

invest
Seoul

Doing Business and Investing in Seoul, Korea

Key Considerations for Market Entry

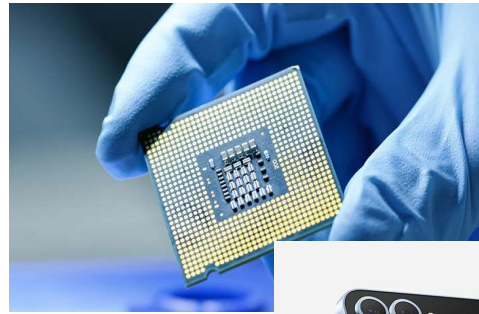
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 **HYESUNG**

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What comes to your mind about Korea ?



Korea at a Glance



Strong Economy

Global
Top 12

GDP
IMF, 2023

Global
Top 1

Patent
application ratio
to GDP
WIPO, 2022

Global
Top 9

FX reserve
BOK, 2023



Global Soft Power

Global
Top 10

National Brand
Value
Brand Finance,
2023

Global
Top 6

Cultural influence
US News & World
Report, 2023

Global
Top 7

Tourist
Destination City
Euromonitor
International,
2022



Global Business Hub

Asia
Top 1

Hosting
International
Conference
UIA, 2022

AA

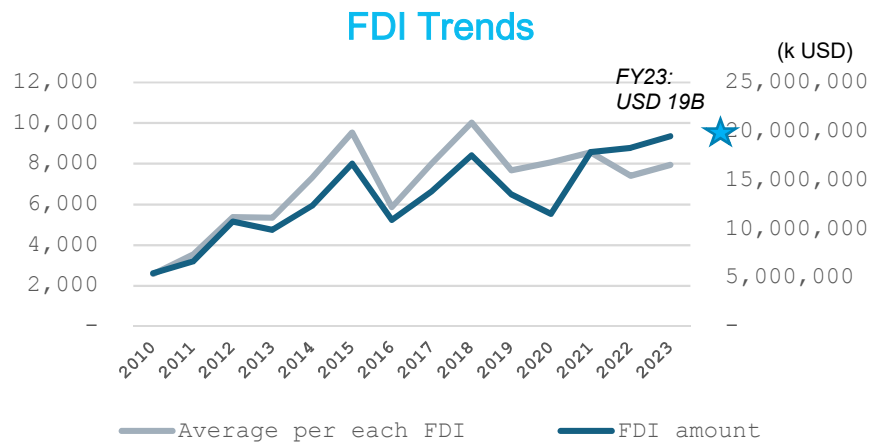
National Credit
Rating
S&P, 2023

Global
Top 5

Ease of Doing
Business Index
World bank, 2020

Singapore is the 3rd largest source of FDI in Korea

Singapore has been one of the top 3 largest sources of FDI in Korea over the past 3 years, while FDI in Korea has sharply increased since the COVID-19 period.



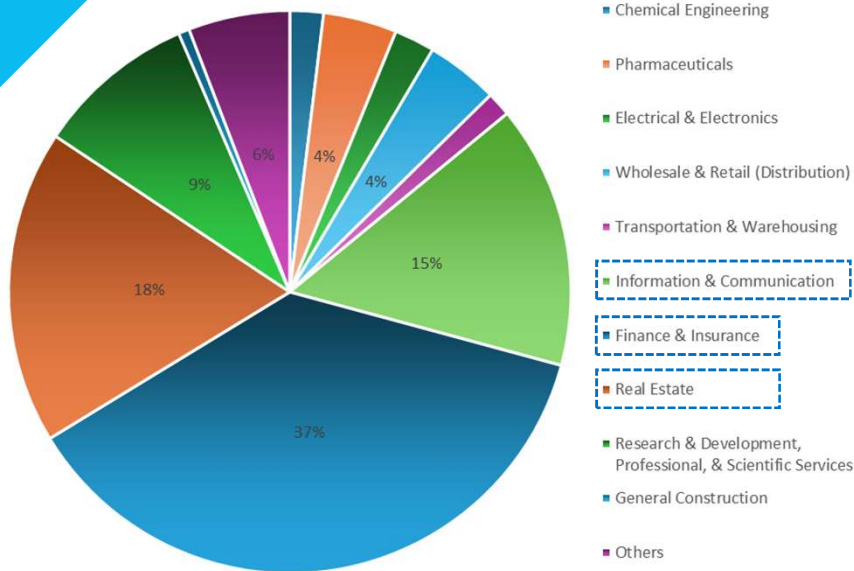
Top 5 Countries by FDI statistics

Ranking	2022	2023	2024 Q2
1	Cayman Island	Cayman Island	Malta
2	USA	USA	USA
3	Singapore	Singapore	Singapore
4	Malta	Malta	Hong Kong
5	Netherland	UK	Japan

What are the main sectors for investment from Singapore to Korea ?

