates profits. The net income of a branch office is automatically consolidated into the headquarters' balance sheet, so it is not classified as foreign direct investment.

On the other hand, a "liaison office" is limited to marketing and support activities and cannot engage in direct sales. Since a liaison office does not generate income, it’s not subject to corporate income tax and must not file corporate income tax returns in Korea. Therefore, it is only subject to the tax regulations of the headquarters country. However, it is required to withhold payroll income tax as an employer concerning employees whom the liaison office pays. Unlike a branch, a liaison office is assigned a specific identification number by a jurisdictional tax office without formal registration.

Comparison of Foreign-invested Company, Domestic Branch, and Liaison Office:

Category	Foreign-Invested Company	Domestic Branch	Liaison Office
Governing law	Foreign Investment Promotion Act	Foreign Exchange Transaction Act	Foreign Exchange Transaction Act
Type of corporation	Domestic	Foreign	Foreign
Recognized as FDI	Yes	No	No
Company name	No restrictions	Shall be identical to that of the headquarters	Shall be similar to that of the headquarters
Scope of business activities	No restrictions within the permitted scope	Restricted to same activities as headquarters, within the permitted scope	Not allowed to generate profit, only to establish business contacts
Minimum investment amount	KRW 100 million	No restrictions	No restrictions
Independence	Separated from headquarters	Subordinated to headquarters	Subordinated to headquarters
Loans in Korea	Possible depending on the credit rating of the domestic corporation	Almost impossible	Impossible
Establishment procedures	1. FDI notification 2. Remittance of investment funds 3. Registration of incorporation 4. Business Registration 5. Registration of a foreign-invested company	1. Notification of domestic branch establishment 2. Registration of incorporation 3. Business Registration	1. Notification of domestic branch establishment 2. Registration of identification number
Accounting and taxation	Obligation of bookkeeping according To Korean Accepted Accounting Principles and external audit for certain conditions	Obligation of bookkeeping according to Korean Accepted Accounting Principle, but no obligation of external audit	No bookkeeping obligation
Corporate tax rate	Tax obligation (refer to pages 4~5)	Tax obligation(refer to pages 4~5)	No tax obligation
Taxable income	Total income based on all profit made by the domestic corporation	Total income based on all profit made by the domestic corporation. Branch tax payment occurs in some countries.	No taxable income
Tax benefits	Tax benefits for foreign-invested companies and small and middle-sized businesses according to the Restriction of Special Taxation Act	No benefits	No benefits

Source: www.investkorea.org

Guidelines on Corporate Governance Disclosure to Strengthen Shareholder Protection

The Financial Services Commission (FSC) and the Korean Fair Trade Commission (KFTC) have released updated guidelines on corporate governance disclosure for publicly listed companies. These revised guidelines will come into effect for submissions beginning in 2024, specifically for reports reflecting the performance of the year 2023. The deadline for these submissions is set for the end of May 2024. According to the amended regulations, KOSPI-listed firms with total assets of KRW 500 billion or more must either comply with the core principles of corporate governance or provide explanations for any non-compliance.

(1) Shareholder Protection Guidelines for Business Split-offs:

- Companies are required to outline their internal policies for protecting shareholders when there are changes in ownership structure due to split-offs, mergers, transfers, etc.
- They must disclose internal measures aimed at safeguarding shareholder interests, which may include soliciting opinions from minority shareholders and ensuring the rights of shareholders who oppose changes in ownership structure. Companies should also provide explanations for any instances of non-compliance.
- Additionally, companies are obligated to report on their communication efforts with minority shareholders.

(2) Obligation to Clarify Internal Transactions with Affiliated Entities:

- Companies must be more proactive in providing shareholders with thorough explanations and reasons behind board decisions regarding internal transactions with affiliated entities, as well as self-dealings involving management and controlling shareholders.

CEO Succession Policy and Audit Committee

- Companies need to provide essential details regarding their CEO succession policy.
- Companies with assets ranging from KRW 500 billion to below KRW 2 trillion must outline plans for establishing an audit committee if such plans are in place.

FREE ECONOMIC ZONES

Korea Free Economic Zones (KFEZ) are designated areas aimed at fostering a business-friendly environment for foreign-invested companies in Korea. Since the establishment of the first KFEZ in Incheon in 2003, the number of operational KFEZs has expanded to eight, including locations such as Incheon, Busan-Jinhae, Gwangyang Bay Area, Daegu-Gyeongbuk, Gyeonggi, East Coast, Chungbuk, Gwangju and Ulsan.

Under the Special Act on Designation and Management of FEZs and the Restriction of Special Taxation Act, Korea's Free Economic Zones (KFEZs) previously offered exemptions or reductions in corporate tax, income tax, tariffs, acquisition tax, and property tax to foreign-invested resident companies and developers.

