

Doing Business 2008

Korea

COMPARING REGULATION IN 178 ECONOMIES

Doing
Business

Doing Business 2008 **Korea**

A Project Benchmarking the Regulatory Cost of
Doing Business in 178 Economies

Doing Business Project
World Bank Group



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Copies of *Doing Business 2008*, *Doing Business 2007: How to Reform*, *Doing Business in 2006: Creating Jobs*, *Doing Business in 2005: Removing Obstacles to Growth* and *Doing Business in 2004: Understanding Regulation* may be purchased at www.doingbusiness.org.

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Introduction

Doing Business 2008 is the fifth in a series of annual reports investigating the regulations that enhance business activity and those that constrain it. *Doing Business* presents quantitative indicators on business regulations and the protection of property rights that can be compared across 178 economies—from Afghanistan to Zimbabwe—and over time.

Regulations affecting 10 stages of a business's life are measured: starting a business, dealing with licenses, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2008* are current as of June 1, 2007. The indicators are used to analyze economic outcomes and identify what reforms have worked, where, and why.

The *Doing Business* methodology has limitations. Other areas important to business -- such as a country's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions, and the underlying strength of institutions -- are not studied directly by *Doing Business*. To make the data comparable across countries, the indicators refer to a specific type of business -- generally a limited liability company operating in the largest business city.

Because standard assumptions are used in the data collection, comparisons and benchmarks are valid across economies. The data not only highlight the extent of obstacles to doing business; they also help identify the source of those obstacles, supporting policymakers in designing reform.

The data set covers 178 economies: 46 in Sub-Saharan Africa, 31 in Latin America and the Caribbean, 28 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 17 in the Middle East and North Africa and 8 in South Asia—as well as 24 OECD high-income economies as benchmarks. Some of the regions have been divided into subregions to generate a total of 13 regional profiles.

The following pages present the summary *Doing Business* indicators for Korea along with the comparator economies selected. The data used for this country profile come from the *Doing Business* database and are summarized in graphs and tables. This report allows a comparison of the economies not only with one another but also with the “best practice” economy for each indicator.

The best-practice economies are identified by their position in each indicator as well as their overall ranking and by their capacity to provide good examples of business regulation to other economies. These best-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 5.

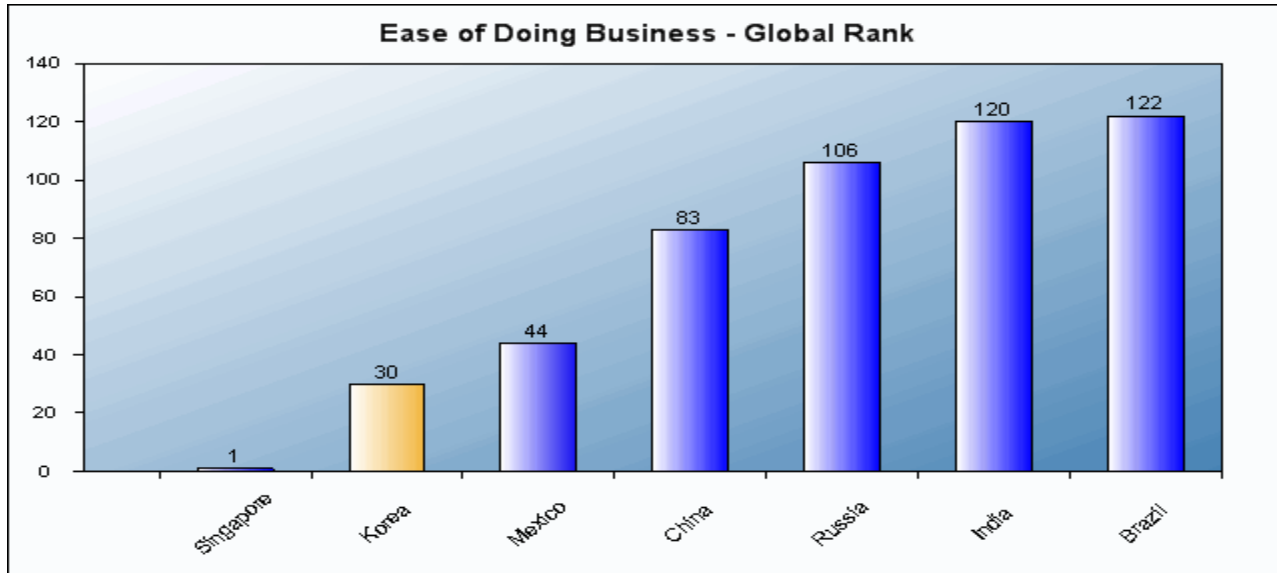
More information is available in the full report. *Doing Business 2008* presents the indicators, analyzes their relationship with economic outcomes and recommends reforms. The data, along with information on ordering the report, are available on the *Doing Business* website

<http://www.doingbusiness.org>

Economy Rankings - Ease of Doing Business

Korea is ranked 30 out of 178 economies. Singapore is the top ranked economy in the Ease of Doing Business.

Korea - Compared to Global Best / Selected Economies:



Korea's ranking in Doing Business 2008

Rank	Doing Business 2008
Ease of Doing Business	30
Starting a Business	110
Dealing with Licenses	22
Employing Workers	131
Registering Property	68
Getting Credit	36
Protecting Investors	64
Paying Taxes	106
Trading Across Borders	13
Enforcing Contracts	10
Closing a Business	11

Reforms - Who is reforming?

This year Egypt tops the list of reformers that are making it easier to do business. Egypt's reforms went deep with reforms in 5 of the 10 areas studied by Doing Business, and it greatly improved its position in the global rankings as a result. Besides Egypt, the other top 10 reformers are, in order, Croatia, Ghana, FYR Macedonia, Georgia, Colombia, Saudi Arabia, Kenya, China, and Bulgaria.

1. **Egypt**, the top reformer in the region and worldwide, greatly improved its position in the global rankings on the ease of doing business. Its reforms went deep. Egypt cut the minimum capital required to start a business, from 50,000 Egyptian pounds to just 1,000 and halved the time and cost of start-up. It reduced fees for registering property from 3 percent of the property value to a low, fixed amount. It eased the bureaucracy that builders face in getting construction permits. It launched new one-stop shops for traders at Egyptian ports, cutting the time to import by seven days and the time to export by five. And it established a new private credit bureau that will soon be making it easier for borrowers to get credit.

2. **Croatia** reformed in four of the 10 areas studied by Doing Business. Two years ago, registering property in Croatia took 956 days. Now it takes 174. Company start-up also became faster, with procedures consolidated at a "one-stop shop" and pension and health services registration now online. Credit became easier to access: a new credit bureau was launched, and a unified registry now records charges against movable property in one place. In its first two months, €1.4 billion in credit was registered. In addition, amendments to the country's insolvency law introduced professional requirements for bankruptcy trustees and shorter timelines.

3. **Ghana**, a top 10 reformer for the second year running, continues to increase the efficiency of its public services. It cut bottlenecks in property registration, reducing delays from six months to one. Greater efficiency at the company registry and the environment agency cut the time for business start-up to 42 days. Changes in the port authority's operations sped up imports. New civil procedure rules and mandatory arbitration and mediation reduced the time it takes to enforce contracts.

4. **FYR Macedonia** eliminated the minimum capital requirement for business start-up, sped up the process for getting construction permits, lowered the corporate income tax rate to 12 percent (with another cut to 10 percent planned for 2008), and simplified tax payment procedures. Its ranking on the ease of doing business rose from 96 to 75.

5. **Georgia** reformed in six areas. It strengthened investor protections, including through amendments to its securities law that eliminate loopholes that had allowed corporate insiders to expropriate minority investors. It adopted a new insolvency law that shortens timelines for reorganization of a distressed company or disposition of a debtor's assets. Georgia sped up approvals for construction permits and simplified procedures for registering property. It made starting a business easier by eliminating the paid-in capital requirement. In addition, the country's private credit bureau added payment information from retailers, utilities, and trade creditors to the data it collects and distributes.

6. **Colombia**, the region's top reformer, has made great strides in easing trade. By extending port operating hours and adopting more selective customs inspections, it reduced the time for port and terminal handling activities by three days. The country strengthened investor protections by increasing disclosure requirements for related-party transactions. It introduced an electronic tax filing system, cutting the average time businesses must spend on tax compliance each year by 188 hours, or 41 percent. And it is progressively reducing the corporate income tax rate, from 35 to 34 percent in 2007 and 33 percent in 2008.

7. **Saudi Arabia**, the runner-up reformer in the region, eliminated the minimum capital requirement of 1,057 percent of income per capita and reduced the days needed for company start-up from 39 to 15. It launched a commercial credit bureau whose reports include the credit exposure of companies. It also sped up trade, reducing the number of documents required for importing and cutting the time needed for handling at ports and terminals by two days for both imports and exports.

8. **Kenya**, the region's other top 10 reformer, launched an ambitious licensing reform program. So far the program has eliminated 110 business licenses and simplified eight others. The changes have streamlined business start-up and cut both the time and cost of getting building permits. The program will eventually eliminate or simplify at least 900 more of the country's 1,300 licenses. Property registration is also faster now, thanks to the introduction of competition among land valuers. And the country's private credit bureau now collects a wider range of data.

9. In **China**, a new property law put private property rights on equal footing with state property rights. The law also expanded the range of assets that can be used as collateral to include inventory and accounts receivable. The new bankruptcy law gives secured creditors priority to the proceeds from their collateral. Construction also became easier, with electronic processing of building permits reducing delays by two weeks.

10. **Bulgaria** eased the tax burden on businesses and made it easier to pay taxes online. Bulgaria also introduced private bailiffs to improve efficiency in enforcing judgments. And it made building inspections less burdensome.

Number of reforms in Doing Business 2008

Rank	Economy	Starting a Business	Dealing with Licenses	Employing Workers	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business	Total number of reforms
1	Egypt	✓	✓		✓	✓			✓			5
2	Croatia	✓			✓	✓					✓	4
3	Ghana	✓			✓	✓			✓	✓		5
4	Macedonia, FYR	✓	✓					✓				3
5	Colombia						✓	✓	✓			3
6	Georgia	✓	✓		✓	✓	✓				✓	6
7	Saudi Arabia	✓				✓			✓			3
8	Kenya	✓	✓		✓	✓						4
9	China		✓			✓					✓	3
10	Bulgaria		✓					✓		✓		3
	Korea											0
	Brazil								✓	✓		2
	India					✓			✓			2
	Mexico				✓			✓				2
	Russia		✗			✓						0

Note: Economies are ranked on the number and impact of reforms, Doing Business selects the economies that reformed in 3 or more of the Doing Business topics. Second, it ranks these economies on the increase in rank in Ease of Doing Business from the previous year. The larger the improvement, the higher the ranking as a reformer.

Summary of Indicators - Korea

Starting a Business	Procedures (number)	10
	Duration (days)	17
	Cost (% GNI per capita)	16.9
	Paid in Min. Capital (% of GNI per capita)	296.0
Dealing with Licenses	Procedures (number)	13
	Duration (days)	34
	Cost (% of income per capita)	170.2
Employing Workers	Difficulty of Hiring Index	11
	Rigidity of Hours Index	60
	Difficulty of Firing Index	40
	Rigidity of Employment Index	37
	Nonwage labor cost (% of salary)	13
	Firing costs (weeks of wages)	91
Registering Property	Procedures (number)	7
	Duration (days)	11
	Cost (% of property value)	6.3
Getting Credit	Legal Rights Index	5
	Credit Information Index	5
	Public registry coverage (% adults)	0.0
	Private bureau coverage (% adults)	74.2
Protecting Investors	Disclosure Index	7
	Director Liability Index	2
	Shareholder Suits Index	7
	Investor Protection Index	5.3
Paying Taxes	Payments (number)	48
	Time (hours)	290
	Profit tax (%)	18.3
	Labor tax and contributions (%)	11.4
	Other taxes (%)	5.2
	Total tax rate (% profit)	34.9

Trading Across Borders	Documents for export (number)	4
	Time for export (days)	11
	Cost to export (US\$ per container)	745
	Documents for import (number)	6
	Time for import (days)	10
	Cost to import (US\$ per container)	745
Enforcing Contracts	Procedures (number)	35
	Duration (days)	230
	Cost (% of claim)	10.3
Closing a Business	Time (years)	1.5
	Cost (% of estate)	4
	Recovery rate (cents on the dollar)	81.2

Starting a Business in Korea: Entry Regulation

When entrepreneurs draw up a business plan and try to get under way, the first hurdles they face are the procedures required to incorporate and register the new firm before they can legally operate. Economies differ greatly in how they regulate the entry of new businesses. In some the process is straightforward and affordable. In others the procedures are so burdensome that entrepreneurs may have to bribe officials to speed the process—or may decide to run their business informally.

The data on starting a business are based on a survey and research investigating the procedures that a standard small to medium-size company needs to complete to start operations legally. These include obtaining all necessary permits and licenses and completing all required inscriptions, verifications and notifications with authorities to enable the company to formally operate. The time and cost required to complete each procedure under normal circumstances are calculated, as well as the minimum capital that must be paid in. It is assumed that all information is readily available to the entrepreneur, that there has been no prior contact with officials and that all government and nongovernment entities involved in the process function without corruption.

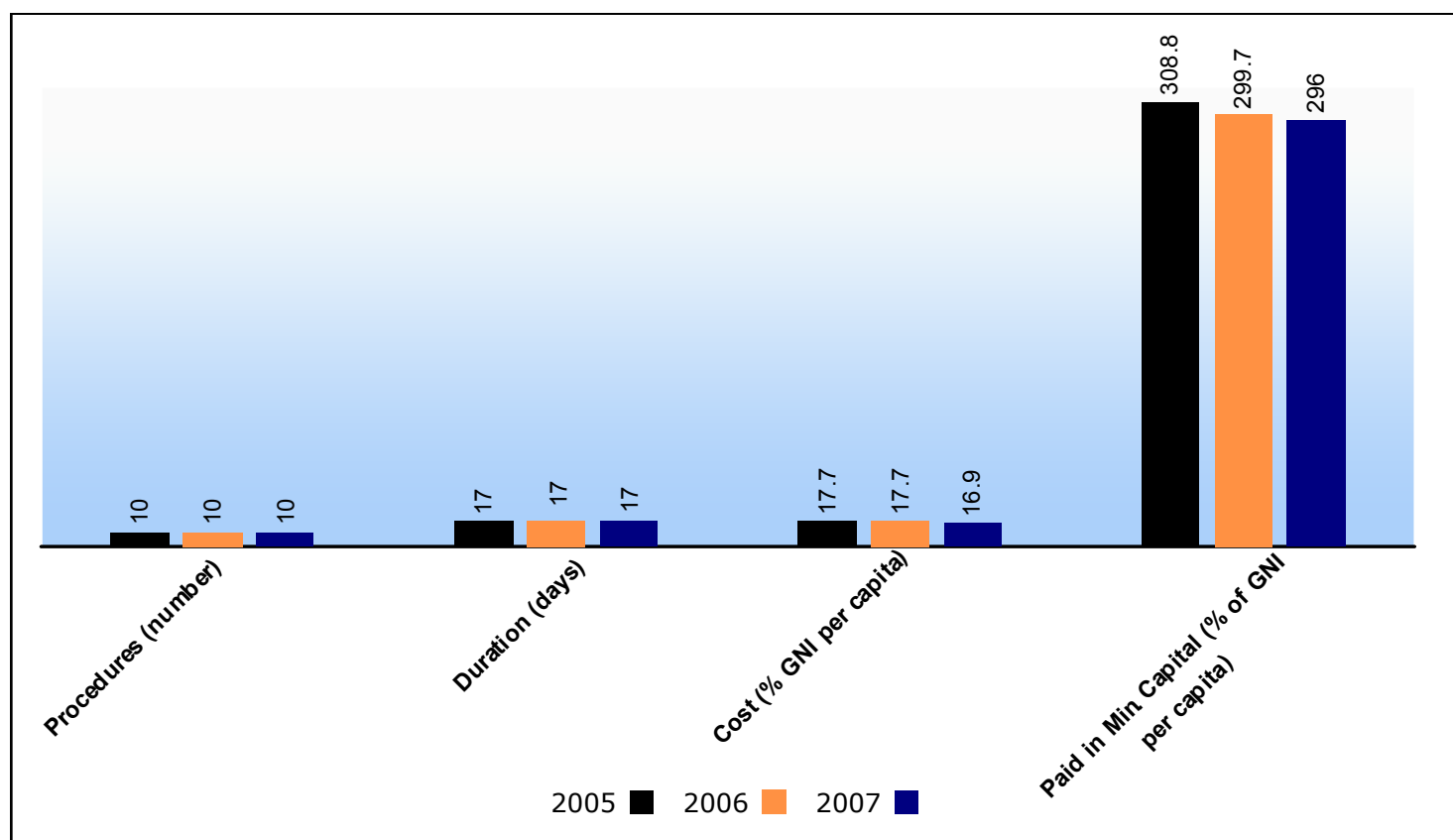
To make the data comparable across economies, detailed assumptions about the type of business are used. Among these assumptions are the following: the business is a limited liability company conducting general commercial activities in the largest business city; it is 100% domestically owned, with start-up capital of 10 times income per capita, turnover of at least 100 times income per capita and between 10 and 50 employees; and it does not qualify for any special benefits, nor does it own real estate. Procedures are recorded only where interaction is required with an external party. It is assumed that the founders complete all procedures themselves unless professional services (such as by a notary or lawyer) are required by law. Voluntary procedures are not counted, nor are industry-specific requirements and utility hook-ups. Lawful shortcuts are counted.

Cumbersome entry procedures are associated with more corruption, particularly in developing countries. Each procedure is a point of contact—an opportunity to extract a bribe. Analysis shows that burdensome entry regulations do not increase the quality of products, make work safer or reduce pollution. Instead, they constrain private investment; push more people into the informal economy; increase consumer prices; and fuel corruption.