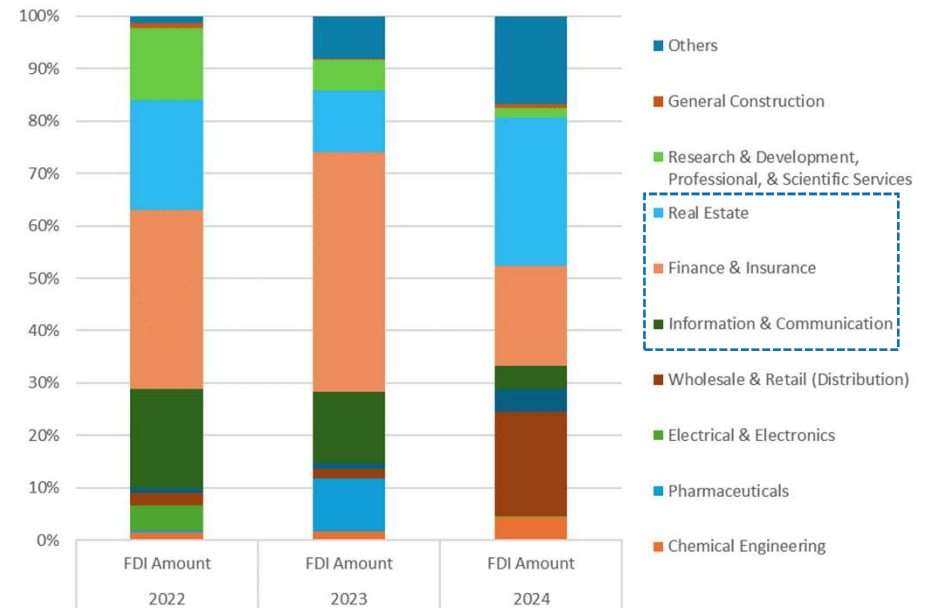
The major sectors in FDI from Singapore are Finance and Insurance (37%), Real Estate (18%), ICT (15%), and others

SG to KR FDI (22-24 SUM)



Source: KOTRA

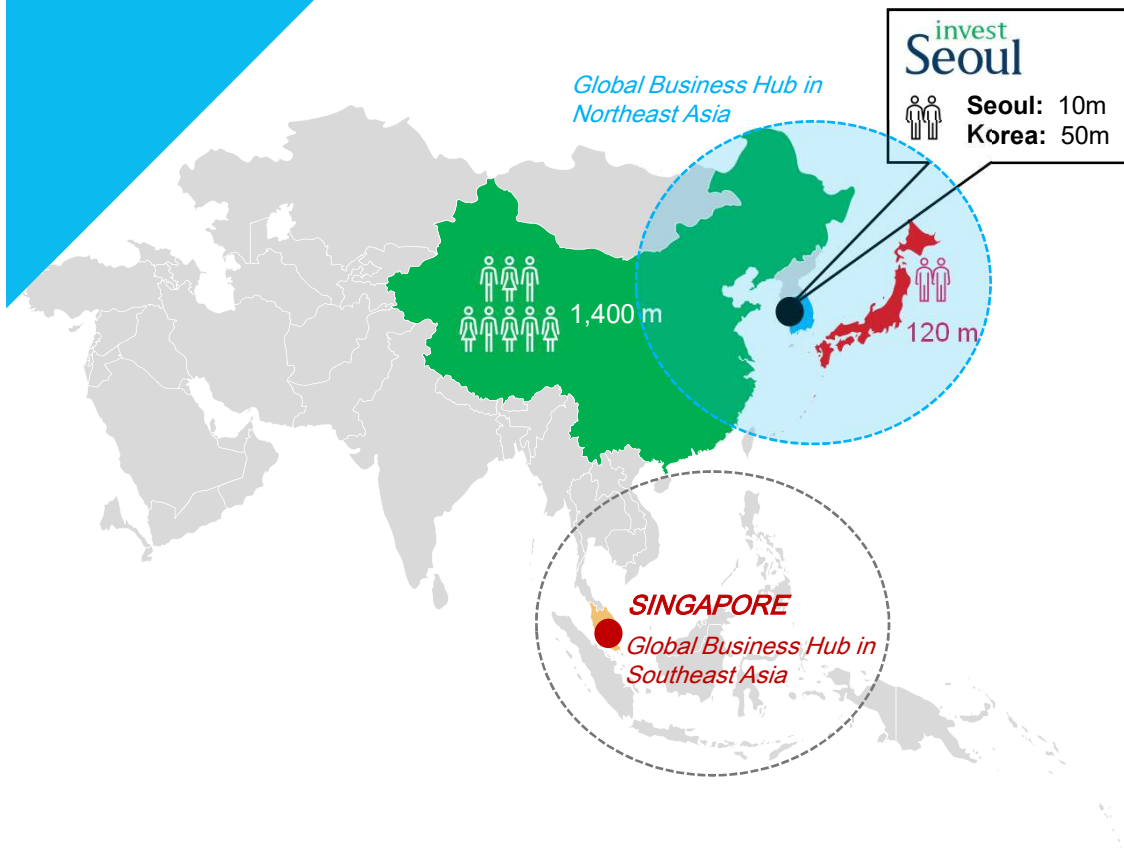
SG to KR FDI (22-24)