In 2017, the European Union raised concerns that certain tax incentives in KFEZs created an imbalance between domestic and foreign companies and initially placed Korea on its tax watchlist. To address these concerns, the Korean government revised its taxation policies, leading to Korea's removal from the EU watchlist in January 2018. As part of these changes, corporate and income tax reductions for new foreign investments were discontinued in 2019. However, tax benefits for foreign companies that had already invested before the policy change remained unchanged, and exemptions or reductions in tariffs and local taxes continue to apply

Category	Existing Benefits		Investment Requirements
National Tax	Tariff	100% exemption for 5 years	Imported capital goods only
Local Tax	Acquisition Tax	100% tax exemption for up to 15 years per local ordinances	
	Property Tax	Tax reductions for up to 15 years following local ordinances	

Source: www.fez.go.kr

MAP - FREE ECONOMIC ZONES IN KOREA

Source: www.fez.go.kr

NEW GROWTH ENGINE INDUSTRIES AND SOURCE TECHNOLOGIES

Since 2008, the Korean government has been actively promoting industries and technologies essential for the sustained growth of the economy and the creation of employment opportunities. In 2021, a total of 173 technologies across 11 categories and 40 fields were designated as New Growth Engine Industries and Source Technologies. Foreign investment in these sectors received financial support and tax incentives.

Under this policy, foreign-invested companies investing at least USD 2 million in factory facilities within the New Growth Engine Industries and Source Technologies sector are eligible for corporate tax reductions or exemptions for a period of seven years, as per the Restriction of Special Taxation Act.

New Growth Engine Industries and Source Technologies (11 categories, 40 fields)

Category	Fields
Future Vehicles	Autonomous vehicles, electric vehicles
Intelligent Information	Artificial intelligence, IoT, cloud, big data, wearable smart appliances, IT convergence, blockchain, quantum computer
Next-generation Software & Security	Software technology, convergence security
Content	Realistic content, cultural content
Next-generation Electronic Information Devices	Intelligent semiconductors and sensors, materials for semiconductors, etc., high-performance displays like OLED, 3D printing, AR devices
Next-generation Broadcasting and Telecommunication	5G mobile telecom, UHD
Bio & Health	Bio-medicine, compound medicine, medical devices, healthcare products, biotechnology for agricultural, marine and food products, materials for biocosmetics
New Energy Business, Environment	ESS, new and renewable energy, enhancement of energy efficiency, greenhouse gas reduction, carbon capture and sequestration, nuclear energy
Composite & Integrated Materials	High-performance textiles, ultra-light metal, hyper-plastic, titanium
Robots	High-tech manufacturing robots, medical robots, service robots, robots in general
Aerospace	Unscrewed vehicles, space technology

Furthermore, Seoul recently announced its commitment to provide up to KRW 200 million in employment maintenance support for foreign-invested companies operating within the New Growth Engines Industries and Source Technologies sectors, which have been adversely affected by the recent COVID-19 crisis. Under Seoul's employment maintenance support policy, foreign-invested companies engaged in industries such as IT convergence, digital content, green industry, business services, fashion design, financial industry, tourism conventions, or bio-metallic fields are eligible for a maximum of 6 months of employment subsidies. For further details, please visit the websites of the Ministry of Trade, Industry and Energy (MOTIE) and the Seoul Metropolitan Government.

The Foreign Investment Promotion Act (established in 1998) serves as the principal legislation governing incentives granted to foreign investors. It assigns specific provisions to its Enforcement Decree and Enforcement Regulations, as well as to the Regulation of Foreign Investment and Technology Importation.

Foreign exchange transactions related to foreign investment are governed by the Foreign Exchange Transactions Act (enacted in 1998). Additionally, exemptions and reductions in applicable taxes related to foreign investment are provided under the Special Tax Treatment Control Act, along with its Enforcement Decree and Enforcement Regulations and the Regulation on Tax Exemptions or Reductions for Foreign Investment.

Introduced in 2003, the Special Act on Designation and Management of Free Economic Zones is a specialized legislation aimed at fostering foreigner-friendly economic conditions in Korea to encourage increased foreign investment. It outlines specific incentives and special treatments for foreign investors and companies, including exemptions in corporate tax.

In accordance with these laws, the primary incentives and eligibility criteria for foreign investments are outlined as follows:

Qualifications			Incentives
Tax Reductions	New Growth Engines Industries & Source-Technology Businesses	Technologies by the field fall into the categories of new growth engines and source technologies, as well as the establishment and operation of factories to do business utilizing related technologies, materials, and production processes.	- Income tax, corporate tax: 100% for 5 years, 50% for 2 years after that (ONLY if submitted the application by 31 Dec 2018) - Acquisition tax, property tax: 100% for 15 years - Customs tariff, value-added tax, special consumption tax: 100% for 5 years
	Foreign Investment Zones	Individual type - Manufacturing: min. USD 30M - Tourism & resort, international convention: min. USD 20M - Logistics: min. USD 10M - R&D centers: min. USD 2M & (min. 10 researchers)	
		Complex type - Manufacturing: min. USD 10M - Logistics: min. USD 5M	- Income tax, corporate tax: 100% for 3 - years, 50% for 2 years after that (ONLY if - submitted the application by 31 - Dec 2018) - Acquisition tax, property tax: 100% for 15 years - Customs tariff: 100% for 5 years
	Free Economic Zones	- Manufacturing, tourism & resort, international convention: min. USD 10M - Logistics, medical institutions: min. USD 5M - R&D centers: min. USD 1M (min. 10 researchers)	

Qualifications		Incentives
Land Support	Min. 30% foreign investment	- Reduction of rent fee - Support for infrastructure
Cash Grants	- Min. 30% foreign investment - Manufacturing: Parts & materials specialty businesses, new growth engines, and indigenous-tech businesses - R&D centers: New R&D facilities (min. 5 researchers)	Negotiable

Source: www.investkorea.org

hat formatiert: Englisch (Vereinigte Staaten)

Regulations on Operation of Security Review Procedures for Foreign Investments

On August 24, 2022, the Ministry of Trade, Industry, and Energy enacted and enforced the Regulations on the Operation of Security Review Procedures for Foreign Investments. These new regulations activate the previously dormant system for conducting national security reviews of foreign investments and complement the existing foreign investment filing requirements listed below.