1. Historical data: Starting a Business in Korea

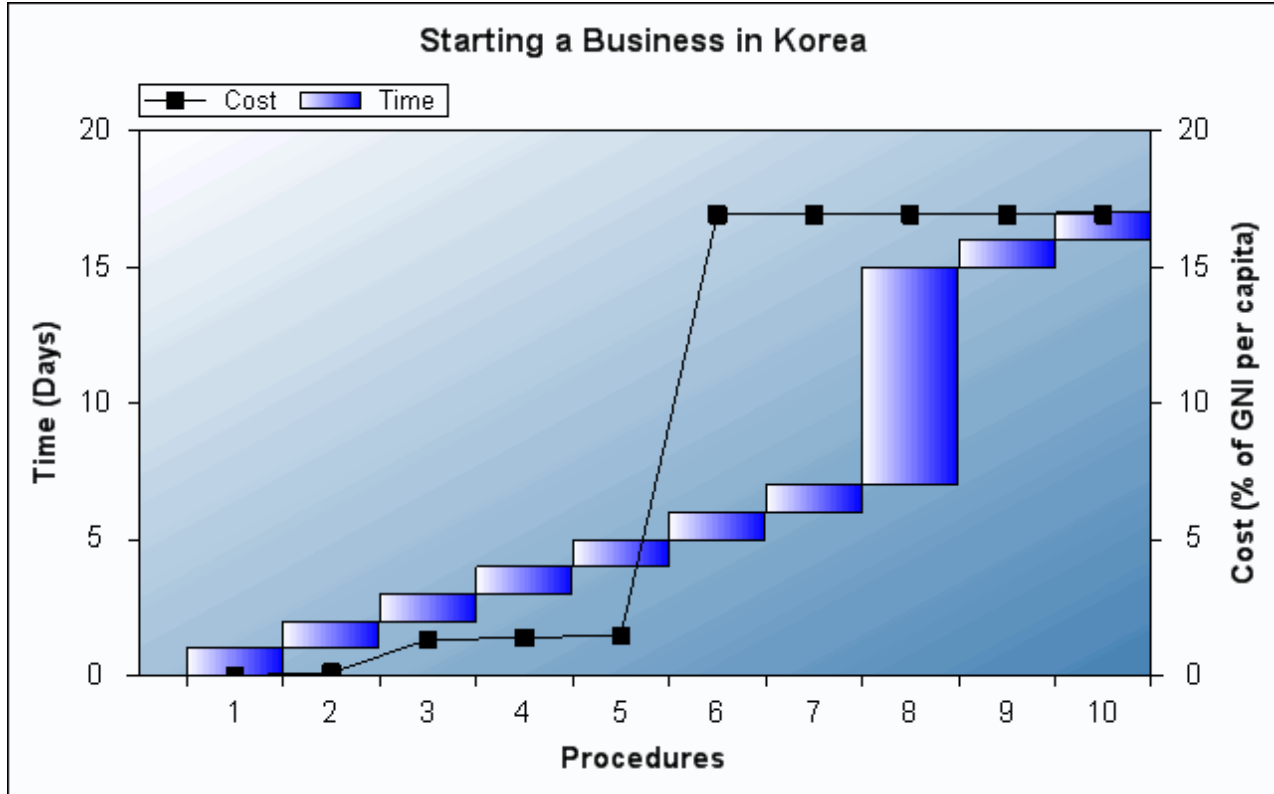
Starting a Business data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		101	110
Procedures (number)	10	10	10
Duration (days)	17	17	17
Cost (% GNI per capita)	17.7	17.7	16.9
Paid in Min. Capital (% of GNI per capita)	308.8	299.7	296.0

2. The following graph illustrates the Starting a Business indicators in Korea over the past 3 years:



3. Steps to Starting a Business in Korea

It requires 10 procedures, takes 17 days, and costs 16.94% GNI per capita to start a business in Korea.



List of Procedures:

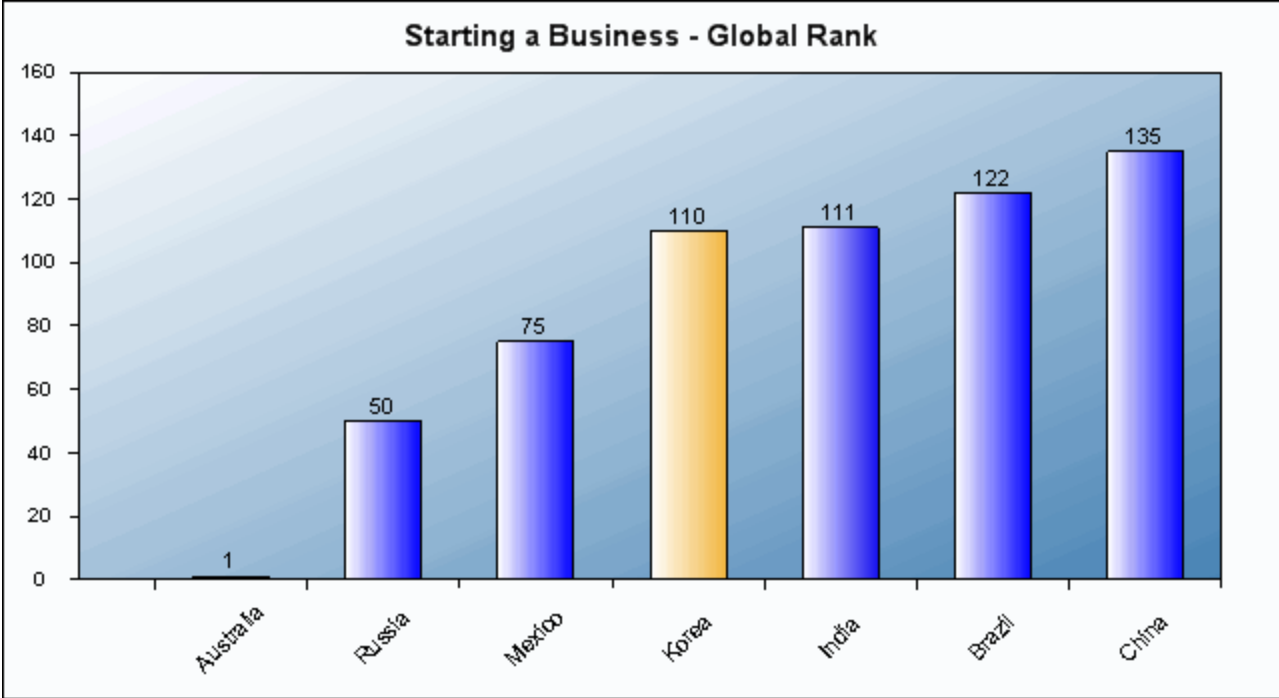
1. Obtain pre-approval of name
2. Make seals
3. Notarize company deeds
4. Deposit funds into bank account
5. File application and obtain tax bill
6. Pay registration fee
7. File with registry office, district court
8. Register for taxes
9. Register for health insurance, pension, and employment and accident insurance
10. File with local labor office

More details are available in the appendix.

4. Benchmarking Starting a Business Regulations:

Korea is ranked 110 overall for Starting a Business. Australia is the top ranked economy followed by Canada, New Zealand and United States.

Ranking of Korea in Starting a Business - Compared to best practice and selected economies:



The following table shows Starting a Business data for Korea compared to best practice and comparator economies:

Best Practice Economies	Procedures (number)	Duration (days)	Cost (% GNI per capita)	Paid in Min. Capital (% of GNI per
Australia*	2	2		0.0
Denmark			0.0	

Selected Economy				
Korea	10	17	16.9	296.0

Comparator Economies				
Brazil	18	152	10.4	0.0
China	13	35	8.4	190.2
India	13	33	74.6	0.0
Mexico	8	27	13.3	11.6
Russia	8	29	3.7	3.2

* The following economies are also best practice economies for :

Procedures (number): **Canada, New Zealand**

Paid in Min. Capital (% of GNI per capita): **Canada, Ireland, Israel, Mauritius, New Zealand, Puerto Rico, Thailand, Trinidad and Tobago, United Kingdom, United States**

Dealing with Licenses in Korea: Building a Warehouse

Once entrepreneurs have registered a business, what regulations do they face in operating it? To measure such regulation, Doing Business focuses on the construction sector. Construction companies are under constant pressure—from government to comply with inspections and with licensing and safety regulations and from customers to be quick and cost-effective. These conflicting pressures point to the tradeoff in building regulation—the tradeoff between protecting people (construction workers, tenants, passersby) and keeping the cost of building affordable.

In many countries, especially poor ones, complying with building regulations is so costly in time and money that many builders opt out. Builders may pay bribes to pass inspections or simply build illegally—leading to hazardous construction. In other countries compliance is simple, straightforward and inexpensive—yielding better results.

The indicators on dealing with licenses record all procedures officially required for an entrepreneur in the construction industry to build a warehouse. These include submitting project documents (building plans, site maps) to the authorities, obtaining all necessary licenses and permits, completing all required notifications and receiving all necessary inspections. They also include procedures for obtaining utility connections, such as electricity, telephone, water and sewerage. The time and cost to complete each procedure under normal circumstances are calculated. All official fees associated with legally completing the procedures are included. Time is recorded in calendar days. The survey assumes that the entrepreneur is aware of all existing regulations and does not use an intermediary to complete the procedures unless required to do so by law.

To make the data comparable across economies, several assumptions about the business and its operations are used. The business is a small to medium-size limited liability company, located in the most populous city, domestically owned and operated, in the construction business, with 20 qualified employees. The warehouse to be built:

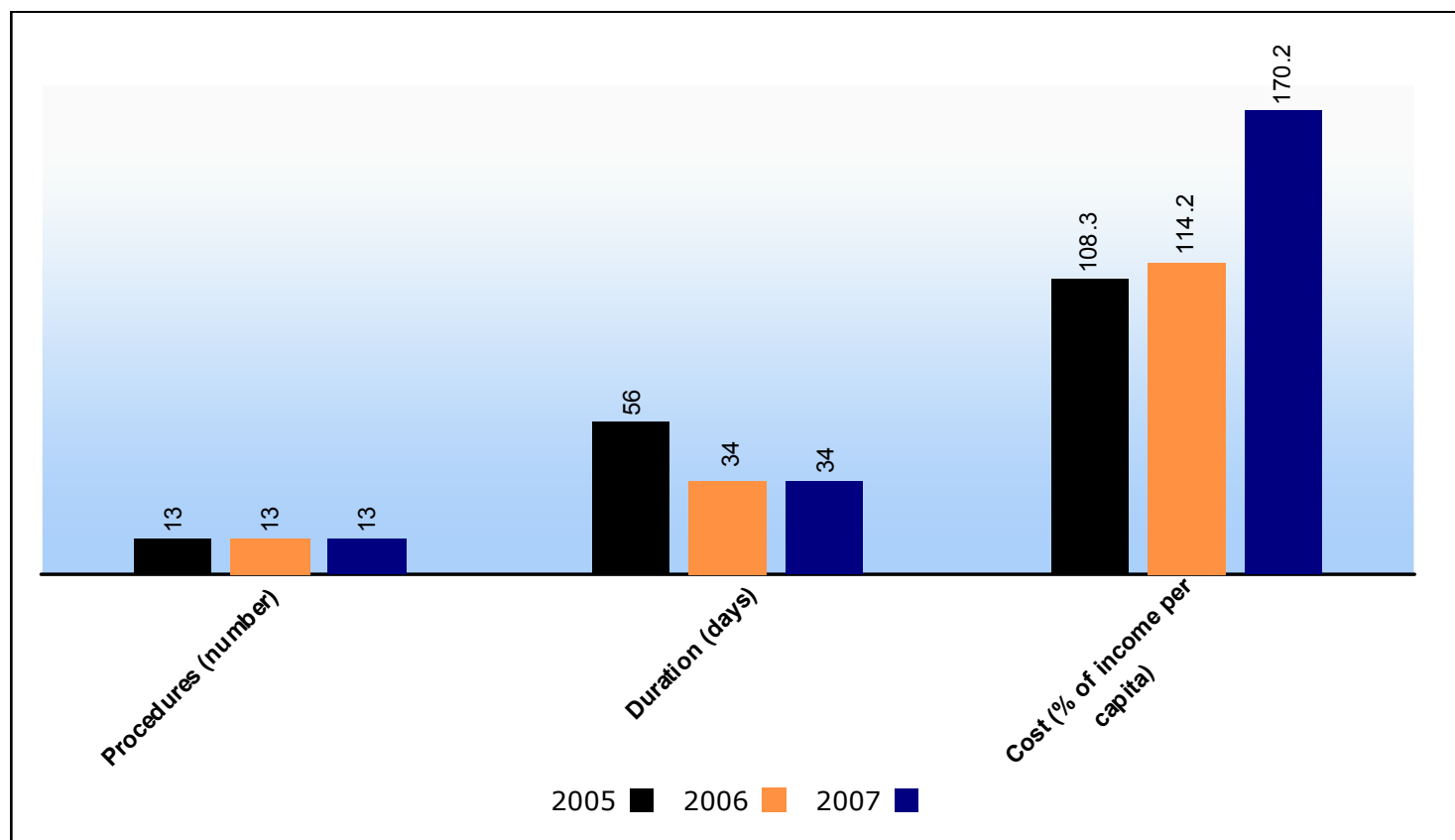
- Is a new construction (there was no previous construction on the land).
- Has complete architectural and technical plans prepared by a licensed architect.
- Will be connected to electricity, water, sewerage (sewage system, septic tank or their equivalent) and one land phone line. The connection to each utility network will be 32 feet, 10 inches (10 meters) long.
- Will be used for general storage, such as of books or stationery. The warehouse will not be used for any goods requiring special conditions, such as food, chemicals or pharmaceuticals.
- Will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements).

Where the regulatory burden is large, entrepreneurs move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off.

1. Historical data: Dealing with Licenses in Korea

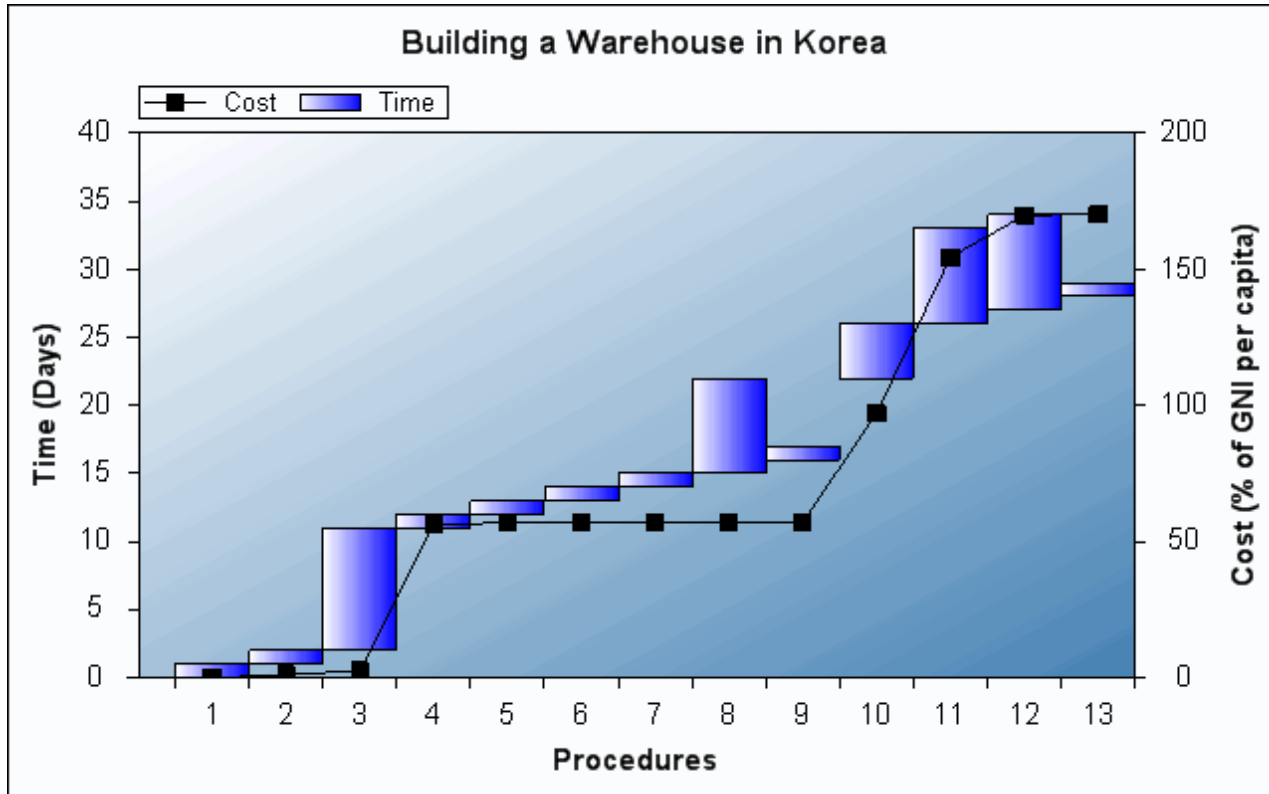
Dealing with Licenses data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		16	22
Procedures (number)	13	13	13
Duration (days)	56	34	34
Cost (% of income per capita)	108.3	114.2	170.2

2. The following graph illustrates the Dealing with Licenses indicators in Korea over the past 3 years:



3. Steps to Building a Warehouse in Korea

It requires 13 procedures, takes 34 days, and costs 170.19% GNI per capita to build a warehouse in Korea.