Market Entry Cases from Singapore to Korea



Seoul is the Global Business Hub in Northeast Asia



Why Seoul ?

- Open economy accessible to major markets in the world (FTA effective with 59 countries)
- Attractive test-bed market for the global business
- World best digital infrastructure & innovative technology
- Highly educated & skilled labor force
- Global influence of K-culture (K-wave, Hallyu)
- Transparent Legal & Regulatory Environment
- Growing trends in Capital Market

Key Considerations For Market Entry



Which Form of Market Entry is suitable for Your Business ?



Indirect Entry



- Franchise / Licensing
- Joint Venture

PROS

- Lower initial risk and investment
- Easy access & quick entry to the local market

CONS

- Limited control over the local operation
- Potential conflicts with local partner in business operation



Direct Entry



- Branch
- Subsidiary (Stock Company, LLC, etc.)

PROS

- Higher control over the local operation
- Higher profitability

CONS

- Higher initial risk and investment
- Difficulties in rapid expansion to the local market



M&A



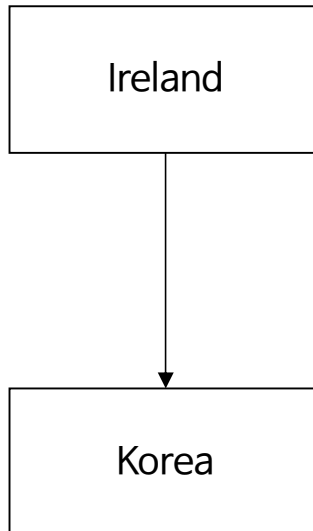
- M&A

PROS

- Quick entry to the local market
- Less uncertainty in local business development

CONS

- Higher cost & risks in the acquisition process
- Difficulties in PMI



Case #1. Cloud-based software company

Background

The Company is a cloud-based software company that provides a platform designed for team collaboration and communication. Its primary product is a messaging application that enables efficient communication and collaboration within teams and organizations.

Market Entry Strategy

The Company provides globally centralized cloud services with unified global IT platform. Korean entity provides only technical support for localization and customer support with minimized local operation.

- Support Services Agreement between Ireland HQ and Korea subsidiary
- Cost plus mark up (5%) revenue (invoicing to Ireland)

Case #2. Self storage platform company

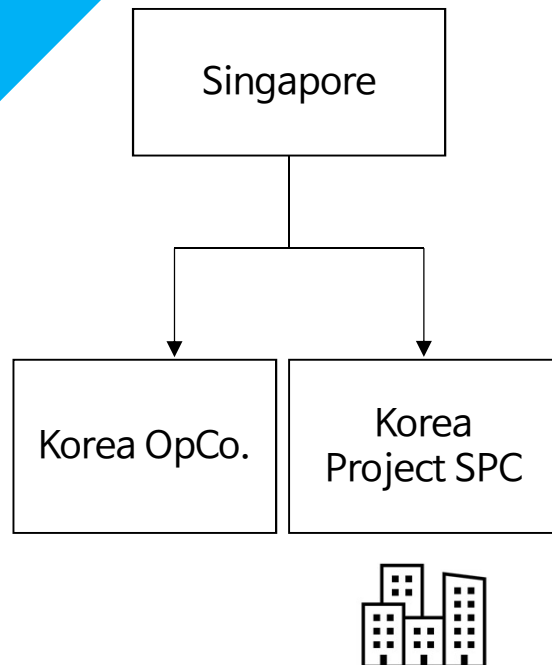
Background

The Company invests in and develops properties in Singapore, Mainland China, Hong Kong SAR, Malaysia, Korea, Japan, Australia and Thailand. The Company convert them into dynamic self storage infrastructure.