- Foreign investments subject to national security review encompass investments in companies that:
  - Raise concerns regarding the hindrance of defense materials production
  - Involve the production of goods requiring export approval or licensing or the possession of military-purpose technology
  - Raise concerns about the potential disclosure of state secrets
  - Raise concerns that the efforts of the UN or other organizations towards international peace and security may be significantly impeded
  - Are highly likely to lead to the disclosure of national core technology.
- Establishment of a new expert committee tasked with conducting preliminary reviews of the aforementioned investments
- Implementation of more specific evaluation standards based on factors such as threats, vulnerabilities, and the potential impact on national security

Source: Kim & Chang

INVESTMENT IN THE STOCK MARKET

Repeal of the Pre-Registration System for Foreign Investors

Historically, the Korean stock market operated under a pre-registration system for foreign investors. This system, established under the Financial Investment Services and Capital Markets Act (FSCMA), aimed to oversee and regulate foreign investment in domestic securities, ensuring financial stability and preventing market manipulation.

However, as of November 14, 2023, the pre-registration system has been abolished. Foreign investors are no longer obligated to undergo this process to invest in the Korean stock market. This shift towards market liberalization is expected to boost foreign investment and bring the Korean market in line with global standards.

Temporary Ban on Short Selling until March 30, 2025

Short selling, the practice of selling securities not owned by the seller, has been a topic of debate worldwide. In 2024, the Korean government took a decisive step to ban short selling until March 30, 2025, with the goal of reducing market volatility and safeguarding retail investors.

By March 2025, the authorities will implement an electronic system to prevent naked short selling. The Financial Services Commission (FSC) will create guidelines to help institutional investors establish their internal systems for managing short position balances. Meanwhile, the Korea Exchange (KRX) aims to develop the Naked Short-selling Detection System (NSDS) by the end of March 2025.

INTELLECTUAL PROPERTY PROTECTION (IPP)

The Korean Intellectual Property Office (KIPO) serves as the primary governmental body responsible for intellectual property affairs in Korea. For 13 consecutive years, Korea has been exempted from inclusion in the Watch List, as noted in the annual Special 301 Reports issued by the United States Trade Representative (USTR).

Since 2016, KIPO has offered an online patent document search service accessible to both the public and international users. This service provides comprehensive information on Korean intellectual property applications, statuses, and trial procedures.

ARTIFICIAL INTELLIGENCE LAW

In 2024, AI was the most talked-about topic both in Korea and globally. The year concluded with the significant milestone of passing the AI Basic Act on December 26, 2024, making Korea the second region after the EU to introduce a comprehensive regulatory framework for AI.

The Act's primary goal is to protect individual rights while fostering AI development and usage. It differentiates between "high impact" AI and "generative" AI, which determines the obligations businesses must meet when developing or using AI. A key requirement is for foreign AI businesses that meet specific criteria to appoint a local representative in Korea.

The Ministry of Science and ICT is establishing a task force to develop detailed rules under the Act, with comprehensive guidelines expected by June 2025. The Act will take effect in January 2026 and is anticipated to raise compliance and risk management costs for companies in sectors significantly affected by the Act, such as AI medical devices and autonomous driving.

GENERAL DATA PROTECTION LAW

The main law concerning data protection is the Personal Information Protection Act 2011 (PIPA). Amendments made in 2020, which took effect on August 5, 2020, include updated definitions for pseudonymous and anonymous processing. These changes come with corresponding requirements, penalties, and efforts to centralize personal information protection services under the jurisdiction of the Personal Information Protection Commission (PIPC).

In January 2021, an additional amendment to PIPA was proposed. This amendment introduces provisions regarding the right to data portability and the right to opt out of automated decision-making processes. It also expands the methods for transferring personal data overseas and includes pseudonymized data in the scope of information subject to destruction by data handlers.

The revised PIPA, effective as of March 15, 2024, signifies a notable progress in Korea's legal framework for data privacy and protection. It imposes more stringent requirements and wider obligations on organizations handling personal information, with a notable impact on foreign companies operating in or engaging with the Korean market

The PIPC has issued a comprehensive guide outlining the recent amendments to the Personal Information Protection Act (PIPA), along with an enforcement decree. These amendments introduce significant changes to the legal framework governing personal information. Key modifications include:

- Universal Dispute Mediation: The updated PIPA now requires all organizations handling personal data, including private businesses, to engage in dispute mediation. This expands the previous rule that only applied to public institutions, ensuring a more inclusive approach to resolving data protection issues.

- Standards for Image Processing Devices: The amendments set forth regulations for both stationary and mobile devices used for processing image data, such as CCTV cameras, drones, and self-driving vehicles. These standards outline guidelines for the lawful and responsible use of video information.
- Consistent Rules for Online and Offline Activities: The revised law adopts a "Same Regulation Principles of Same Conduct" approach, aligning regulations across online and offline activities. This simplifies compliance for those handling personal data by applying consistent rules regardless of the platform. This alignment aims to reduce the regulatory burden on those processing personal information.
- Removal of Online Service Expiration Dates: The previous system of setting expiration dates for online services has been removed. Instead, a new policy for handling inactive accounts has been implemented.
- Strengthened Security Measures for Big Data Handlers: Organizations dealing with large volumes of personal data must now adhere to enhanced security measures, bolstering the protection of sensitive information.