List of Procedures:

1. Request and obtain proof of ownership of land
2. Purchase and sell National Housing Bonds (NHBs)
3. Request and obtain a building permit
4. Hire a certified inspector
5. Request and obtain electricity inspection certificate
6. Request and obtain telephone inspection certificate
7. Request and obtain fire inspection certificate
8. Request and obtain an occupancy permit and request final inspection
9. Receive an on-site inspection by the local government
10. Register the building with the court registry
11. Request and receive connection to electricity
12. Request and receive connection to water and sewerage services

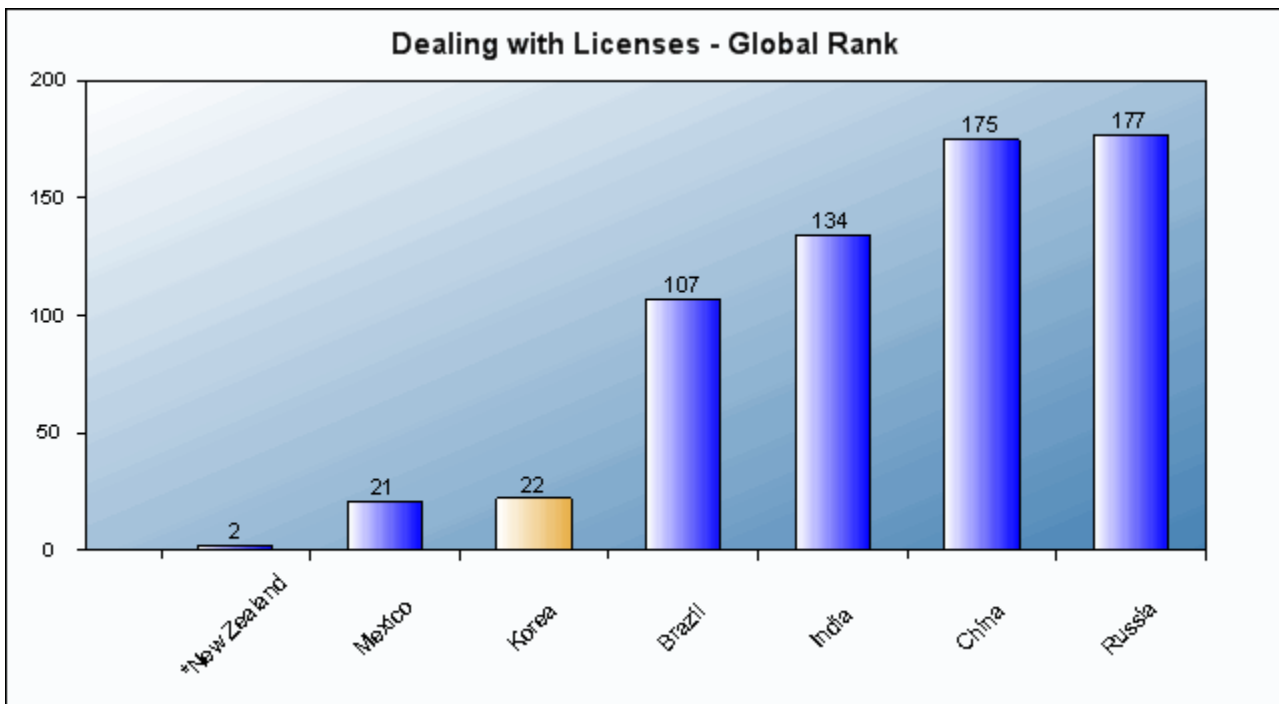
13. Request and receive connection to telephone services

More details are available in the appendix.

4. Benchmarking Dealing with Licenses Regulations:

Korea is ranked 22 overall for Dealing with Licenses. St. Vincent and the Grenadines is the top ranked economy followed by New Zealand, Belize and Marshall Islands.

Ranking of Korea in Dealing with Licenses - Compared to best practice and selected economies:



* The following economies are also best practice economies for Building a Warehouse: St. Vincent and the Grenadines

The following table shows Dealing with Licenses data for Korea compared to best practice and comparator economies:

Best Practice Economies	Procedures (number)	Duration (days)	Cost (% of income per capita)
Denmark	6		
Korea		34	
United Arab Emirates			1.5

Selected Economy			
Korea	13	34	170.2

Comparator Economies			
Brazil	18	411	59.4
China	37	336	840.2
India	20	224	519.4
Mexico	11	131	103.5
Russia	54	704	3788.4

Employing Workers in Korea: Labor Regulations

Every economy has established a complex system of laws and institutions intended to protect workers and guarantee a minimum standard of living for its population. This system encompasses four bodies of law: employment, industrial relations, social security and occupational health and safety laws. Doing Business examines government regulation in the area of employment and social security laws.

Three measures are presented: a rigidity of employment index, a nonwage labor cost measure and a firing cost measure. The rigidity of employment index is the average of three subindices: difficulty of hiring, rigidity of hours and difficulty of firing. Each index takes values between 0 and 100, with higher values indicating more rigid regulation. The difficulty of hiring index measures the flexibility of contracts and the ratio of the minimum wage to the value added per worker. The rigidity of hours index covers restrictions on weekend and night work, requirements relating to working time and the workweek, and mandated days of annual leave with pay. The difficulty of firing index covers workers' legal protections against dismissal, including the grounds permitted for dismissal and procedures for dismissal (individual and collective).

The nonwage labor cost covers all social security payments and payroll taxes associated with hiring an employee, expressed as a percentage of the worker's salary. The firing cost indicator measures the cost of advance notice requirements, severance payments and penalties due when terminating a redundant worker, expressed in weeks of salary.

The indicators on employment regulations are based on a detailed study of employment laws. Data are also gathered on the specific constitutional provisions governing the two areas studied. To ensure accuracy, both the actual laws and the applicable collective bargaining agreements are used. Finally, all data are verified and completed by local law firms through a detailed survey of employment regulations.

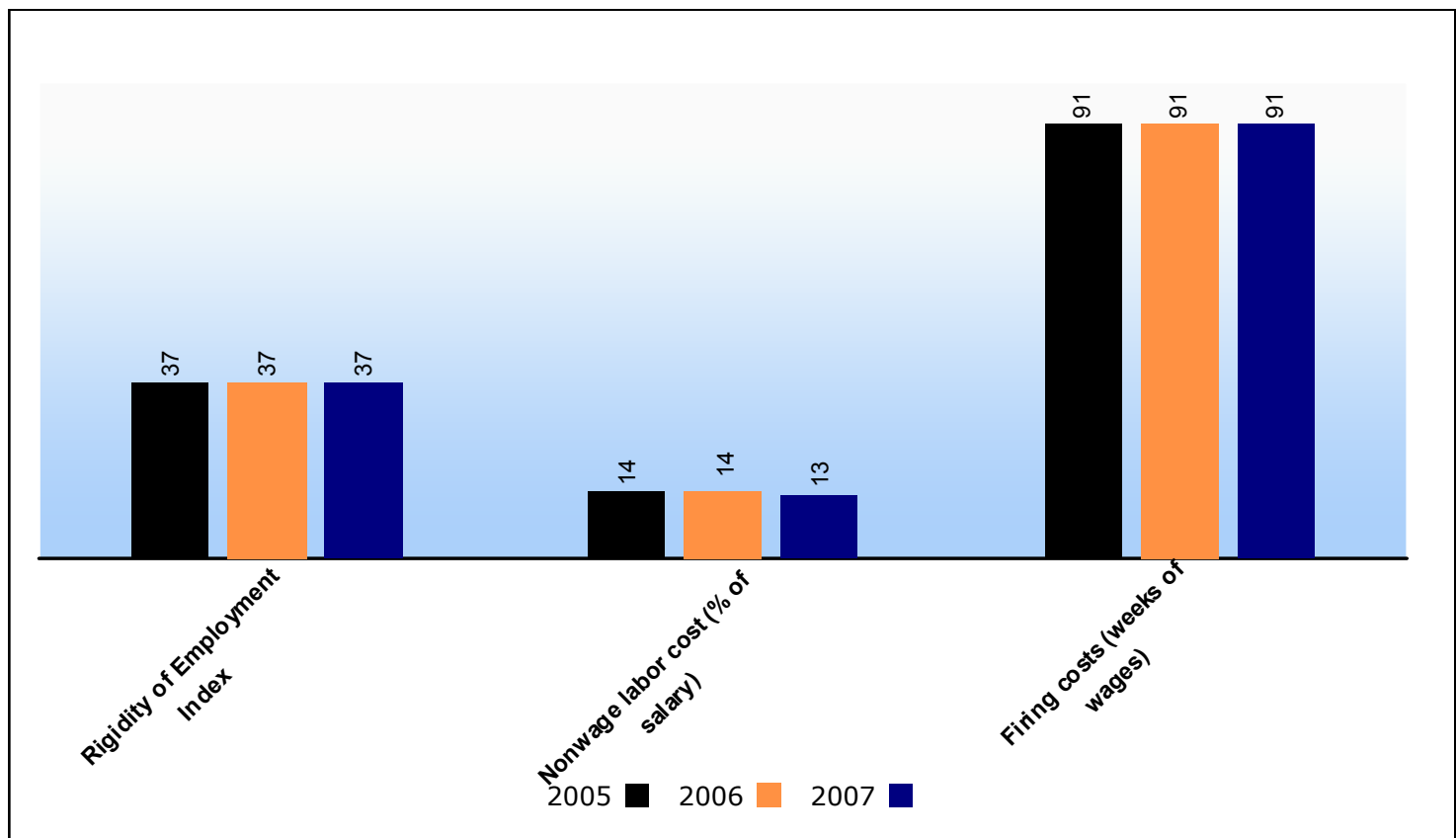
To make the data comparable across economies, a range of assumptions about the worker and the company are used. Assumptions about the worker include that he is a nonexecutive, full-time male employee who has worked in the same company for 20 years and is not a member of the labor union (unless membership is mandatory). The company is assumed to be a limited liability manufacturing corporation that operates in the country's most populous city, is 100% domestically owned and has 201 employees. The company is also assumed to be subject to collective bargaining agreements in countries where such agreements cover more than half the manufacturing sector and apply even to firms not party to them.

Most employment regulations are enacted in response to market failures. But that does not mean that today's regulations are optimal. Analysis across countries shows that while employment regulation generally increases the tenure and wages of incumbent workers, rigid regulations have many undesirable side effects. These include less job creation, smaller company size, less investment in research and development, and longer spells of unemployment and thus the obsolescence of skills—all of which may reduce productivity growth. Many countries err on the side of excessive rigidity, to the detriment of businesses and workers alike.

1. Historical data: Employing Workers in Korea

Employing Workers data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		130	131
Rigidity of Employment Index	37	37	37
Nonwage labor cost (% of salary)	14	14	13
Firing costs (weeks of wages)	91	91	91

2. The following graph illustrates the Employing Workers indicators in Korea over the past 3 years:



3. Benchmarking Employing Workers Regulations:

Korea is ranked 131 overall for Employing Workers. Marshall Islands is the top ranked economy followed by Brunei, Georgia and Tonga.

Ranking of Korea in Employing Workers - Compared to best practice and selected economies:



* The following economies are also best practice economies for Employing Workers: Marshall Islands, Singapore

The following table shows Employing Workers data for Korea compared to best practice and comparator economies:

Best Practice Economies	Rigidity of Employment Index	Nonwage labor cost (% of salary)	Firing costs (weeks of wages)
Bangladesh*		0	
Denmark*			0
Hong Kong, China*	0		

Selected Economy			
Korea	37	13	91

Comparator Economies			
Brazil	46	37	37
China	24	44	91
India	30	17	56
Mexico	48	21	52
Russia	44	31	17

* The following economies are also best practice economies for :

Rigidity of Employment Index: Singapore, United States

Nonwage labor cost (% of salary): Botswana, Ethiopia, Maldives

Firing costs (weeks of wages): New Zealand, United States

Registering Property in Korea: Regulation of Property Transfer

Property registries were first developed to help raise tax revenue. Defining and publicizing property rights through registries has also proved to be good for entrepreneurs. Land and buildings account for between half and three-quarters of the wealth in most economies. Securing rights to this property strengthens incentives to invest and facilitates commerce. And with formal property titles, entrepreneurs can obtain mortgages on their home or land and start businesses.

Doing Business measures the ease of registering property based on a standard case of an entrepreneur who wants to purchase land and a building in the largest business city. It is assumed that the property is already registered and free of title dispute. The data cover the full sequence of procedures necessary to transfer the property title from the seller to the buyer. Every required procedure is included, whether it is the responsibility of the seller or the buyer or must be completed by a third party on their behalf.

Local property lawyers and officials in property registries provide information on required procedures as well as the time and cost to complete each one. For most countries the data are based on responses from both. Based on the responses, three indicators are constructed:

- Number of procedures to register property.
- Time to register property (in calendar days).
- Official costs to register property (as a percentage of the property value).

A large share of the property in developing countries is not formally registered, limiting financing opportunities for businesses. Recognizing this constraint, some developing country governments have embarked on extensive property titling programs. Yet bringing assets into the formal sector is of little value unless they stay there.

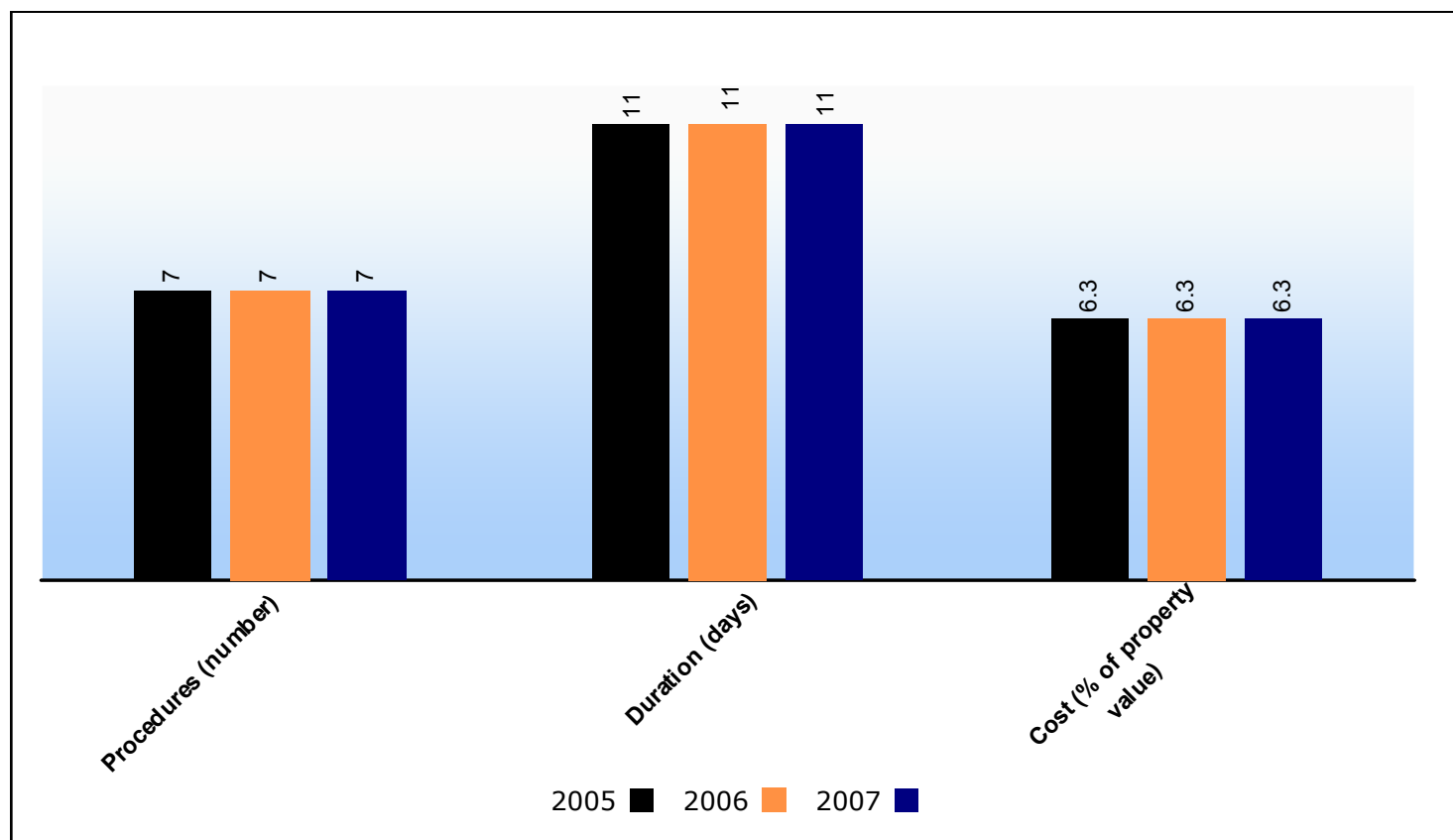
Many titling programs in Africa were futile because people bought and sold property informally—neglecting to update the title records in the property registry. Why? Doing Business shows that completing a simple formal property transfer in the largest business city of an African country costs 12% of the value of the property and takes more than 100 days on average. Worse, the property registries are so poorly organized that they provide little security of ownership. For both reasons, formalized titles quickly go informal again.

Efficient property registration reduces transaction costs and helps keep formal titles from slipping into informal status. Simple procedures to register property are also associated with greater perceived security of property rights and less corruption. That benefits all entrepreneurs, especially women, the young and the poor. The rich have few problems protecting their property rights. They can afford to invest in security systems and other measures to defend their property. But small entrepreneurs cannot. Reform can change this.

1. Historical data: Registering Property in Korea

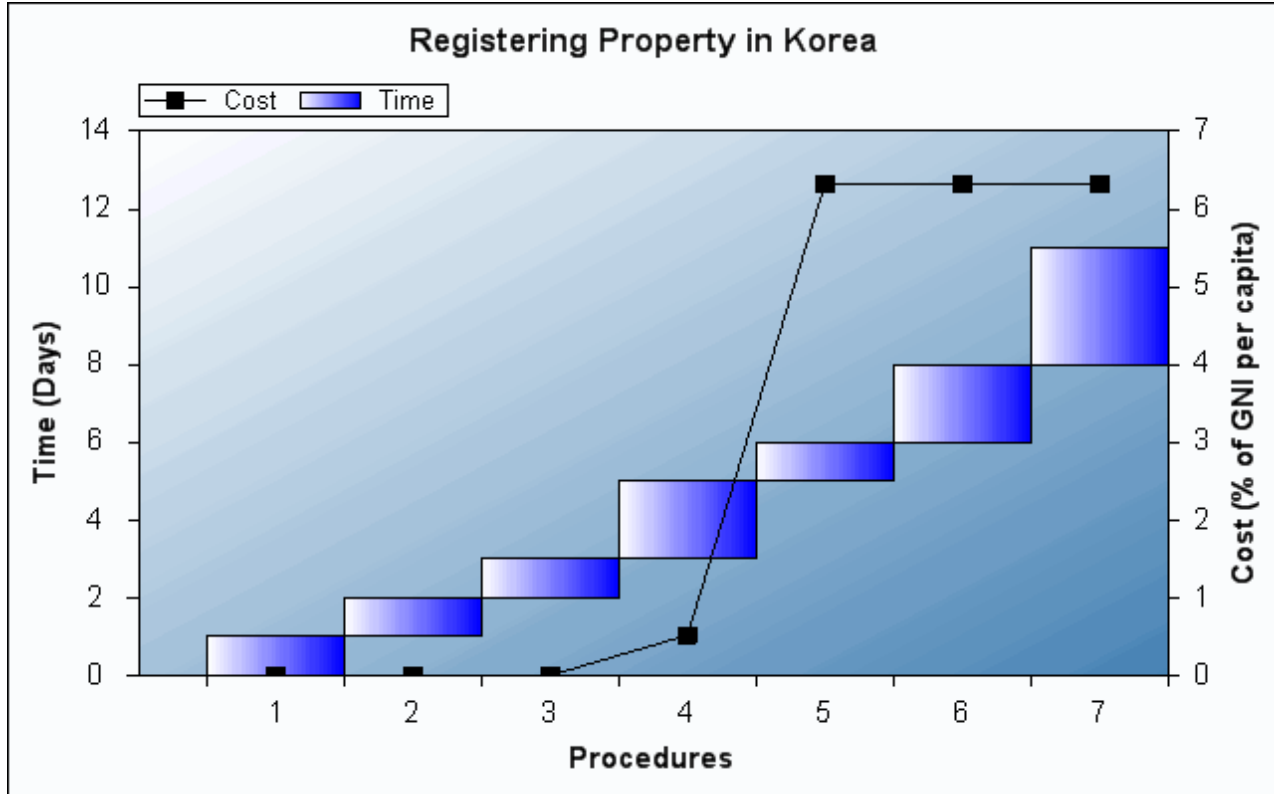
Registering Property data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		65	68
Procedures (number)	7	7	7
Duration (days)	11	11	11
Cost (% of property value)	6.3	6.3	6.3

2. The following graph illustrates the Registering Property indicators in Korea over the past 3 years:



3. Steps to Registering Property in Korea

It requires 7 procedures, takes 11 days, and costs 6.32% GNI per capita to register the property in Korea.