Market Entry Strategy

The Company acquired multiple properties in Korea through the SPC wholly owned by Singapore holding Co. and incorporated wholly owned operating company in Korea for self-storage service and property management.

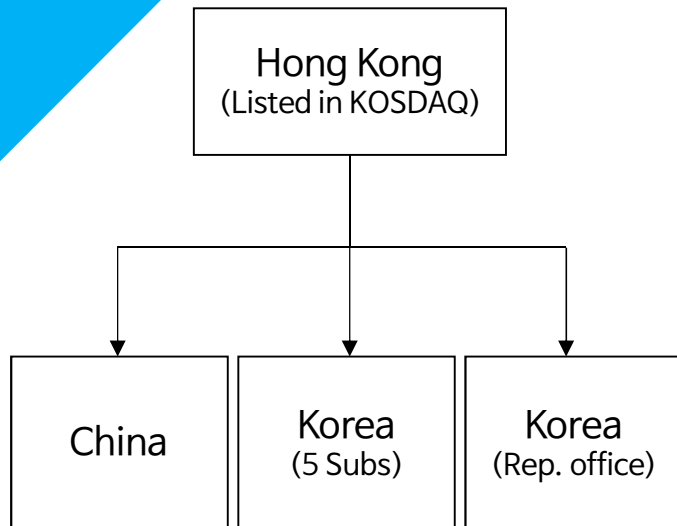
- Investment property is held by each SPC.
- Management contract between Korea OpCo and SPC.
 - Business Advisory, Asset Management, Administrative Support



Case #3. Mobile game company

Background

The company develops and publishes mobile games. It is a Hong Kong-based company that is directly listed on KOSDAQ and operates in China. The Company acquired 5 Korean Companies after listing in Korea for business diversification.



Market Entry Strategy

The Company acquired 5 Korean companies for rapid business expansion and business diversification after IPO in Korea.

It acquired webtoon platform, webtoon production, pc game developer, entertainment and blockchain business for transforming from game company to comprehensive entertainment company.

- Representative office
 - Liaison roles between HK/CN operation team and KR local subsidiaries & regulatory body.

Tax Compliance: Korea vs Singapore

Topic	Korea	Singapore
<ul style="list-style-type: none"> Taxation basis 	<ul style="list-style-type: none"> Residence-based taxation (worldwide income taxation) 	<ul style="list-style-type: none"> Modified Territorial-based taxation
<ul style="list-style-type: none"> Capital gain 	<ul style="list-style-type: none"> Taxed 	<ul style="list-style-type: none"> Not taxed
<ul style="list-style-type: none"> VAT 	<ul style="list-style-type: none"> Taxed (10%) 	<ul style="list-style-type: none"> Taxed (9%)
<ul style="list-style-type: none"> Gift / Inheritance 	<ul style="list-style-type: none"> Taxed 	<ul style="list-style-type: none"> Not taxed
<ul style="list-style-type: none"> WHT 	<ul style="list-style-type: none"> Taxed 	<ul style="list-style-type: none"> No WHT (except for payment to non-resident company - 15%)
<ul style="list-style-type: none"> CIT rate 	<ul style="list-style-type: none"> 9%, 19%, 21% and 24% for 4 tax brackets 	<ul style="list-style-type: none"> 17% (flat tax rate)
<ul style="list-style-type: none"> GAAP 	<ul style="list-style-type: none"> K-IFRS or ASNPE (Accounting Standard for Non-Public Entity) 	<ul style="list-style-type: none"> SFRS
<ul style="list-style-type: none"> External audit 	<ul style="list-style-type: none"> Only companies subjected to the regulatory criteria 	<ul style="list-style-type: none"> All companies except for small company meeting exemption criteria

Market Entry

Operation

Exit

Tax Consideration at each stage

- Capital registration tax: 0.48% at the paid-in capital amount (Seoul: 1.44%)
- In the case of acquiring shares exceeding 50% in a corporation that owns real estate, a deemed acquisition tax of 2.2% is incurred for major shareholders

- CIT return (interim & annual): 9% ~24% for 4 tax brackets
- LIT return (annual): 10% of CIT
- VAT return (quarterly): 10%
- Property tax and comprehensive real estate tax shall be charged to the property owner as of June 1

- Dividend: 15% WHT (if the beneficial owner is a company which holds directly at least 25%: 10%)
- Capital gain from stock transfer:
 - Corporate Tax: Min [10% at transfer price, 20% at capital gain]
 - Security Transaction Tax: Unlisted stock -0.35% (KOSPI/KOSDAQ: 0.2%)

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