Certain entities must appoint a Chief Privacy Officer (CPO) who meets certain qualifications. A CPO must have at least three years of experience in personal information protection and a total of six years of professional experience in personal information protection, data protection, and information technology.

The criteria for appointing a CPO with these qualifications are as follows:

(1) Entities with Substantial Financial Thresholds: This requirement applies to entities with annual sales revenue or income equal to or exceeding KRW 150 billion.

(2) Extensive Data Processing Entities: This includes entities that either
   - process sensitive information or unique identification information about at least 50,000 data subjects or
   - handle the personal information of at least 1 million data subjects.

(3) Educational Institutions: Educational institutions, particularly those classified as schools under the Higher Education Act, with a student enrolment of at least 10,000 as of December 31 of the previous year, must designate a CPO.

(4) Healthcare Facilities: Tertiary hospitals classified under the Medical Service Act are also required to appoint a CPO.

(5) Public Institutions with Significant Data Processing Systems: Public institutions that operate a personal information processing system meeting the standards established by the Personal Information Protection Committee (PIPC) are similarly obligated to appoint a CPO with the specified qualifications.

- Penalties for Unauthorized Use of Personal Information: The Act imposes strict penalties for the unauthorized use of personal information obtained during employment. These penalties may involve monetary fines or imprisonment.
- Aggravated Sanctions for Persistent Infringements: The amendments introduce heightened sanctions for intentional and repeated violations of the Act. Depending on the severity of the breach, fines range from a maximum of 3% of total sales to a complete exemption.
- Future Guidelines on Information Subjects' Rights: The PIPC will release additional guidelines outlining the rights of information subjects. This will encompass provisions regarding automated decision-making processes.

These amendments signify a robust step towards enhancing the protection of personal data and aligning Korea's data protection regime with global standards.

EU Adequacy Decision with Korea

On December 17, 2021, the European Commission announced the adoption of its adequacy decision regarding Korea. This decision enables the seamless transfer of personal data between the EU and Korea without the need for further authorization or additional transfer mechanisms. Additionally, the decision extends to transfers of personal data between public authorities.

This adequacy decision means that European data will have protections similar to those in Korea, as they do in the EU. It incorporates supplementary safeguards mutually agreed upon by both parties during the adequacy dialogue, including enhanced transparency and requirements for onward data transfers. These regulations are legally binding and enforceable by both the PIPC and Korean courts.

For comprehensive details, the European Commission has made available the complete adequacy decision along with a Q&A document.

The ROK-EU Digital Partnership

On November 28, 2022, Korea and the EU officially established the ROK-EU Digital Partnership. It covers various areas such as collaborative research, semiconductors, high-performance computing, cybersecurity & & Trust, Beyond 5G/6G Mobility Skills, Digital Inclusion, Artificial Intelligence, Online & Digital Platform Cooperation, Data-related Laws and Systems, Digital Identity & Trust Services, and Digital Trade.

To oversee these initiatives, the Korea-EU Digital Partnership Council will be formed, led by the Korean Minister of Science and ICT (MSIT) and the EU Commissioner for the Internal Market. This council will ensure practical implementation of the initial joint actions outlined in the partnership.

For further details, please refer to the full Digital Partnership document available in the press release from the MSIT.

New Telecommunication Business Act

The Telecommunications Business Act underwent changes on September 14, 2021. These amendments bring in stricter regulations and more oversight for online platform operators.

One significant change is that application market providers like Apple and Google are now prohibited from mandating in-app payments to content providers. Starting in March 2022, the MSIT and the Broadcasting and Communication Commission have the authority to assess how market providers safeguard users and manage their platforms.

On April 23, 2024, the Ministry of Science and ICT unveiled an amendment to the Enforcement Decree of the Telecommunications Business Act. The aim is to strengthen user rights and protections in telecommunications services by improving the way major value-added telecommunications service providers handle user requests.

The current Telecommunications Business Act mandates that major value-added telecommunications service providers offer either an online or a telephone ARS for managing user requests, as specified in Article 22-7(1) of the Telecommunications Business 2 Act and Article 30-8(1)(a) of its Enforcement Decree. However, the Proposed Amendment requires these providers to: (i) operate both an online and a telephone ARS, (ii) process user requests in real-time and in Korean during business hours, and (iii), if real-time processing is not possible, address user requests within three business days of receipt. If there are valid reasons for not completing the process within this period, users must be notified of the reason and given a processing schedule.

MERGER & JOINT VENTURE

Korea's main competition law is the Monopoly Regulation and Fair Trade Act (MRFTA), overseen by the Korea Fair Trade Commission (KFTC). The KFTC regulates mergers and acquisitions under the MRFTA.

As of December 30, 2021, an amendment to the MRFTA mandates notification for transactions that meet specific criteria, including certain types of business combinations and meeting either the size-of-parties or size-of-transaction thresholds. A further amendment, promulgated on February 6, 2024, introduced exemptions from merger notification requirements and a voluntary remedy proposal system, but these changes do not impose new obligations specifically on foreign business.