List of Procedures:

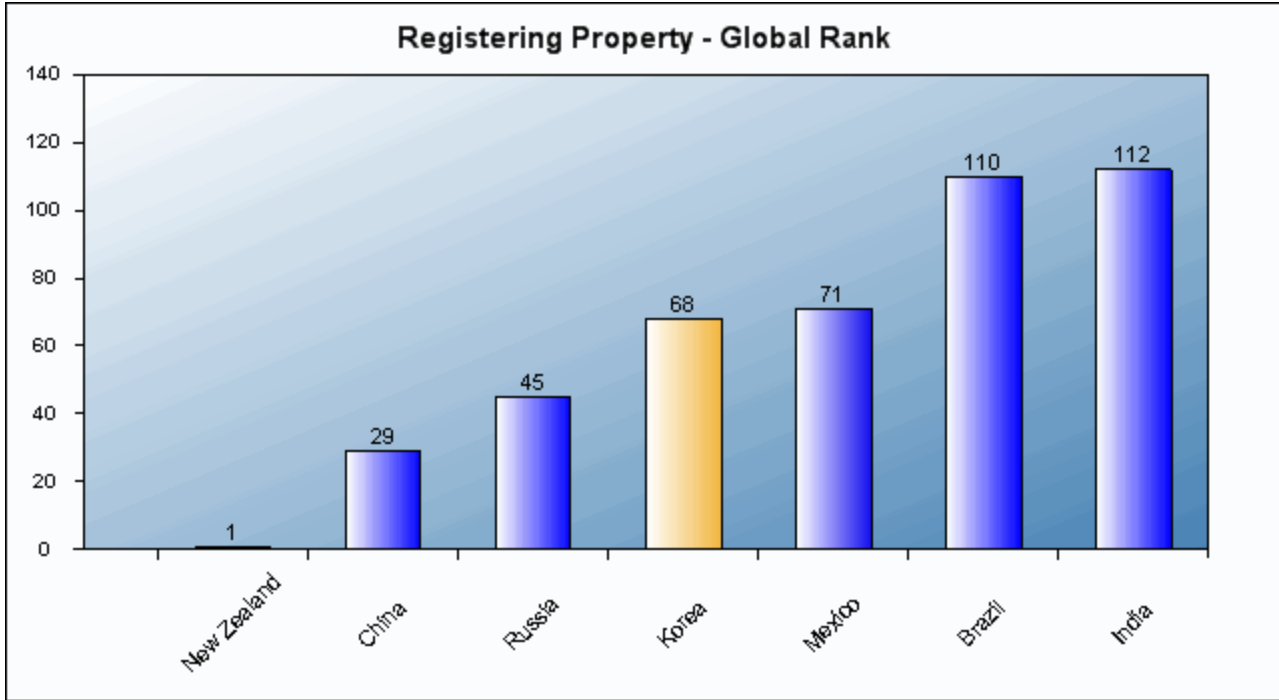
1. Obtain their commercial registry extracts and the registry extract of the concerned land and building from the commercial registry
2. Obtain a copy of the Land Cadastre Certificate, the Building Management Certificate, and the Official Notice on Real Property Price
3. Obtain a statement of taxes from the tax department of the jurisdictional district office
4. Buyer buys and affixes a National Revenue stamp
5. Buyer pays taxes at a commercial bank and obtains receipt
6. The buyer buys Housing Bonds
7. Buyer applies for the registration of the titles

More details are available in the appendix.

4. Benchmarking Registering Property Regulations:

Korea is ranked 68 overall for Registering Property. New Zealand is the top ranked economy followed by Armenia, Saudi Arabia and Lithuania.

Ranking of Korea in Registering Property - Compared to best practice and selected economies:



The following table shows Registering Property data for Korea compared to best practice and comparator economies:

Best Practice Economies	Procedures (number)	Duration (days)	Cost (% of property value)
New Zealand*		2	
Norway*	1		
Saudi Arabia*			0.0

Selected Economy			
Korea	7	11	6.3

Comparator Economies			
Brazil	14	45	2.8
China	4	29	3.6
India	6	62	7.7
Mexico	5	74	4.7
Russia	6	52	0.3

* The following economies are also best practice economies for :

Procedures (number): Sweden

Duration (days): Sweden, Thailand

Cost (% of property value): Bhutan

Getting Credit in Korea: Legal Rights and Credit Information

Firms consistently rate access to credit as among the greatest barriers to their operation and growth. Doing Business constructs two sets of indicators of how well credit markets function—one on credit registries and the other on legal rights of borrowers and lenders.

Credit registries—institutions that collect and distribute credit information on borrowers—can greatly expand access to credit. By sharing credit information, they help lenders assess risk and allocate credit more efficiently. And they free entrepreneurs from having to rely on personal connections alone when trying to obtain credit. Three indicators are constructed to measure the sharing of credit information:

- Public registry coverage, which reports the number of individuals and firms covered by a public credit registry as a percentage of the adult population.
- Private bureau coverage, which reports the number of individuals and firms covered by a private credit bureau as a percentage of the adult population.
- Depth of credit information index, which measures the extent to which the rules of a credit information system facilitate lending based on the scope of information distributed, the ease of access to information and the quality of information.

The data are from surveys of public registries and the largest private credit bureau in the country.

Effective regulation of secured lending—through collateral and bankruptcy laws—can also ease credit constraints. By giving a lender the right to seize and sell a borrower’s secured assets upon default, collateral limits the lender’s potential losses and acts as a screening device for borrowers. The strength of legal rights index measures 10 aspects of the rights of borrowers and creditors in collateral and bankruptcy laws, including whether:

- General rather than specific description of assets and debt is permitted in collateral agreements (expanding the scope of assets and debt covered).
- Any legal or natural person may grant or take security in assets.
- A unified registry operates that includes charges over movable property.
- Secured creditors have priority both within bankruptcy and outside it.
- Parties may agree on out-of-court enforcement of collateral by contract.
- Creditors may both seize and sell collateral out of court, no automatic stay or “asset freeze” applies upon bankruptcy, and the bankrupt debtor does not retain control of the firm.

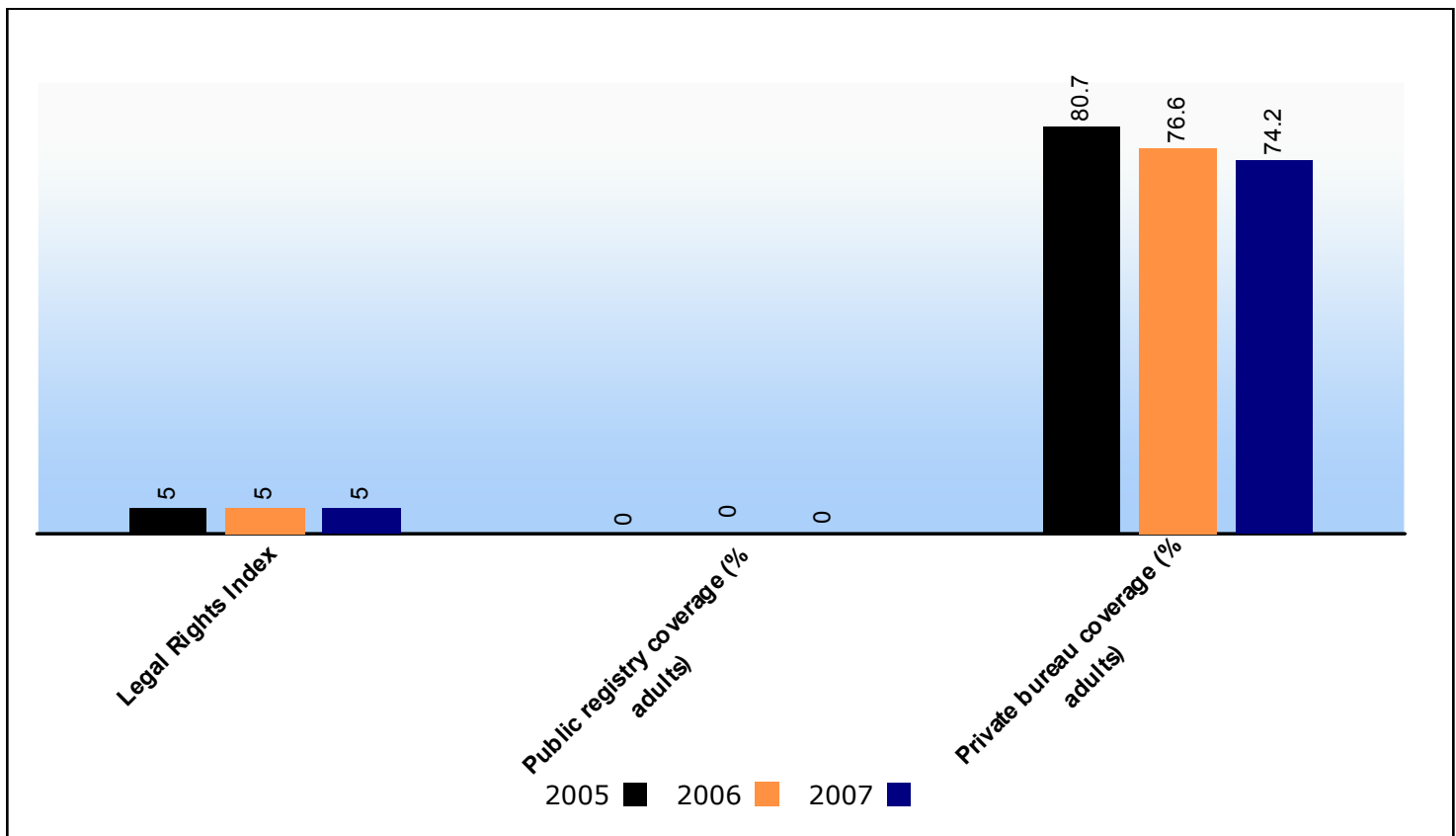
The index ranges from 0 (weak legal rights) to 10 (strong legal rights). The data were obtained by examining collateral and bankruptcy laws and legal summaries and verified through a survey of financial lawyers.

Where good-quality credit information is available and legal rights are stronger, more credit is extended. Benefits flow beyond those gaining access to credit. With better-functioning credit markets, unemployment is lower, and women and low-income people benefit the most.

1. Historical data: Getting Credit in Korea

Getting Credit data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		32	36
Legal Rights Index	5	5	5
Public registry coverage (% adults)	0.0	0.0	0.0
Private bureau coverage (% adults)	80.7	76.6	74.2

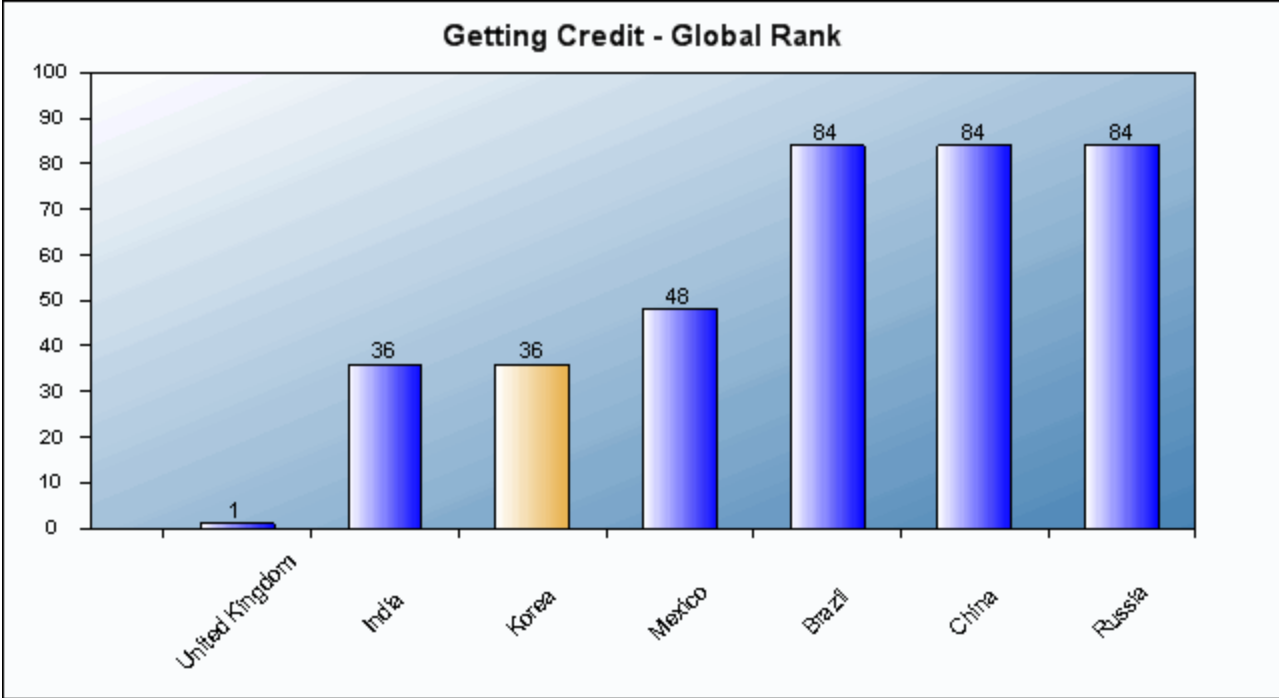
2. The following graph illustrates the Getting Credit indicators in Korea over the past 3 years:



3. Benchmarking Getting Credit Regulations:

Korea is ranked 36 overall for Getting Credit. United Kingdom is the top ranked economy followed by Hong Kong, China, Germany and Australia.

Ranking of Korea in Getting Credit - Compared to best practice and selected economies:



The following table shows Getting Credit data for Korea compared to best practice and comparator economies:

Best Practice Economies	Legal Rights Index	Public registry coverage (%)	Private bureau coverage (%)
Argentina*			100.0
Hong Kong, China*	10		
Portugal		67.1	

Selected Economy			
Korea	5	0.0	74.2

Comparator Economies			
Brazil	2	17.1	46.4
China	3	49.2	0.0
India	6	0.0	10.8
Mexico	3	0.0	61.2
Russia	3	0.0	4.4

* The following economies are also best practice economies for :

Legal Rights Index: United Kingdom

Private bureau coverage (% adults): Australia, Canada, Iceland, Ireland, New Zealand, Nicaragua, Norway, Sweden, United States

Protecting Investors in Korea

Officials at Elf Aquitaine, France's largest oil company, awarded business deals in return for large side payments. Along with the extra cash, they got seven years in jail and a €2 million fine for abuse of power. Russian oil firm Gazprom purchased materials for new pipelines through intermediaries owned by company officers. The high cost raised eyebrows, but not court battles.

Big cases make headlines. But looting by corporate insiders occurs every day on a smaller scale, and often goes unnoticed. To document the protections investors have, Doing Business measures how countries regulate a standard case of self-dealing—use of corporate assets for personal gain.

The case facts are simple. Mr. James, a director and the majority shareholder of a public company, proposes that the company purchase used trucks from another company he owns. The price is higher than the going price for used trucks. The transaction goes forward. All required approvals are obtained, and all required disclosures made, though the transaction is unfair to the purchasing company. Shareholders sue the interested parties and the members of the board of directors.

Several questions arise. Who approves the transaction? What information must be disclosed? What company documents can investors access? What do minority shareholders have to prove to get the transaction stopped or to receive compensation from Mr. James? Three indices of investor protection are constructed based on the answers to these and other questions. All indices range from 0 to 10, with higher values indicating more protections or greater disclosure.

The extent of disclosure index covers approval procedures, requirements for immediate disclosure to the public and shareholders of proposed transactions, requirements for disclosure in periodic filings and reports and the availability of external review of transactions before they take place.

The extent of director liability index covers the ability of investors to hold Mr. James and the board of directors liable for damages, the ability to rescind the transaction, the availability of fines and jail time associated with self-dealing, the availability of direct or derivative suits and the ability to require Mr. James to pay back his personal profits from the transaction.

The ease of shareholder suits index covers the availability of documents that can be used during trial, the ability of the investor to examine the defendant and other witnesses, shareholders' access to internal documents of the company, the appointment of an inspector to investigate the transaction and the standard of proof applicable to a civil suit against the directors.