(1) Purchasing 20% or more (or 15% or more for Korean-listed companies) of another company's total voting shares.

(2) Acquiring additional shares to become the largest shareholder if already owning 20% or more (or 15% or more for Korean-listed companies) of a company's total voting shares.

(3) Being the largest shareholder in a newly established joint venture company.

(4) Acquiring all or a significant part of a target company's business or assets.

(5) Participating in a statutory merger with another company.

(6) Having interlocking directorates, except between affiliates, where a director or employee of one company concurrently serves as a registered director of another company.

Size-of-Parties Threshold

	Company 1	Company 2
Total worldwide assets or total worldwide turnover during the immediately preceding business year (including those of its affiliates)	Equal to or greater than KRW 300 billion	Equal to or greater than KRW 30 billion
In the case of a foreign-to-foreign merger, the Korean turnover (including those of its affiliates)	Equal to or greater than KRW 30 billion	Equal to or greater than KRW 30 billion
In the case of a Korean-to-foreign merger, (Not including a foreign company's acquisition of a Korean company)		The target foreign company: Equal to or greater than KRW 30 billion (including those of its affiliates)

.Size-of-transaction Threshold

Transaction Value Test		Korean Activities Test
The transaction value is KRW 600 billion or more. The transaction value for each merger type is calculated as follows:		(a) The target has sold or provided products or services to at least 1 million people per month in the Korean market during the immediately preceding three years. (b) The target has either leased research and development (R&D) facilities or used R&D personnel in Korea and has had an annual R&D budget of at least KRW 30 billion for the Korean market during the immediately preceding three years (c) The transaction involves facts that are, in effect, equivalent to the above (a) or (b).
Share Acquisitions	The sum of the purchase price for the shares to be newly acquired and the book value of the shares already owned, and the value of liabilities of the target	
Statutory Mergers	The sum of the value of shares to be issued as consideration for the merger, and the value of liabilities of the target	
Business or Asset Transfer	The sum of the purchase price for the business or assets and the value of liabilities to be assumed	
Establishment of a Joint Venture Company	The amount of investment to be made by the largest shareholder	

In 2024, the KFTC's voluntary Compliance Program underwent significant changes following amendments to the MRFTA and its Enforcement Decree that took effect in June 2024. Before these changes, the Program relied on the KFTC's internal guidelines and lacked a statutory foundation, which reportedly discouraged companies from participating. With the amendments, companies that join the Program can benefit from fine reductions of up to 20% and exemption from ex-officio investigations for two years. Consequently, 2024 experienced a notable rise in the number of companies adopting the Program, a trend expected to continue into 2025.

ENTRY CONDITIONS & VISA APPLICATION

Foreign nationals are required to have a valid passport for a minimum period of six months from the date of entry into Korea. Swiss and Lichtenstein nationals can stay up to 90 days for business and tourist purposes without a visa. However, they are required to register for the Korea Electronic Travel Authorization (K-ETA) through the official website or the designated app, available on both Android and iOS. Passengers should complete this registration at least 72 hours prior to their flight departure, as they must have an approved K-ETA for boarding. An approved K-ETA is generally valid for 3 years and allows multiple visits to Korea. Those with an authorized K-ETA are exempt from submitting the arrival card upon arrival.

As part of the Visit Korea campaign 2023-2024, the exemption from K-ETA for Swiss and Liechtenstein nationals has been extended by one year until 31.12.2025.

Therefore, Swiss and Lichtenstein nationals are not required to register for the K-ETA until 31.12.2025. Passengers without a K-ETA must submit an arrival card at immigration. The arrival card will be handed out by the cabin crew or can be found on desks before immigration. As an alternative to the physical paper arrival card, you may also choose to electronically fill out the new e-arrival card online up to 72 hours before entry into Korea at www.e-arrivalcard.go.kr. On the arrival card, passengers must provide their passport details and their accommodation address in Korea.

Those wishing to benefit from a K-ETA approval, such as not having to submit an arrival card, may still apply. In this case, the application fee will be charged. Travelers with a valid K-ETA can continue using it until its expiration date; the application fee is non-refundable.

For activities other than business or tourist purposes, various types of visas are available for foreigners, tailored to specific social activities and residency purposes. Any foreign national residing in Korea for more than 90 days must ensure they have the appropriate visa for their intended activities. Engaging in activities other than those permitted under their visa requires permission from the relevant authorities. For more information, please visit the Korea Visa Portal or the Embassy of the Republic of Korea in Switzerland website.

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LABOUR LAW

Korean Labour Law encompasses four key areas: Individual Labour Relations, Collective Industrial Relations, Cooperative Industrial Relations, and Employment Law. Each section defines the terms of employment contracts and governs the relationship between employers and employees based on specific characteristics. These standards facilitate autonomous dispute resolution and ensure workers' rights to unionize, aiming to foster mutual benefits for both parties through enhanced participation and cooperation.

The Labour Standards Act (LSA) sets the standard working hours at 8 hours per day and 40 hours per week. Employees are entitled to 15 days of annual paid leave, with an additional day added every two years of consecutive employment, up to a maximum of 25 days. Since July 2018, the maximum weekly working hours have been capped at 52, comprising 40 regular hours and 12 overtime hours. In February 2018, an amendment to the Labour Standards Act addressed a longstanding controversy concerning weekend working hour treatment. Prior to the amendment, interpretation of relevant provisions permitted 16 working hours on paid weekends, despite the Act restricting overtime to 12 hours per week. The new regulations, applicable to all workplaces since July 2021, resolved this inconsistency.