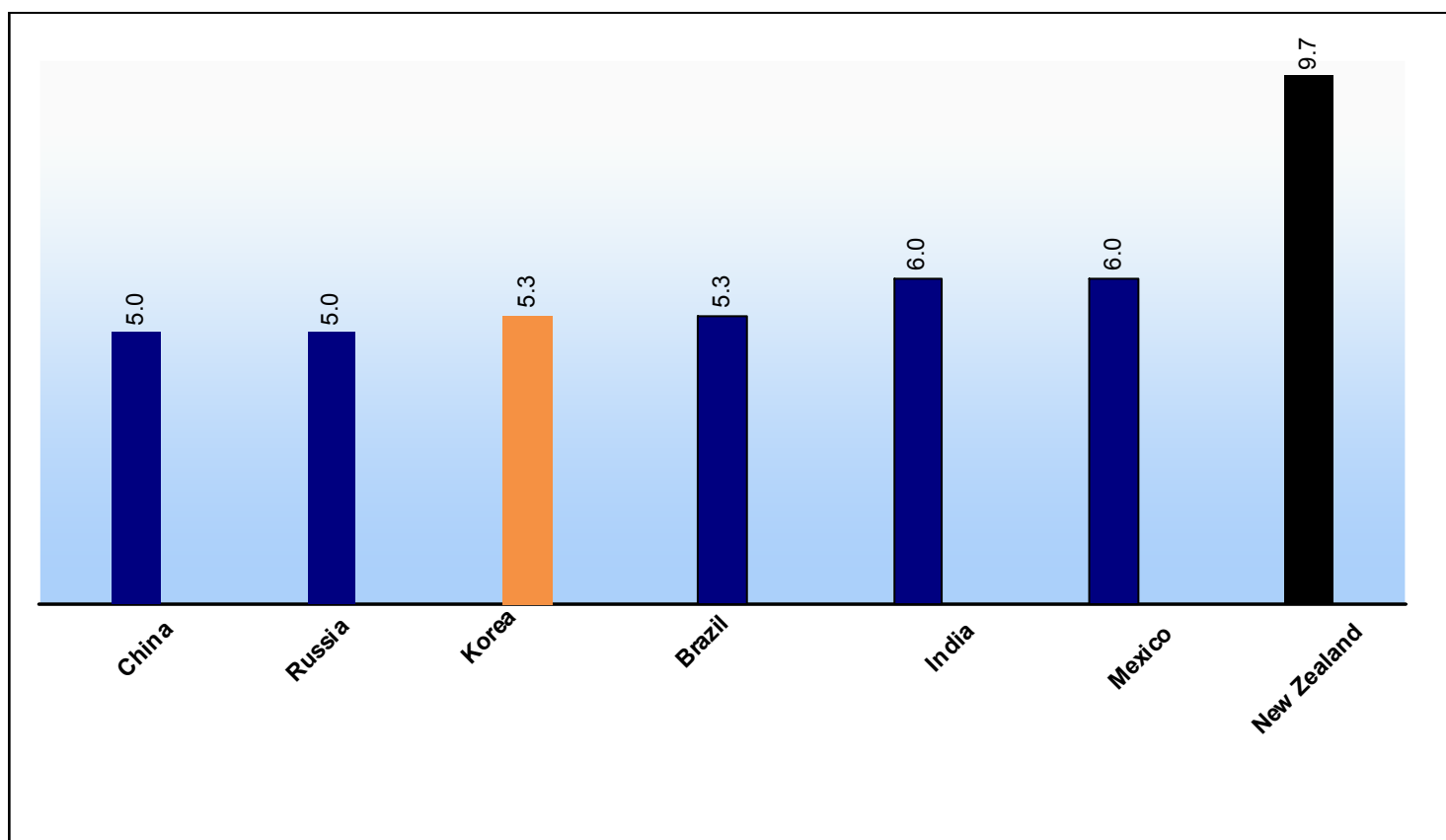
These three indices are averaged to create the strength of investor protection index. This index ranges from 0 to 10, with higher values indicating better investor protection.

If the rights of investors are not protected, majority ownership in a business is the only way to eliminate expropriation. But then investors must devote more oversight attention to fewer investments. The result: entrepreneurship is suppressed, and fewer profitable investment projects are undertaken. Where self-dealing is curbed, equity investment is higher, ownership concentration lower and trust in the business sector deeper. Investors gain portfolio diversification, and entrepreneurs gain access to cash.

1. Historical data: Protecting Investors in Korea

Protecting Investors data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		62	64
Investor Protection Index	5.3	5.3	5.3

2. The following graph illustrates the Protecting Investors index in Korea compared to best practice and selected Economies:

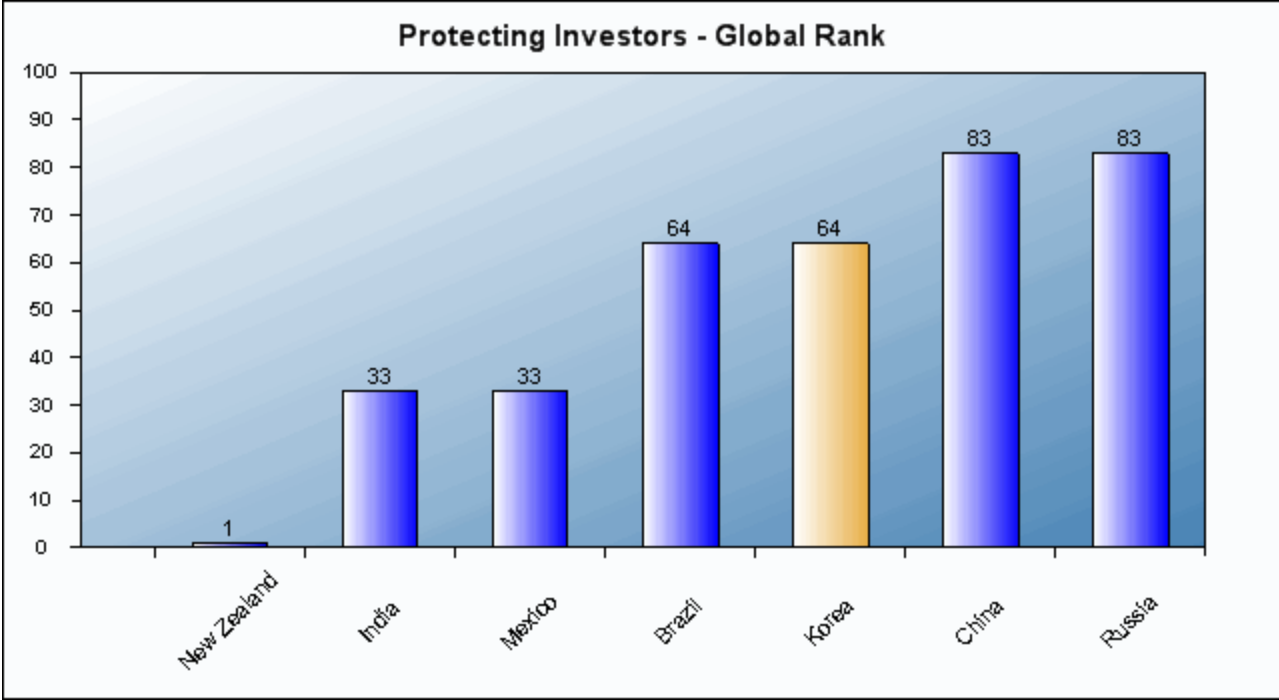


Note: The higher the score, the greater the investor protection.

3. Benchmarking Protecting Investors Regulations:

Korea is ranked 64 overall for Protecting Investors. New Zealand is the top ranked economy followed by Singapore, Hong Kong, China and Malaysia.

Ranking of Korea in Protecting Investors - Compared to best practice and selected economies:



The following table shows Protecting Investors data for Korea compared to best practice and comparator economies:

<i>Best Practice Economies</i>	Investor Protection Index
New Zealand	9.7

<i>Selected Economy</i>	
Korea	5.3

<i>Comparator Economies</i>	
Brazil	5.3
China	5.0
India	6.0
Mexico	6.0
Russia	5.0

Paying Taxes: Tax Payable and Compliance in Korea

Taxes are essential. Without them there would be no money to fund schools, hospitals, courts, roads, water, waste collection and other public services that help businesses to be more productive. Still, there are good ways and bad ways to collect taxes.

The Doing Business tax survey records the effective tax that a company must pay and the administrative costs of doing so. Imagine a medium-size business, TaxpayerCo, that started operations last year. Doing Business asked accountants in 178 economies to review TaxpayerCo's financial statements and a standard list of transactions the company completed during the year. Respondents were asked how much tax the business must pay and what the process is for doing so.

The business starts from the same financial position in each country. All the taxes and contributions paid during the second year of operation are recorded. Taxes and contributions are measured at all levels of government and include corporate income tax, turnover tax, all labor contributions paid by the company (including mandatory contributions paid to private pension or insurance funds), property tax, property transfer tax, dividend tax, capital gains tax, financial transactions tax, vehicle tax and other small taxes (such as fuel tax, stamp duty and local taxes). A range of standard deductions and exemptions are also recorded.

Three indicators are constructed:

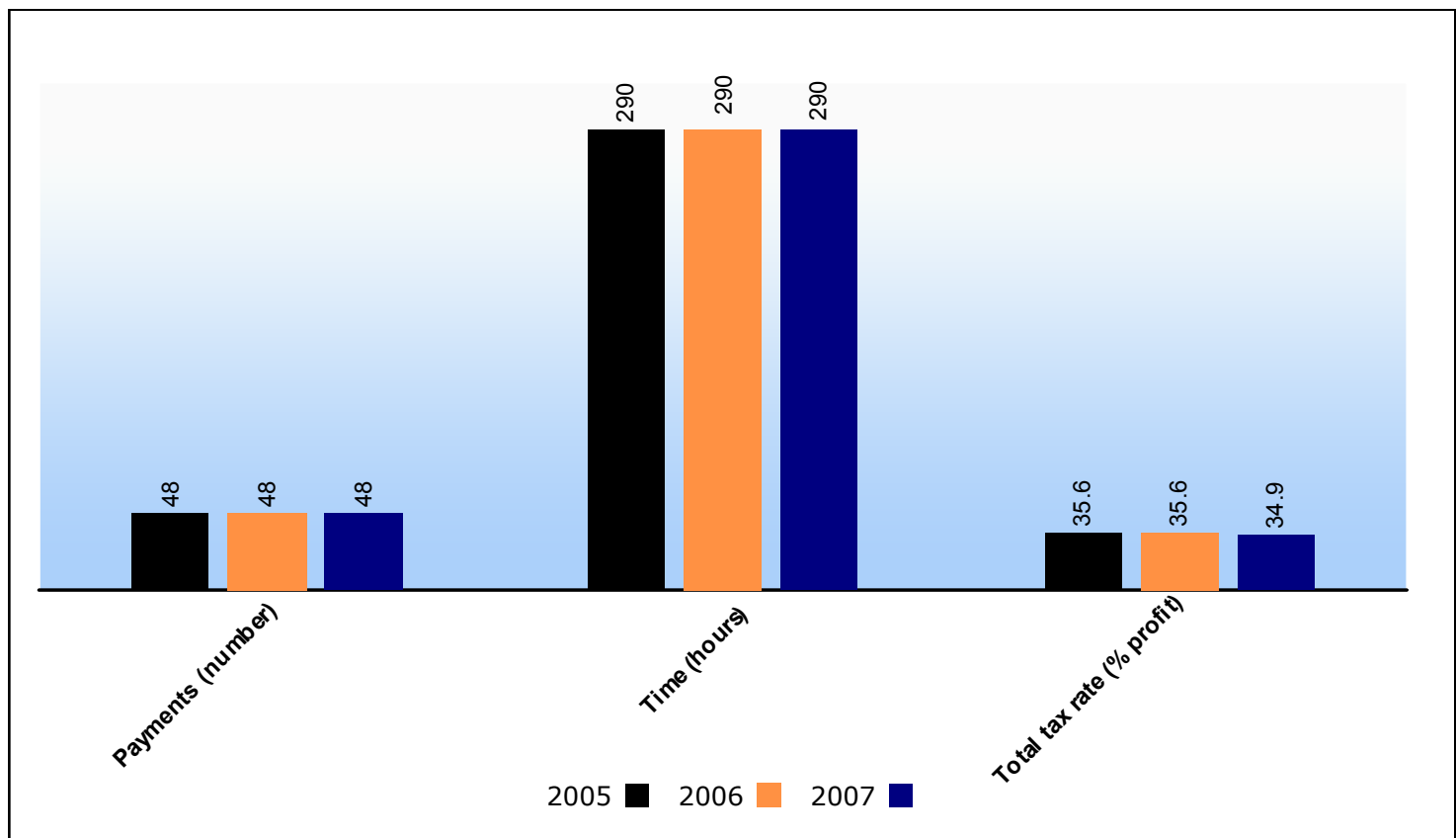
- Number of tax payments, which takes into account the method of payment or withholding, the frequency of payment or withholding and the number of agencies involved for the standard case.
- Time, which measures the hours per year necessary to prepare, file and pay the corporate income tax, value added or sales tax and labor taxes.
- Total tax rate, which measures the amount of taxes payable by the company during the second year of operation. This amount, expressed as a percentage of commercial profit, is the sum of all the different taxes payable after accounting for various deductions and exemptions.

Businesses care about what they get for their taxes and contributions, such as the quality of infrastructure and social services. Poor countries tend to use businesses as a collection point for taxes. Rich countries tend to have lower tax rates and less complex tax systems. And rich countries get more from their taxes. Simple, moderate taxes and fast, cheap administration mean less hassle for businesses—and also more revenue collected and better public services. More burdensome tax regimes create an incentive to evade taxes.

1. Historical data: Paying Taxes in Korea

Paying Taxes data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		106	106
Time (hours)	290	290	290
Total tax rate (% profit)	35.6	35.6	34.9
Payments (number)	48	48	48

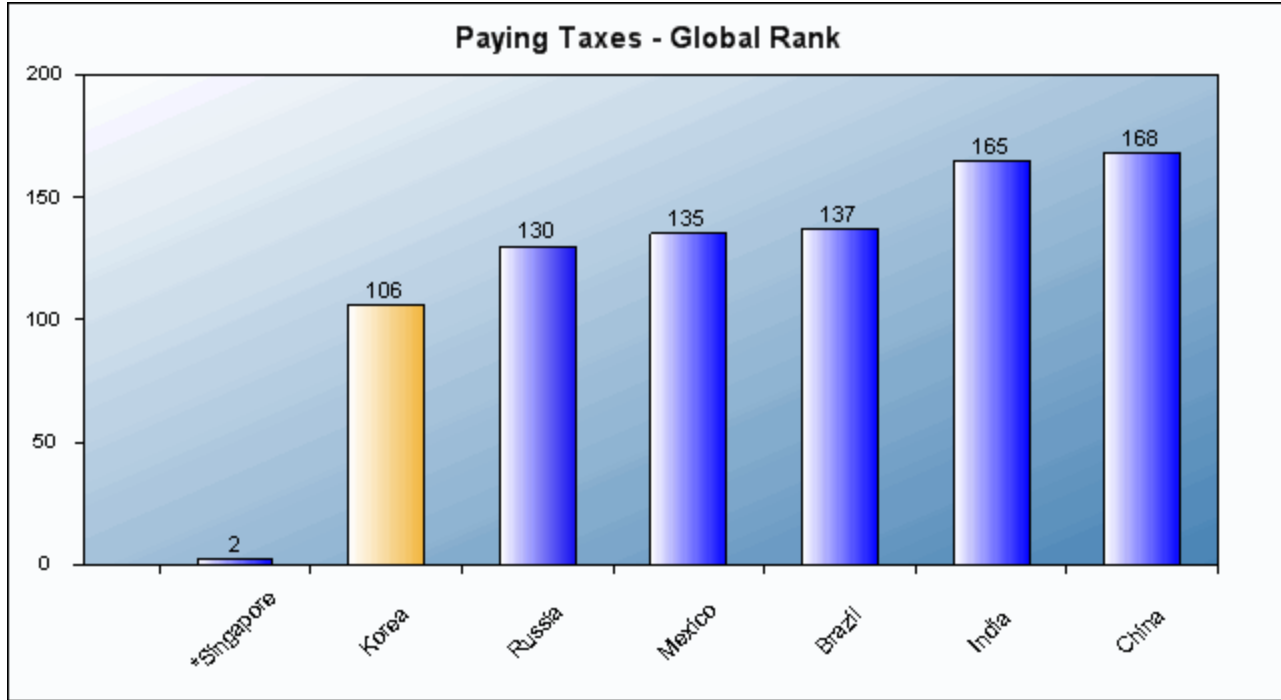
2. The following graph illustrates the Paying Taxes indicators in Korea over the past 3 years:



3. Benchmarking Paying Taxes Regulations:

Korea is ranked 106 overall for Paying Taxes. Maldives is the top ranked economy followed by Singapore, Hong Kong, China and United Arab Emirates.

Ranking of Korea in Paying Taxes - Compared to best practice and selected economies:



* The following economies are also best practice economies for Paying Taxes: Maldives

The following table shows Paying Taxes data for Korea compared to best practice and comparator economies:

Best Practice Economies	Payments (number)	Time (hours)	Total tax rate (% profit)
Sweden*	2		
United Arab Emirates*		12	
Vanuatu			8.4

Selected Economy			
Korea	48	290	34.9

Comparator Economies			
Brazil	11	2600	69.2
China	35	872	73.9
India	60	271	70.6
Mexico	27	552	51.2
Russia	22	448	51.4

* The following economies are also best practice economies for :

Payments (number): Maldives

Time (hours): Maldives

Trading Across Borders: Importing and Exporting from Korea

The benefits of trade are well documented—as are the obstacles to trade. Tariffs, quotas and distance from large markets greatly increase the cost of goods or prevent trading altogether. But with faster ships and bigger planes, the world is shrinking. Global and regional agreements have brought down trade barriers. Yet Africa's share of global trade is smaller today than it was 25 years ago. So is the Middle East's, excluding oil exports. The reason is simple: many entrepreneurs face numerous hurdles to exporting or importing goods. They often give up. Others never try.

Doing Business compiles procedural requirements for trading a standard shipment of goods by ocean transport. Every official procedure—and the associated documents, time and cost—for importing and exporting the goods is recorded, starting with the contractual agreement between the two parties and ending with delivery of the goods. For importing the goods, the procedures measured range from the vessel's arrival at the port of entry to the shipment's delivery at the factory warehouse. For exporting the goods, the procedures measured range from the packing of the goods at the factory to their departure from the port of exit.

To make the data comparable across countries, several assumptions about the business and the traded goods are used. The business is of medium size, with 100 or more employees, and is located in the periurban area of the country's most populous city. It is a private, limited liability company, domestically owned, formally registered and operating under commercial laws and regulations of the country. The traded goods are ordinary, legally manufactured products, and they travel in a dry-cargo, 20-foot FCL (full container load) container.

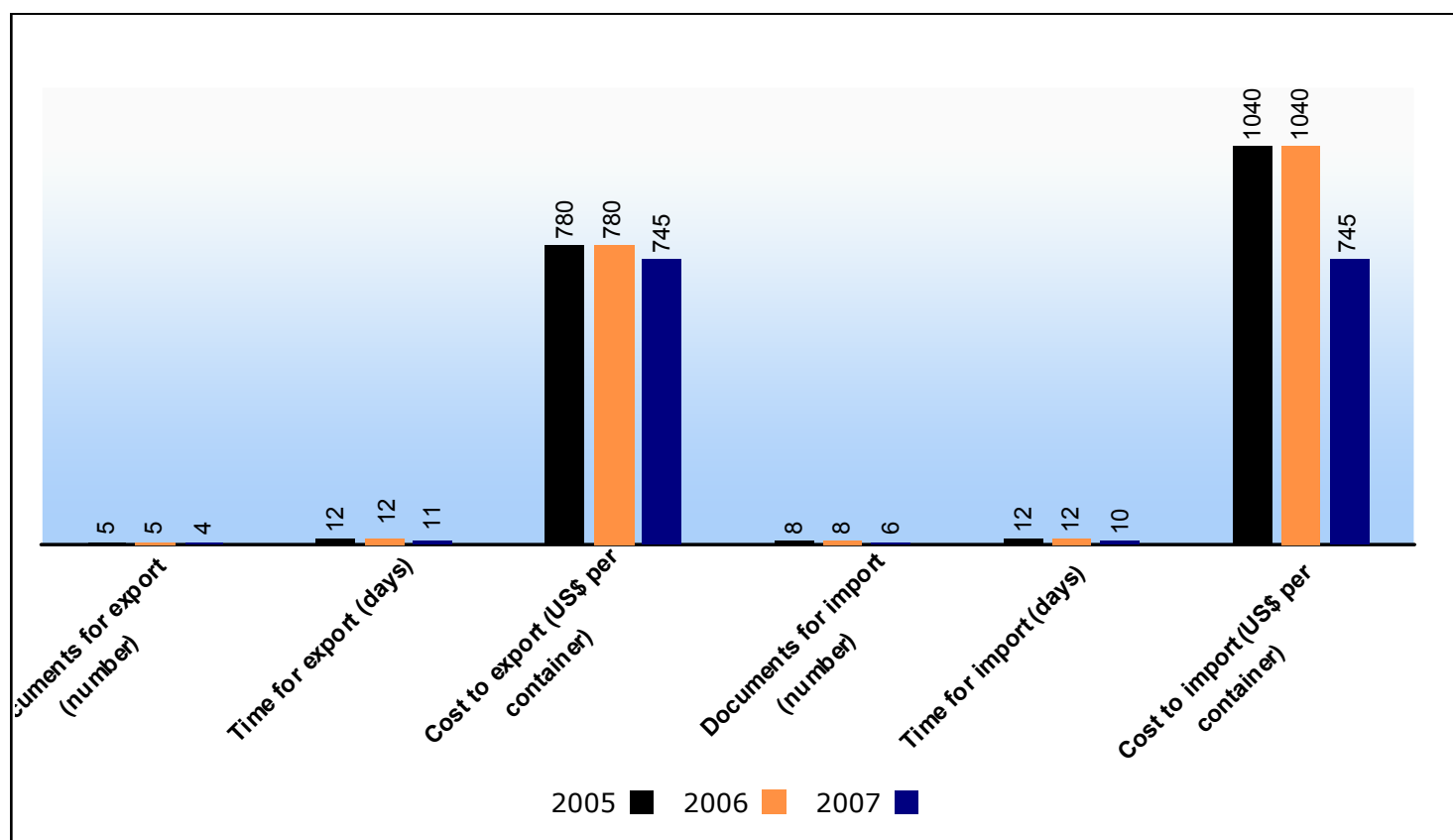
Documents recorded include port filing documents, customs declaration and clearance documents, and official documents exchanged between the concerned parties. Time is recorded in calendar days, from start to finish of each procedure. Cost measures the fees levied on a 20-foot container in U.S. dollars. All the fees associated with completing the procedures to export or import the goods are included, such as costs for documents, administrative fees for customs clearance and technical control, terminal handling charges and inland transport. The cost measure does not include tariffs or trade taxes.

Countries that have efficient customs, good transport networks and fewer document requirements—making compliance with export and import procedures faster and cheaper—are more competitive globally. That leads to more exports—and exports are associated with faster growth and more jobs. Conversely, a need to file many documents is associated with more corruption in customs. Faced with long delays and frequent demands for bribes, many traders avoid customs altogether. Instead, they smuggle goods across the border. That defeats the very purpose in having border control of trade—to levy taxes and ensure high quality of goods.

1. Historical data: Trading Across Borders in Korea

Trading Across Borders data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		30	13
Documents for export (number)	5	5	4
Time for export (days)	12	12	11
Cost to export (US\$ per container)	780	780	745
Documents for import (number)	8	8	6
Time for import (days)	12	12	10
Cost to import (US\$ per container)	1040	1040	745

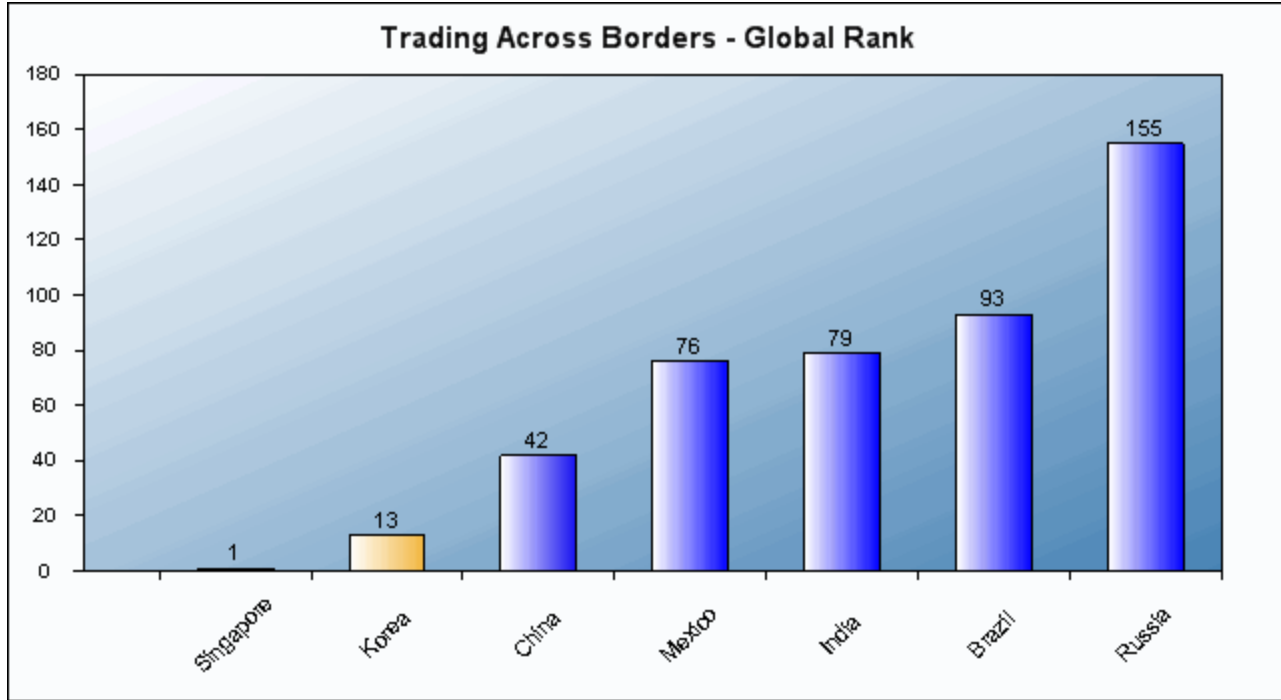
2. The following graph illustrates the Trading Across Borders indicators in Korea over the past 3 years:



3. Benchmarking Trading Across Borders Regulations:

Korea is ranked 13 overall for Trading Across Borders. Singapore is the top ranked economy followed by Denmark, Hong Kong, China and Norway.

Ranking of Korea in Trading Across Borders - Compared to best practice and selected economies:



The following table shows Trading Across Borders data for Korea compared to best practice and comparator economies:

Best Practice Economies	Documents for export (number)	Time for export (days)	Cost to export (US\$ per)	Documents for import (number)	Time for import (days)	Cost to import (US\$ per)
Canada*	3					
China			390			
Denmark*		5		3		
Singapore					3	367

Selected Economy						
Korea	4	11	745	6	10	745

Comparator Economies						
Brazil	8	18	1090	7	22	1240
China	7	21	390	6	24	430
India	8	18	820	9	21	910
Mexico	5	17	1302	5	23	2411
Russia	8	36	2050	13	36	2050

* The following economies are also best practice economies for :

Documents for export (number): Estonia, Micronesia, Panama

Time for export (days): Estonia, Singapore

Documents for import (number): Sweden

Enforcing Contracts: Court Efficiency in Korea

Where contract enforcement is efficient, businesses are more likely to engage with new borrowers or customers. Doing Business tracks the efficiency of the judicial system in resolving a commercial dispute, following the step-by-step evolution of a commercial sale dispute before local courts. The data are collected through study of the codes of civil procedure and other court regulations as well as surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

The dispute, between two businesses (the Seller and the Buyer) located in the country's most populous city, concerns a contract for the sale of goods. The Seller agrees to deliver the goods, worth 200% of the country's income per capita, to the Buyer.

After receiving and inspecting the goods, the Buyer concludes that their quality is inadequate. The Buyer sends the goods back without paying for them. The Seller disagrees and argues that their quality is adequate. The Seller seeks full payment from the Buyer, arguing that the goods cannot be sold to a third party because they were custom-made for the Buyer. The Seller sues the Buyer before the court in the most populous city to recover the amount due under the sales agreement (200% of the country's income per capita).

Three indicators of the efficiency of commercial contract enforcement are developed:

- Number of procedures, which includes all those that demand interaction between the parties or between them and the judge or court officer.
- Time, which counts the number of days from the moment the plaintiff files the lawsuit in court until the moment of payment. This measure includes both the days on which actions take place and the waiting periods between actions.
- Cost, which measures the official cost of going through court procedures, expressed as a percentage of the claim (assumed to be equivalent to 200% of income per capita). The cost includes court costs, enforcement costs and attorney fees where the use of attorneys is mandatory or common.

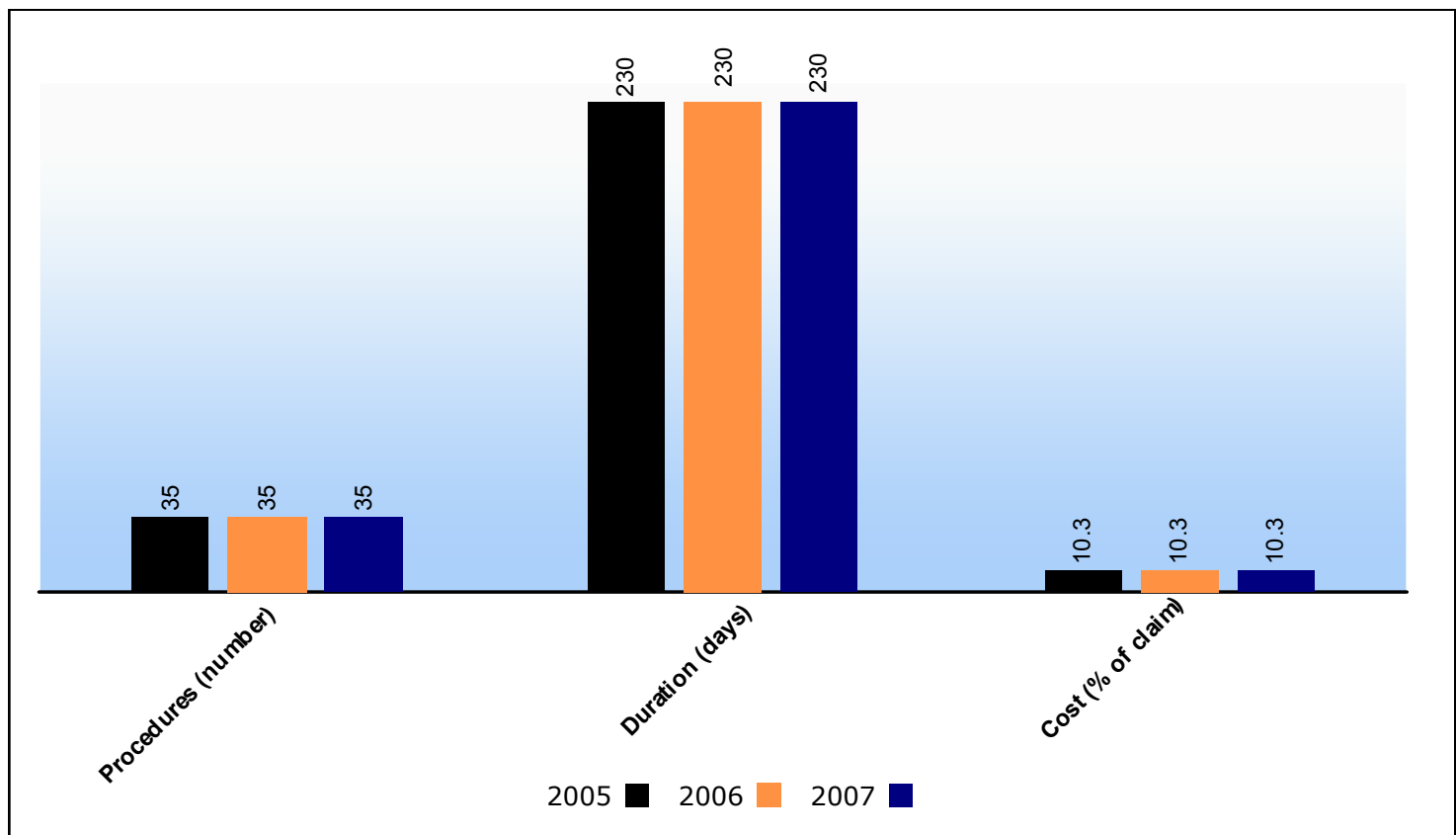
Businesses that have little or no access to efficient courts must rely on other mechanisms, both formal and informal—such as trade associations, social networks, credit bureaus or private information channels—to decide whom to do business with and under what conditions. Or they might adopt a conservative approach to business, dealing only with a small group of people linked through kinship, ethnic origin or previous dealings and structuring transactions to forestall disputes. In either case economic and social value may be lost.

The main reason to regulate procedures in commercial dispute resolution is that informal justice is vulnerable to subversion by the rich and powerful. But heavy regulation of dispute resolution backfires. Across countries, the more procedures it takes to enforce a contract, the longer the delays and the higher the cost. The result: less wealth is created.

1. Historical data: Enforcing Contracts in Korea

Enforcing Contracts data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		10	10
Procedures (number)	35	35	35
Duration (days)	230	230	230
Cost (% of claim)	10.3	10.3	10.3

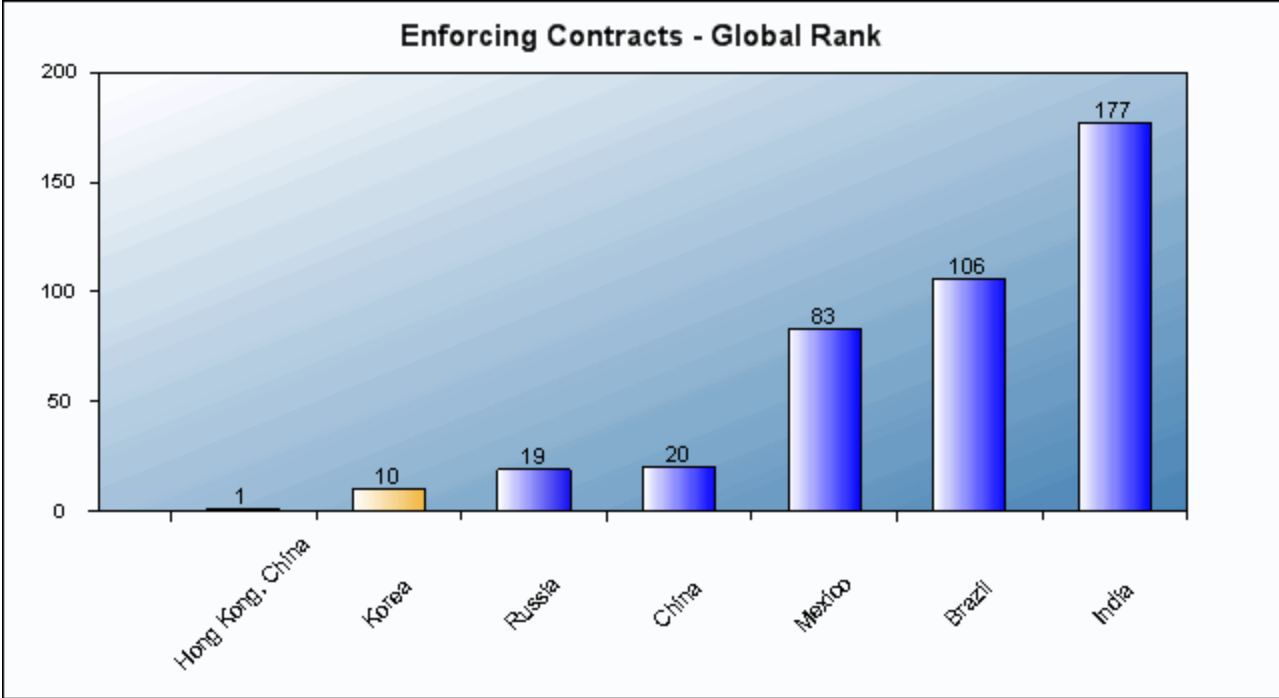
2. The following graph illustrates the Enforcing Contracts indicators in Korea over the past 3 years:



3. Benchmarking Enforcing Contracts Regulations:

Korea is ranked 10 overall for Enforcing Contracts. Hong Kong, China is the top ranked economy followed by Luxembourg, Latvia and Singapore.

Ranking of Korea in Enforcing Contracts - Compared to best practice and selected economies:



The following table shows Enforcing Contracts data for Korea compared to best practice and comparator economies:

Best Practice Economies	Procedures (number)	Duration (days)	Cost (% of claim)
Bhutan			0.1
Ireland	20		
Singapore		120	

Selected Economy			
Korea	35	230	10.3

Comparator Economies			
Brazil	45	616	16.5
China	35	406	8.8
India	46	1420	39.6
Mexico	38	415	32.0
Russia	37	281	13.4

Closing Business in Korea: Bankruptcy

The economic crises of the 1990s in emerging markets—from East Asia to Latin America, from Russia to Mexico—raised concerns about the design of bankruptcy systems and the ability of such systems to help reorganize viable companies and close down unviable ones. In countries where bankruptcy is inefficient, unviable businesses linger for years, keeping assets and human capital from being reallocated to more productive uses.