Under Korean Labour Law, paid holidays include public holidays, Labour Day (May 1st), and parental leave with paid time off. Employers are also required to grant their employees at least one day off per week with pay. Additionally, if an employee works on a paid holiday, they are entitled to a holiday work allowance, with a 50% increase for work under 8 hours per day and a 100% increase for time exceeding 8 hours per day.

Korea offers four primary social insurance programs: employment insurance, industrial accident compensation insurance, national pension, and health insurance.

Migrant workers enjoy the same rights as Korean workers and are protected by various labor laws, including the Labour Standards Act, Minimum Wages Act, Wage Claim Guarantee Act, and other relevant labour laws.

Employers are prohibited from unjustly dismissing, laying off, suspending, transferring, or reducing the wages of workers. Any punitive measures must have reasonable grounds accepted by society. The rationale behind punitive actions, such as termination, is typically outlined within labor laws, regulations, and collective bargaining agreements. Dismissal notices must be given at least 30 days in advance, or the employer must provide 30 days' worth of dismissal pay. Termination of employment becomes effective upon issuance of a written notice delineating the grounds and date of dismissal, which is then communicated to the respective employee.

Severance Payment, regulated by the Guarantee of Workers' Retirement Benefits Act, is a significant feature of Korean labor law. Full-time employees, regardless of nationality, are entitled to receive severance pay equivalent to 30 days' average wage for each year of service. This benefit is mandatory for all departing employees, regardless of the circumstances. For further details, visit the Ministry of Employment and Labour website.

Minimum Wage

According to the revised Minimum Wage Act, effective January 2025, the minimum hourly wage will be KRW 10,030, an 1.7% increase from KRW 9,860 in 2024. For an employee working 40 hours a week, the minimum monthly salary would amount to KRW 2,461,811, based on 209 hours per month, inclusive of the weekly holiday allowance. The minimum wage mandate extends to all employees defined under the Labour Standards Act of Korea, regardless of their employment status, contractual arrangement, or nationality. However, certain exceptions apply, such as businesses that exclusively employ family members or relatives residing in the same household, domestic service users, and seamen regulated by the Seamen's Act. Employers failing to meet the minimum wage requirement are subject to penalties.

Employees working fewer than 8 hours on a public holiday are entitled to 150% of their regular wage, increasing to 200% for hours exceeding 8. Exceptions are granted to five industrial categories: land transportation, water transportation, air transportation, other transportation-related services, and medical and sanitary businesses. However, in these exceptional categories, employers must provide workers with at least 11 hours of rest before the commencement of the next workday.

2025 Amendments to Labor & Employment Laws

Laws	Details	Effective From
Equal Employment Opportunity Act	(Extension of the Period of Childcare Leave of Absence) Employees who fall under any of the following categories will be eligible to extend their childcare leave of absence for a maximum of 18 months: (a) parents where both have taken at least three (3) months of childcare leave for the same child, (b) single parents, or (c) parents of a child with a severe disability.	February 23, 2025
	(Extension of the Period of Paternity Leave) Paternity leave will be extended from 10 days to 20 days.	February 23, 2025
	(Extension of the Period and Child's Age for Reduced Working Hours for Childcare) The age of a child to qualify for a reduction in working hours for childcare will be extended from eight (8) years or younger to 12 years or younger.	February 23, 2025
Labor Standards Act	(Extension of the Period for Reduced Working Hours During Pregnancy) To protect pregnant employees from the risk of miscarriage and premature birth, the period of a reduction in working hours during pregnancy will be extended from “within the first 12 weeks or after 36 weeks” to ‘within the first 12 weeks or after 32 weeks”.	February 23, 2025
	(Extension of the Period of Maternity Leave for Premature Birth) For premature babies requiring hospitalization in a neonatal intensive care unit, maternity leave will be extended from the current 90 days to 100 days.	February 23, 2025
	(Interest on Wage Payment Delays) The interest on wage payment delays (20% per annum), which currently applies only to retired employees, will also be expanded to apply to current employees.	October 23, 2025
Occupational Safety and Health Act	(Protection of Workers from Extreme Heat and Cold) Employers are required to take necessary measures to prevent health impairments caused by prolonged work under extreme heat and cold.	June 1, 2025
Industrial Accident Compensation Insurance Act	(Designation of Industrial Accident Workers’ Day) April 28th of each year is designated as Industrial Accident Workers' Day.	January 1, 2025

Source: Kim & Chang

Improper solicitation and graft act (Kim Young-Ran Act)

In October 2016, the Improper Solicitation and Graft Act, commonly referred to as the "Kim Young-Ran Act," was enacted to combat corruption by prohibiting public officials, educators, and journalists from soliciting or accepting unlawful favors in public office settings.

Under this legislation, individuals employed in public office, media, and education who accept bribes totaling KRW 1 million or more may face imprisonment for up to 3 years, irrespective of whether the funds are linked to official duties or if favors are reciprocated. In addition, accepting gifts of less than KRW 1 million is also punishable if they are related to official duties or if they involve a quid pro quo.. Both the recipients of illicit funds and the individuals offering such gifts are subject to penalties.

Nevertheless, exceptions to the anti-graft provisions exist to facilitate smooth job performance. Effective August 27, 2024, an amendment to the Enforcement Decree introduced allowances for certain activities, including social gatherings, rituals, and relief assistance, not directly related to official duties or positions. These exceptions include: (1) social settings permitting drinks and snacks valued up to KRW 50,000; (2) acceptance of personal gifts valued at KRW 50,000 or less; (3) allowance for agricultural or marine products as personal gifts valued up to KRW 150,000; during Lunar New Year and Chuseok holidays, gifts valued up to KRW 300,000 are acceptable; (4) condolence money up to KRW 50,000 and flowers valued up to KRW 100,000.

For more information, visit the Anti-Corruption & Civil Rights Commission website.

Serious Accident Punishment Act (SAPA)

On January 27, 2022, the Serious Accident Punishment Act (SAPA), the nation's new industrial safety law, came into effect. Under SAPA, business owners or managerial personnel in companies with over 50 employees could face criminal penalties, including a minimum one-year prison sentence or fines of up to KRW 1 billion, in cases of fatal industrial accidents where inadequate safety measures are identified.

Business owners or authorized managerial personnel tasked with representing and managing the business hold the responsibility for overseeing safety and health matters within the company. As outlined in the Act, these individuals are obligated to take specific measures to prevent severe industrial accidents:

- Establishing a comprehensive health and safety management system by allocating sufficient workforce and financial resources as needed to prevent accidents;
- Developing an effective contingency plan to mitigate the risk of accident recurrence;
- Adhering to any improvement or corrective orders issued by government authorities; and
- Implementing necessary measures to ensure compliance with all relevant health and safety laws and regulations.

SAPA places personal criminal liabilities on business owners and responsible managerial personnel in cases of severe accidents.

	Serious Industrial Accidents	Serious Public Accidents
Fatalities (one or more persons)	Imprisonment of one year or more and/or a criminal fine of up to KRW 1 billion	Imprisonment of one year or more and/or a criminal fine of up to KRW 1 billion
Injuries (two or more persons receiving medical treatment of six months or longer due to the same accident; ten or more persons in case of public severe accidents)	Imprisonment of up to seven years or a criminal fine of up to KRW 100 million	Imprisonment of up to seven years or a criminal fine of up to KRW 100 million
Occupational Illness (three or more persons within one year due to the same hazard)	Imprisonment of up to seven years or a criminal fine of up to KRW 100 million	

Illness (then or more persons receiving medical treatment of three months or longer due to the same cause)		Imprisonment of up to seven years or a criminal fine of up to KRW 100 million

* Punishment will be expanded by 50% in case of repeated violations within five years.

As of January 27, 2024, the scope of the Serious Accident Punishment Act (SAPA) has been expanded to include businesses with fewer than 50 full-time employees (or construction businesses with a total construction cost of less than KRW 5 billion). This extension of the Act obligates smaller businesses to implement adequate safety measures, conduct risk assessments, and provide employee training. It is imperative for smaller businesses to prioritize the development of robust safety policies, not only to comply with legal requirements but also as an integral aspect of responsible business management.

However, it's important to note that the obligations outlined in SAPA will continue to be exempt for businesses employing fewer than five full-time employees, even after January 27, 2024.

ENVIRONMENTAL LAW

Framework Act on Carbon Neutrality and Green Growth for Coping with Climate Crisis

The Framework Act on Carbon Neutrality and Green Growth for Coping with the Climate Crisis, enforced through the Enforcement Decree announced on March 25, 2022, represents a significant step in addressing climate change. Subsequently, on September 25, 2022, the Korean administration introduced the climate change impact assessment system as per the Act's provisions.

Under this legislation, major national plans and large-scale development projects are mandated to:

(1) Conduct assessments of their impacts on climate change; and

(2) Implement measures aimed at reducing greenhouse gas emissions and adapting to climate crises.

The Decree specifically identifies ten industries that either emit significant quantities of greenhouse gases or are particularly susceptible to climate crises. These industries are required to assess relevant plans or projects for greenhouse gas reduction and climate crisis adaptation:

- Energy development
- Industrial site and complex development
- Urban development
- Water resource development
- Port construction
- Mountain development
- River use and development
- Road construction
- Airport construction
- Installation of waste and livestock manure treatment facilities

The Ministry of Environment has made the complete Enforcement Decree available at this link.

The Act for Promotion of Transition to a Circular Economy and Society (APTCES)

The Ministry of Environment (MOE) is undertaking significant strides to fortify the legal framework for transitioning towards a resource-circulation economy, aligning with the guiding principles articulated in the Act on Promotion of Transition to a Circular Economy and Society. This strategic endeavor has been realized through a comprehensive amendment of the existing Framework Act on Resources Circulation, effective as of January 1, 2024. As part of this initiative, MOE is diligently advancing plans to designate certain materials as 'circular resources,' subject to rigorous evaluation to ensure compliance with recyclability and safety criteria. This designation will encompass materials such as waste paper and scrap metal, among others.

Moreover, MOE is dedicated to establishing standards emphasizing product durability and reparability to foster sustainable product utilization. This initiative encompasses provisions for spare parts availability and setting delivery timelines.