The Doing Business indicators identify weaknesses in the bankruptcy law as well as the main procedural and administrative bottlenecks in the bankruptcy process. In many developing countries bankruptcy is so inefficient that creditors hardly ever use it. In countries such as these, reform would best focus on improving contract enforcement outside bankruptcy.

The data on closing a business are developed using a standard set of case assumptions to track a company going through the step-by-step procedures of the bankruptcy process. It is assumed that the company is a domestically owned, limited liability corporation operating a hotel in the country's most populous city. The company has 201 employees, 1 main secured creditor and 50 unsecured creditors. Assumptions are also made about the debt structure and future cash flows. The case is designed so that the company has a higher value as a going concern—that is, the efficient outcome is either reorganization or sale as a going concern, not piecemeal liquidation. The data are derived from questionnaires answered by attorneys at private law firms.

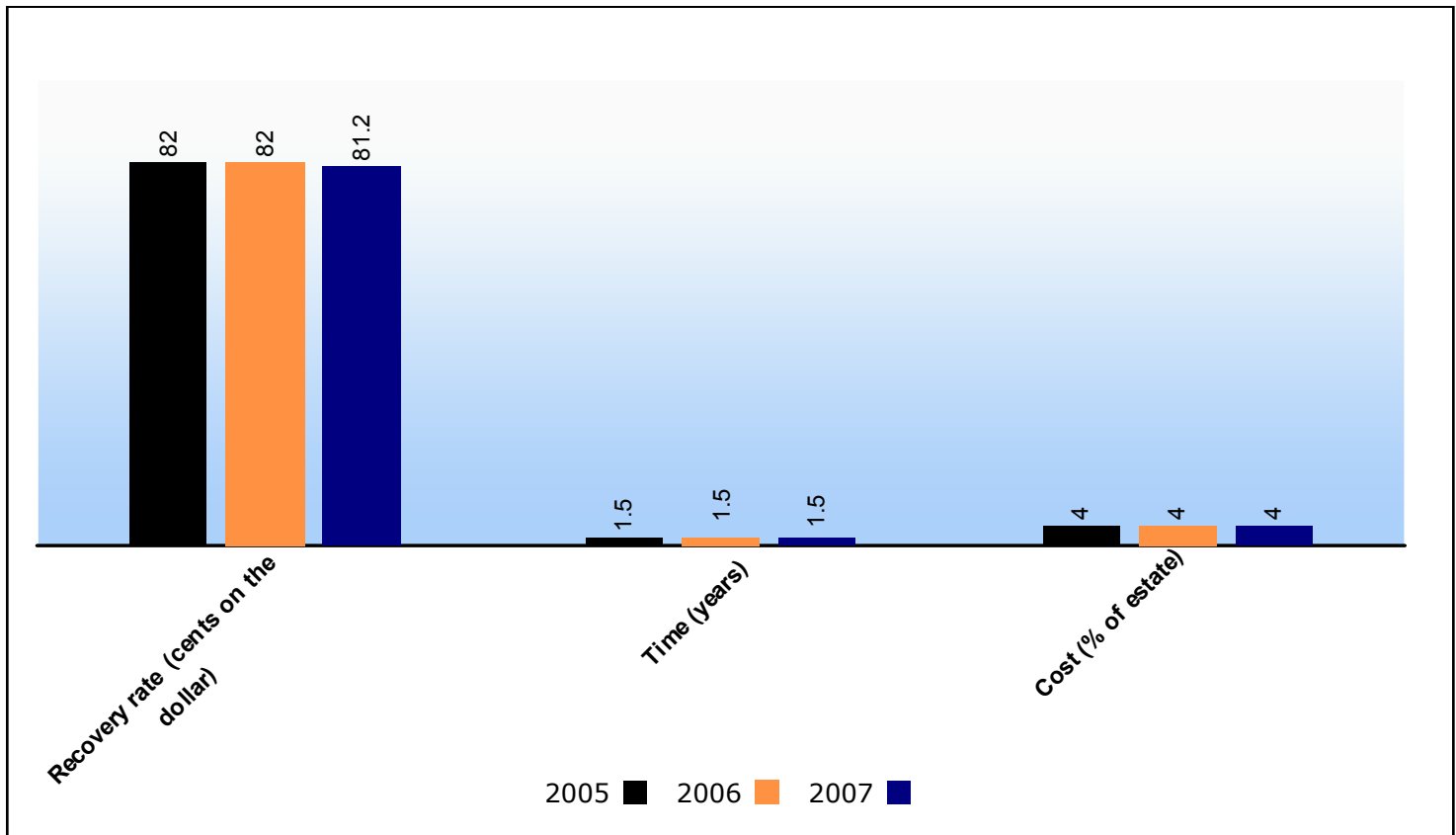
Three measures are constructed from the survey responses: the time to go through the insolvency process, the cost to go through the process and the recovery rate—how much of the insolvency estate is recovered by stakeholders, taking into account the time, cost, depreciation of assets and the outcome of the insolvency proceeding.

Bottlenecks in bankruptcy cut into the amount claimants can recover. In countries where bankruptcy is used, this is a strong deterrent to investment. Access to credit shrinks, and nonperforming loans and financial risk grow because creditors cannot recover overdue loans. Conversely, efficient bankruptcy laws can encourage entrepreneurs. The freedom to fail, and to do so through an efficient process, puts people and capital to their most effective use. The result is more productive businesses and more jobs.

1. Historical data: Closing Business in Korea

Closing a Business data	Doing Business 2006	Doing Business 2007	Doing Business 2008
Rank		10	11
Time (years)	1.5	1.5	1.5
Cost (% of estate)	4	4	4
Recovery rate (cents on the dollar)	82	82	81.2

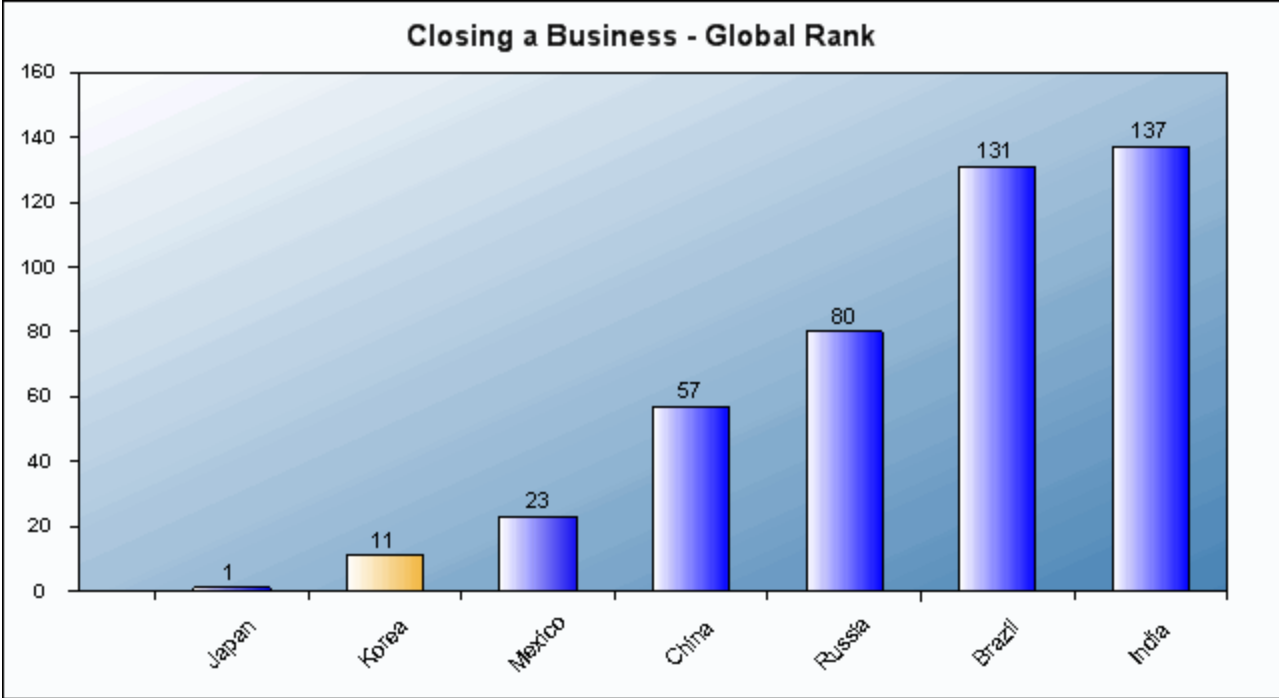
2. The following graph illustrates the Closing Business indicators in Korea over the past 3 years:



3. Benchmarking Closing Business Regulations:

Korea is ranked 11 overall for Closing a Business. Japan is the top ranked economy followed by Singapore, Norway and Canada.

Ranking of Korea in Closing Business - Compared to best practice and selected economies:



The following table shows Closing Business data for Korea compared to best practice and comparator economies:

Best Practice Economies	Recovery rate (cents on the	Time (years)	Cost (% of estate)
Colombia			1
Ireland*		0.4	
Japan	92.6		

Selected Economy			
Korea	81.2	1.5	4

Comparator Economies			
Brazil	14.6	4.0	12
China	35.9	1.7	22
India	11.6	10.0	9
Mexico	63.9	1.8	18
Russia	29.0	3.8	9

* The following economies are also best practice economies for :

Time (years): Cape Verde

Starting a Business in Korea

This table summarizes the procedures and costs associated with setting up a business in Korea.

STANDARDIZED COMPANY

Legal Form: Chusik Hoesa

Minimum Capital Requirement: KRW 50,000,000

City: Seoul

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Check the availability of trade name and obtain a certificate of name availability	1 day	no charge
2	Make seals for promoters and company	1 day	KRW 20000
3	Notarize articles of incorporation and minutes, and the certificate of seal	1 day	KRW 80,000 + (Total Capital - KWR 50 million)*0.05% (for notarizing AOI; not exceeding KRW 1 million), KRW 30,000 (for notarizing a shareholders' meeting minute), KRW 30,000 (for notarizing a BoD meeting minute)
4	Open a bank account and obtain certificate of payment for shares on deposit.	1 day	KRW 10000-20000 depending on bank
5	File the application package for incorporation registered with the District Government Office; obtain a corporate registration tax bill.	1 day	KRW 15000
6	Pay the corporate registration tax	1 day	1.2% capital registration tax + education tax + purchasing of bond + KRW 10,000 (e-registration form) or KRW 20,000 (non-e-registration form) of Supreme Court stamp
7	The company's incorporation is registered with the Commercial Registry Office in the Seoul District Court. Obtain certificate of seal impression of corporation.	1-2 days, depending on complexity of drafting and availability of notary	fees included in procedure 6

8	Register with the District Tax office for a business certificate within 20 days of commencement of business and get a tax identification number under the Value Added Tax Act	7-14 days	no charge
9	Register electronically for Public Health Insurance Program, National Pension Fund, and Employment Insurance and Industrial Accident Compensation Insurance	1 day	no charge
10	Prepare the rules of employment, submit them to the local labor office of Labor Minister, along with proof of accident insurance	1 day	no charge

Procedure 1 Check the availability of trade name and obtain a certificate of name availability

Time to complete: 1 day

Cost to complete: no charge

Comment: No trade name that has been registered by another person shall be registered as a trade name by the same kind of business, in the same city, metropolitan area, or kun. The name search can be done through the Supreme Court Web site (www.scourt.go.kr).

Procedure 2 Make seals for promoters and company

Time to complete: 1 day

Cost to complete: KRW 20000

Comment: The promoters may use their personal seal. There is no need to make a new one

Procedure 3 Notarize articles of incorporation and minutes, and the certificate of seal

Time to complete: 1 day

Cost to complete: KRW 80,000 + (Total Capital - KWR 50 million)*0.05% (for notarizing AOI; not exceeding KRW 1 million), KRW 30,000 (for notarizing a shareholders' meeting minute), KRW 30,000 (for notarizing a BoD meeting minute)

Comment: The following documents must be attached to notarize the articles of incorporation: copies of the articles of incorporation, the certificate of seal impression, and the promoters' residence registration.

Procedure 4 Open a bank account and obtain certificate of payment for shares on deposit.

Time to complete: 1 day

Cost to complete: KRW 10000-20000 depending on bank

Comment: The promoters decide the date by which and the bank(s) to which they will deposit their share of subscription funds. The promoters must deposit payment for the full subscription price of the shares to which they are subscribing.

Procedure 5 File the application package for incorporation registered with the District Government Office; obtain a corporate registration tax bill.

Time to complete: 1 day

Cost to complete: KRW 15000

Comment:

Procedure 6 Pay the corporate registration tax

Time to complete: 1 day

Cost to complete: 1.2% capital registration tax + education tax + purchasing of bond + KRW 10,000 (e-registration form) or KRW 20,000 (non-e-registration form) of Supreme Court stamp

Comment: The corporate registration tax is 0.4% of capital unless the corporation is located in a major city, where the registration tax is higher. For example, in Seoul, the registration tax is 1.2% of capital, and the education tax is 20% of the registration tax. The amount of bond to be purchased is 0.1% of capital.

Procedure 7 The company's incorporation is registered with the Commercial Registry Office in the Seoul District Court. Obtain certificate of seal impression of corporation.

Time to complete: 1-2 days, depending on complexity of drafting and availability of notary

Cost to complete: fees included in procedure 6

Comment: The company's incorporation is registered with the Commercial Registry Office in the Seoul District Court. Documents to be filed include the application form; the articles of incorporation; the application for shares; the record of examinations by directors, auditors, and inspectors, together with related documents; the minutes of inaugural general meetings and the minutes of board of director meetings on the appointment of directors; the inspector reports, confirming completion of in-kind investments; and documents confirming custody of paid-in capital.

The inspector's report can be substituted by a notary public's report if any incorporation particulars are abnormal—for example, if promoters receive any special benefits, the report would include the promoters' names and compensation levels and the company's share of incorporation expenses.

Procedure 8 Register with the District Tax office for a business certificate within 20 days of commencement of business and get a tax identification number under the Value Added Tax Act

Time to complete: 7-14 days

Cost to complete: no charge

Comment: To register for a business certificate, the company must complete registration forms for VAT and corporate income tax. The following documents must be submitted in person to the Tax Office: the certificate of incorporation; the articles of incorporation; the promoter's names, addresses, and share portions; a detailed list of property and assets; the office space lease agreement (if any); the company's registered seal of the company; the certificate of payment for shares on deposit in a bank; the list of directors; the list of shareholders, and so forth.

This process generally takes 14 days for manufacturers because the authorities must verify that the company is actually engaged in that business, but it generally takes less time for distributors.

Procedure 9 Register electronically for Public Health Insurance Program, National Pension Fund, and Employment Insurance and Industrial Accident Compensation Insurance

Time to complete: 1 day

Cost to complete: no charge

Comment: Company founder fills out an electronic form, which gets forwarded to the respective agencies. The registration is obligatory for firms with 1 or more employees. A certificate of authenticity must be obtained, using the company's tax identification, to file via the Internet.

Procedure 10 Prepare the rules of employment, submit them to the local labor office of Labor Minister, along with proof of accident insurance

Time to complete: 1 day

Cost to complete: no charge

Comment: The procedure is required for companies hiring 5 or more employees.

Dealing with Licenses in Korea

The table below summarizes the procedures, time, and costs to build a warehouse in Korea.

BUILDING A WAREHOUSE

Date as of: January 2, 2007

Estimated Warehouse Value:

City: Seoul

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Request and obtain proof of ownership of land	1 day	KRW 800
2	Purchase and sell National Housing Bonds (NHBs)	1 day	KRW 169,078
3	Request and obtain a building permit	9 days	KRW 245,000
4	Hire a certified inspector	1 day	KRW 9,059,980
5 *	Request and obtain electricity inspection certificate	1 day	KRW 132,400
6 *	Request and obtain telephone inspection certificate	1 day	KRW 40,000
7 *	Request and obtain fire inspection certificate	1 day	no charge
8	Request and obtain an occupancy permit and request final inspection	7 days	no charge
9 *	Receive an on-site inspection by the local government	1 day	no charge
10	Register the building with the court registry	4 days	KRW 6,751,310
11 *	Request and receive connection to electricity	7 days	KRW 9,686,400
12 *	Request and receive connection to water and sewerage services	7 days	KRW 2,600,000
13 *	Request and receive connection to telephone services	1 day	KRW 60,000

* Takes place simultaneously with another procedure.

Procedure 1 Request and obtain proof of ownership of land

Time to complete: 1 day

Cost to complete: KRW 800

Comment: BuildCo should obtain proof of ownership from the Property Register to show that BuildCo has the right to construct a warehouse on the land. The issuance date stated in the land registry should be within 3 months prior to the date of submitting the application for a building permit. Once the application for a building permit and the relevant documents are filed with the licensing authority, this authority will forward the design drawing to the relevant regulatory agencies: the fire department and the sewage department. It is possible to obtain proof of ownership (court registry) immediately after applying over the Internet, and the cost has been reduced to KRW 800 per registry.

Procedure 2 Purchase and sell National Housing Bonds (NHBs)

Time to complete: 1 day

Cost to complete: KRW 169,078

Comment: To qualify for a building permit, BuildCo must purchase National Housing Bonds (NHBs) at any commercial bank. The NHB is calculated at a rate ranging from KRW 500 to KRW 1,300 per square meter, depending upon the structure of the warehouse. If the warehouse is constructed in steel frame, the rate of KRW 1,300 per square meter is applied. The company can either receive the money paid for the NHBs upon maturity or sell them at a discount (the discount is 10%). Upon purchase, the bank issues a receipt, which must then be presented to the Building Authorities. The cost is calculated as follows: $KRW\ 1,300 \times 1300.6\ sq.m = KRW\ 1,690,780$. However, many sell the NHBs immediately at a discount of 10%, which brings the actual cost incurred by the company to KRW 169,078.

Procedure 3 Request and obtain a building permit

Time to complete: 9 days

Cost to complete: KRW 245,000

Comment: BuildCo must submit an application for a building permit to the County (Ku) Office of Construction. The application must include (a) the size of construction lot; (b) documentation showing BuildCo's ownership or the right to use the construction lot; and (c) basic design drawings, which must specify the approximate location of the water pipes, sewage, septic tank, electrical facilities, and telephone lines. Once the application for the building permit with the relevant documents is filed with the licensing authority, this authority forwards the design drawings to the relevant regulatory agencies (such as the sewerage department and the fire department). Thus, it is not necessary for the company to obtain separate project clearances from these departments.