APTCES outlines fundamental concepts integral to the circular economy, including 'circular raw materials' and 'circular use.' Under APTCES, 'circular raw materials' are defined as materials designated by the Presidential Decree capable of circular utilization. These materials encompass substances utilized in daily activities or industries, whether in their original form or following processing.

Furthermore, the Act elaborates on the notion of 'circular use,' encompassing a spectrum of activities outlined by MOE Ordinance. These activities entail repurposing or recycling materials or goods used in daily life or industrial processes, designated as resources. Additionally, 'circular use' extends to efforts aimed at energy recovery or facilitating energy recuperation from waste, in accordance with the Article 2, Item 1 of the Energy Act.

On August 19, 2024, the MOE revealed an Amendment to the APTCES Enforcement Decree, which is set to be implemented on January 1, 2025. The table below outlines some of the Amendment's key elements.

Key Amendments	Details
Scope of Application and Compliance Requirements subject to the Circular Use of "*Products, etc.*"	- The Amendment specifies the scope of "*products, etc.*" governed by Article 17 as follows: (i) "Products and packing materials which must be recycled" under the Enforcement Decree of the Act on the Promotion of Saving and Recycling of Resources (ii) "Automobiles" under the Act on Resource Circulation of Electrical and Electronic Equipment and Vehicles (iii) "Electrical and electronic equipment which must be collected, transferred or recycled" under the Act on Resource Circulation of Electrical and Electronic Equipment and Vehicles (iv) Other products, etc., publicly announced by the Minister of Environment as the Minister of Environment deems that circular use of such products to be necessary
Scope of Application and Compliance Requirements subject to the Circular Use of Packaging Materials	- The Amendment specifies the regulation targets, scope, and compliance matters as follows: (i) Persons Subject to the Act: a. Persons engaged in the distribution business or chain business as defined under the Distribution Industry Development Act. b. Mail order distributors as defined under the Act on the Consumer Protection in Electronic Commerce. c. Other persons publicly notified by the Minister of Environment. (ii) Compliance Matters: a. Minimize the use of disposable packaging materials and expand the use of reusable packaging materials. b. Use of packaging materials, including recycled materials. c. Use of packaging materials with minimal inclusion of hazardous substances. d. Minimize the use of packaging materials that have structures, parts, materials, etc., that impede reuse and recycling. e. Use of packing materials marked with information on whether they are reusable whether they contain hazardous substances, materials, structures, etc.

Source: Shin & Kim

The Amendments are consistent with the EcoDesign for Sustainable Product Regulation, the European Packaging and Packaging Waste Regulation, and the Directive on Common Rules Promoting the Repair of Goods, which was endorsed by the European Council in April 2024. Currently, the provisions in the Amendment to the APTCES require businesses to make efforts towards compliance, but there are no direct penalties for failing to do so. However, after a transitional period, these requirements will become more stringent through other specific laws, such as the Resource Recycling Act. Therefore, it is important for business operators to closely follow regulatory changes and prepare appropriate strategies in advance.

SEPTEMBER 2025 UPDATES

YELLOW ENVELOPE ACT

On August 24, 2025, the Korea National Assembly passed an amendment to the Trade Union and Labor Relations Adjustment Act. The amended law is commonly referred to as the “Yellow Envelope Act,” a name derived from the past practice of delivering workers’ wages in yellow envelopes, symbolizing the aim of alleviating workers’ losses and hardships. The amendment will take effect in March 2026 following a six-month grace period.

Key provisions include:

(1) An expanded definition of “employer” to encompass entities exercising significant control over employment terms, which may result in increased bargaining unit disputes.

(2) Authorization for unions to admit non-employees without forfeiting their legal status.

(3) A broadened definition of labor disputes, now encompassing matters such as employee classification and employer decisions regarding working conditions, potentially leading to an increase in industrial action.

(4) Additional restrictions on employers seeking damages related to strikes, introduction of new exemptions, and prohibition of damage claims aimed at suppressing union activities.

The Ministry will issue interpretive guidelines prior to implementation, and organizations are advised to review compliance requirements during the grace period.

COMMERCIAL CODE AMENDMENTS

Following President Lee Jae-Myung’s inauguration in June 2025, the government pursued corporate governance reforms. The National Assembly amended the Korean Commercial Code to expand directors’ fiduciary duties, permit electronic (virtual) shareholder meetings, add independent directors, and broaden the so-called “3% rule,” which limits the combined voting rights of the largest shareholder and related parties to a maximum of 3% when appointing or dismissing members of the audit committee.

The amendment took effect on July 3, 2025: the expanded fiduciary duties applied immediately, the provision allowing electronic shareholder meetings will take effect in January 2027, and other changes will apply after a one-year grace period. Additional reform proposals are scheduled to be discussed through public hearings.

These amendments impact corporate restructuring, investment, finance, and investor relations (IR). Directors must balance the interests of shareholders and the company, with an emphasis on fairness and transparency, thereby reducing liability risks. Companies should carefully assess shareholder concerns in transactions and ensure that the board conducts thorough deliberations. The revised Commercial Code allows virtual shareholder meetings, strengthens board independence, and reinforces governance and investor relations practices.

In the recent amendment to the Commercial Code, the title of “outside directors,” referring to those appointed from outside listed companies, has been changed to “independent directors.” This change is intended to ensure the substantive independence of the board of directors and to strengthen transparency and fairness in corporate management.

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