Under the Article 7 of the new Building Code, anyone who intends to construct a building may opt for a fast-track procedure and apply for an "advance decision regarding building permit" before applying for a building permit. If an advance decision is obtained for the construction, the builder must separately apply for and obtain a building permit for the construction. However, when the advance decision is obtained, the relevant approval for the development or re-characterization of land (such approval is needed in certain zoning areas under several relevant laws) is deemed to be obtained. This effect of the advance decision is valid for 2 years from the date of issuance, before the builder applies for building permit itself. In addition, it is possible to submit simultaneous applications for an advance decision and for the traffic and environment impact assessment procedures, and the like, if those

procedures are necessary. Accordingly, if the builder obtains an advance decision before applying for the building permit, the time before the construction may be reduced more or less. However, this has not worked well in practice and many companies follow the traditional way.

According to the Standard for Civil Petitions Treatment published by the Korean Government on December 30, 2005, the duration for obtaining a building permit for a two-story, 1,300-square-meter building is estimated to be 3–14 days, subject to certain circumstances, including whether the work is performed by an agent (a certified architect). The duration can take a few days longer, as the case may be.

Before construction work begins, the company informs the authority thereof. BuildCo must present a notification application, including (a) a copy of all relevant contract(s) between the relevant parties (owner, construction company, architect, building inspector, etc.); and (b) the design drawings, which must specify the location of the water pipes, sewage, septic tank, electrical facilities, and telephone lines.

Procedure 4 Hire a certified inspector

Time to complete: 1 day

Cost to complete: KRW 9,059,980

Comment: A certified inspector conducts inspections throughout the period of construction. If the company does not hire a certified inspector during construction, there is a penalty of up to 2 years' imprisonment or a fine of up to KRW 10 million. The inspector is independent of the company. The frequency of inspections varies depending on the size and cost of construction. Generally, an inspection takes place if the inspector and the company deem it necessary. However, in some instances, the contract between the company and the inspector contains a clause specifying the frequency of inspection. There must be at least two inspections throughout the construction, during which the construction work does not stop.

The cost of KRW 9,059,980 is calculated by multiplying the value of the project, KRW 702,324,000, with the relevant rate of 1.29%, in accordance with the Regulation for Scope of Architect Services and Fee Standard.

Procedure 5 Request and obtain electricity inspection certificate

Time to complete: 1 day

Cost to complete: KRW 132,400

Comment: The Electricity Business Act requires that anyone who installs electrical facilities apply for an inspection by the relevant authority before using the facilities. According to the relevant authority, the inspection should be completed in a day. The cost of inspection is calculated as follows: KRW 82,000 + Additional fee of KRW 50,400 (140 kilowatts x KRW 360/ Kilowatts).

Procedure 6 Request and obtain telephone inspection certificate

Time to complete: 1 day

Cost to complete: KRW 40,000

Comment: The Information Telecommunication Construction Business Act requires that an inspection certificate be obtained from the relevant authority for information or technology facilities before the facilities are used. According to the act's enforcement provision, the time to complete the inspection should be 14 days, and the cost is KRW 40,000. There is no penalty for the authorities if the time line is missed, but they generally meet the deadline.

Procedure	7	Request and obtain fire inspection certificate
Time to complete:		1 day
Cost to complete:		no charge
Comment:		When the company applies for an occupancy permit, the approval authority will ask the Fire Department to inspect the building. The Fire Department will issue an inspection certificate after inspection of the premises. The average waiting time is a week.
Procedure	8	Request and obtain an occupancy permit and request final inspection
Time to complete:		7 days
Cost to complete:		no charge
Comment:		The company must apply for an occupancy permit within 7 days of the completion of construction. The occupancy permit is issued after the inspections mentioned in the next procedures.
Procedure	9	Receive an on-site inspection by the local government
Time to complete:		1 day
Cost to complete:		no charge
Comment:		Acquisition tax must be paid within 30 days of receiving the occupancy permit. The acquisition tax is 2% of the value of the project (in this case, KRW 702,324,000), amounting KRW 14,046,480. The farming and fishing village special tax of 10% of the acquisition tax (in this case, KRW 1,404,648) should also be imposed. The total tax is KRW 15,451,128.
Procedure	10	Register the building with the court registry
Time to complete:		4 days
Cost to complete:		KRW 6,751,310
Comment:		BuildCo must register the warehouse within 60 days from the inspection completion date. The cost of registration is composed of three parts: (a) registration tax for title preservation, which is 0.8% of official price of the building (in this case, the value of the project amounting KRW 702,324,000); (b) education tax, which is 20% of the registration tax; and (c) stamp tax, which is KRW 9,000 per land parcel.
Procedure	11	Request and receive connection to electricity
Time to complete:		7 days
Cost to complete:		KRW 9,686,400
Comment:		The cost of an electricity connection is calculated using the following formula: a basic fee of KRW 182,400 (up to 5 kilowatts) + KRW 70,400 for every additional kilowatt. Accordingly, the cost in this case is KRW 9,686,400 for electricity connection of 140 kilowatts.
Procedure	12	Request and receive connection to water and sewerage services
Time to complete:		7 days

Cost to complete: KRW 2,600,000

Comment:

Procedure 13 Request and receive connection to telephone services

Time to complete: 1 day

Cost to complete: KRW 60,000

Comment:

Employing Workers in Korea

Employing workers indices are based on responses to survey questions. The table below shows these responses in Korea.

Employing Workers Indicators (2007)	Answer	Score
Rigidity of Employment Index		37.0
Difficulty of Hiring Index		11.1
Are fixed-term contracts prohibited for permanent tasks?	No	0
What is the maximum duration of fixed-term contracts (including renewals)? (in months)	No limit	0.0
What is the ratio of mandated minimum wage to the average value added per worker?	0.31	0.33
Rigidity of Hours Index		60.0
Can the workweek extend to 50 hours (including overtime) for 2 months per year to respond to a seasonal increase in production?	Yes	0
What is the maximum number of working days per week?	6	0
Are there restrictions on night work?	Yes	1
Are there restrictions on "weekly holiday" work?	Yes	1
What is the paid annual vacation (in working days) for an employee with 20 years of service?	24	1
Difficulty of Firing Index		40.0
Is the termination of workers due to redundancy legally authorized?	Yes	0
Must the employer notify a third party before terminating one redundant worker?	Yes	1
Does the employer need the approval of a third party to terminate one redundant worker?	No	0
Must the employer notify a third party before terminating a group of 25 redundant workers?	Yes	1
Does the employer need the approval of a third party to terminate a group of 25 redundant workers?	No	0
Can an employer make redundant a worker only if the worker could not have been reassigned or retrained?	No	0
Are there priority rules applying to redundancies?	Yes	1
Are there priority rules applying to re-employment?	Yes	1
Firing costs (weeks of wages)		91.0
What is the notice period for redundancy dismissal after 20 years of continuous employment? (weeks of salary)		4.3

What is the severance pay for redundancy dismissal after 20 years of employment? (weeks of salary)	86.7
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What is the legally mandated penalty for redundancy dismissal? (weeks of salary)	0.0
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Nonwage labor cost (% of salary)	13.4
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Note: The first three indices measure how difficult it is to hire a new worker, how rigid the regulations are on working hours, and how difficult it is to dismiss a redundant worker. Each index assigns values between 0 and 100, with higher values representing more rigid regulations. The overall Rigidity of Employment Index is an average of the three indices.

Registering Property in Korea

This topic examines the steps, time, and cost involved in registering property in Korea.

STANDARDIZED PROPERTY

Property Value: 884,500.00

City: Seoul

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Parties must obtain their commercial registry extracts and the registry extract of the concerned land and building from the commercial registry	1 day	KW 3000
2	Obtain a copy of the Land Cadastre Certificate, the Building Management Certificate, and the Official Notice on Real Property Price (Official Price)	1 day	KW 500 1st page + KW 100 each additional page for the Land Cadastre Certificate KW 1000 for the Building Management Certificate (It is assumed that all certificates have 5 pages each) KW 300 + 100 per page for the Official Notice on Real Property Price (only latest year is needed)
3	Obtain a statement of taxes from the tax department of the jurisdictional district office	1 day	no cost
4	Buyer buys and affixes a National Revenue stamp	1-2 days	Fee for real estate agent (between 0.2-0.8% of sale price) + National Revenue Stamp, according to the following schedule: ₩ (in KW) NRS 0 millions KW 20,000 0 millions KW 40,000 00 millions KW 70,000 From 100 to 1,000 lions KW 150,000 1 millions KW 350,000

5	Buyer pays taxes at a commercial bank and obtains receipt	1 day	2 % of sale price for the Acquisition tax (transfer tax) 3 % of sale price for the Registration tax 20% of registration tax (0.6% of sale price) for the Education tax 10% of Acquisition tax (0.2% of sale price) for the Agricultural and Fisheries Tax
6	The buyer buys Housing Bonds	1-3 days	5% of Official Price (not included in calculation of total cost)
7	Buyer applies for the registration of the titles	3 days	KW 9,000 per real property (land + building) for court registry stamp

Procedure 1 Parties must obtain their commercial registry extracts and the registry extract of the concerned land and building from the commercial registry

Time to complete: 1 day

Cost to complete: KW 3000

Comment: The buyer obtains a certificate of its registered corporate seal issued by the commercial registry office (KW 1000). The buyer and seller obtain their commercial registry extracts from the commercial registry office (KW 1000 each). The seller also obtains the registry extract of the concerned land and building from the commercial registry office (KW 1000). There is more than one way (in person, via website, through an unattended machine) to obtain the certificates. Most people obtain the extract through an unattended machine placed in a governmental district office or from the website of the Supreme Court.

Procedure 2 Obtain a copy of the Land Cadastre Certificate, the Building Management Certificate, and the Official Notice on Real Property Price (Official Price)

Time to complete: 1 day

Cost to complete: KW 500 1st page + KW 100 each additional page for the Land Cadastre Certificate
KW 1000 for the Building Management Certificate
(It is assumed that all certificates have 5 pages each)
KW 300 + 100 per page for the Official Notice on Real Property Price (only latest year is needed)

Comment: The seller obtains from the jurisdictional district office an official copy of the extract from the land registry, or the Land Cadastre Certificate, an official copy of the extract from the building registry or the Building Management Certificate, and a certificate of the publicly announced price for the land and building, or Official Notice on Real Property Price (Official Price).
The Official Price is determined every year, in late May or early June. It is usually lower than the real price of the transaction (no lower than 50%, but in a case like this it could be close to 75%). Both buyer and seller should obtain the jurisdictional district office's stamp of the original copy of the contract executed by both parties.
Prices for certificates can be found on the website www.onnara.go.kr

Procedure 3 Obtain a statement of taxes from the tax department of the jurisdictional district office

Time to complete: 1 day

Cost to complete: no cost

Comment: The parties need to obtain a statement of taxes due from the tax department of jurisdictional district office after calculating the taxes payable:
- Registration Tax: 3% of the purchase price
- Education Tax: 20% of the registration tax
- Acquisition Tax: 2% of the purchase price
- Agricultural and Fisheries Tax: 10% of the acquisition tax
- Stamp Duties: KW 150,000 for KW 500 millions; KW 350,000 if above KW 1 billion

The Local Tax Law was amended effective January 5, 2005. According to the newly amended Local Tax Law, registration tax for sale and purchase of property between individuals have been reduced from 3% to 2% (however, for transfers between legal entities, the tax rate of 3% has been left unchanged). In this case, as the parties are legal entities the same 3% rate applies.

Procedure 4 Buyer buys and affixes a National Revenue stamp

Time to complete: 1-2 days

Cost to complete: Fee for real estate agent (between 0.2-0.8% of sale price) + National Revenue Stamp, according to the following schedule:

Property value (in KW)	NRS
From 10 to 30 millions	KW 20,000
From 30 to 50 millions	KW 40,000
From 50 to 100 millions	KW 70,000
From 100 to 1,000 millions	KW 150,000
Above 1,000 millions	KW 350,000

Comment: The buyer buys and affixes a National Revenue stamp to obtain an approval for the sale agreement from the district government office.

The lawyer or real estate agent had previously prepared the sale agreement. The seller was responsible for gathering all the documents to be presented to the lawyer or real estate agent.

For small operations, the real estate agent will connect the parties and prepare the sale agreement. For more important operations such as the one analyzed here, both a lawyer and the real estate agent will be used. The real estate agent will help connect the parties and the lawyer will prepare the sale agreement.

Official rate of 0.2-0.8% of the sale price for the real estate agent. In most cases the real estate agent fee is more than the official rate.

Lawyer fees will be between KW 100,000 and KW 250,000 per hour of work. It is estimated that on average a lawyer will charge between 5 and 10 hours to prepare the sale agreement.

The documentation shall include:

For the preparation of the sale agreement, the following documentation is needed:

- The Certificate of Registration that is in the possession of the seller
- A copy of Property Register to show the owner and encumbrances (obtained in Step 1)
- Land Cadastre Certificate and Building Management Certificate (obtained in Step 2)
- Seller ID (a copy of Corporate Commercial Register)
- Official Chop/Seal of the seller company
- Property tax clearance

Procedure 5 Buyer pays taxes at a commercial bank and obtains receipt

Time to complete: 1 day

Cost to complete: 2 % of sale price for the Acquisition tax (transfer tax)
3 % of sale price for the Registration tax
20% of registration tax (0.6% of sale price) for the Education tax
10% of Acquisition tax (0.2% of sale price) for the Agricultural and Fisheries Tax

Comment: The buyer pays the Acquisition tax, Registration tax, Education tax, and the Agricultural and Fisheries Tax at a commercial bank, and the bank issues to the buyer a confirmation of tax receipt and notice.

Procedure 6 The buyer buys Housing Bonds

Time to complete: 1-3 days

Cost to complete: 5% of Official Price (not included in calculation of total cost)

Comment: The buyer buys Housing Bonds and determines to sell them at a discounted price. Housing Bonds are bonds issued by the National Government to support a national program to supply housing to the poor. It is mandatory to buy these bonds in an amount equal to 5% of the Official Price (obtained in Step 2). These bonds are then usually sold in the secondary market with a discount of about 10%, but depend on

market conditions.

(Procedure 6 is not included in the calculation of total cost.)

Procedure 7 Buyer applies for the registration of the titles

Time to complete: 3 days

Cost to complete: KW 9,000 per real property (land + building) for court registry stamp

Comment: The buyer prepares an application form and applies for the registration of the title to a competent court registry under the buyer's name. Parties must purchase the required revenue stamp and attach it to the title transfer registration application. Land and building are registered separately.

The documentation shall include:

- Certificate of buyer's registered corporate seal (obtained in Procedure 1)
- Buyer and seller's commercial registry extracts (obtained in Procedure 1)
- Seller's registry extract of the concerned land and building (obtained in Procedure 1)
- Land Cadastre Certificate (obtained in Procedure 2)
- Building Management Certificate (obtained in Procedure 2)
- Official Notice on Real Property Price (obtained in Procedure 2)
- Sale agreement with the National Revenue Stamp affixed (obtained in Procedure 4)
- Tax payments' receipts (paid in Procedure 5)
- Receipt of purchase of Housing Bonds (bought in Procedure 6)

Getting Credit in Korea

The following table summarize legal rights of borrowers and lenders, and the availability and legal framework of credit registries in Korea.

Getting Credit Indicators (2007)			Indicator
Private bureau coverage (% adults)	Private credit bureau	Public credit registry	5
Are data on both firms and individuals distributed?	Yes	No	1
Are both positive and negative data distributed?	Yes	No	1
Does the registry distribute credit information from retailers, trade creditors or utility companies as well as financial institutions?	Yes	No	1
Are more than 2 years of historical credit information distributed?	No	No	0
Is data on all loans below 1% of income per capita distributed?	Yes	No	1
Is it guaranteed by law that borrowers can inspect their data in the largest credit registry?	Yes	No	1
Coverage	74.2	0.0	
Number of individuals	27,000,000	0	
Number of firms	2,100,000	0	
Legal Rights Index			5
Does the law allow all natural and legal persons to be party to collateral agreements?			Yes
Does the law allow for general descriptions of assets, so that all types of assets can be used as collateral?			No
Does the law allow for general descriptions of debt, so that all types of obligations can be secured?			Yes
Does a unified registry exist for all security rights in movable property?			No
Do secured creditors have absolute priority to their collateral outside bankruptcy procedures?			No
Do secured creditors have absolute priority to their collateral in bankruptcy procedures?			No
During reorganization, are secured creditors' claims exempt from an automatic stay on enforcement?			Yes
During reorganization, is management's control of the company's assets suspended?			Yes
Does the law authorize parties to agree on out of court enforcement?			Yes
May parties have recourse to out of court enforcement without restrictions?			No

Protecting Investors in Korea

The table below provides a full breakdown of how the disclosure, director liability, and shareholder suits indexes are calculated in Korea.

Protecting Investors Data (2007)	Indicator
Disclosure Index	7
What corporate body provides legally sufficient approval for the transaction? (0-3; see notes)	2
Immediate disclosure to the public and/or shareholders (0-2; see notes)	2
Disclosures in published periodic filings (0-2; see notes)	2
Disclosures by Mr. James to board of directors (0-2; see notes)	1
Requirement that an external body review the transaction before it takes place (0=no, 1=yes)	0
Director Liability Index	2
Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company. (0-2; see notes)	0
Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for damage to the company. (0-2; see notes)	1
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff (0-2; see notes)	0
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff (0=no, 1=yes)	0
Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff (0=no, 1=yes)	0
Whether fines and imprisonment can be applied against Mr. James (0=no, 1=yes)	0
Shareholder plaintiff's ability to sue directly or derivatively for damage the transaction causes to the company (0-1; see notes)	1
Shareholder Suits Index	7
Documents available to the plaintiff from the defendant and witnesses during trial (0-4; see notes)	3
Ability of plaintiffs to directly question the defendant and witnesses during trial (0-2; see notes)	1
Plaintiff can request categories of documents from the defendant without identifying specific ones (0=no, 1=yes)	1
Shareholders owning 10% or less of Buyer's shares can request an inspector investigate the transaction (0=no, 1=yes)	1
Level of proof required for civil suits is lower than that for criminal cases (0=no, 1=yes)	1
Shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit (0=no, 1=yes)	0

Notes:**Extent of Disclosure Index**

What corporate body provides legally sufficient approval for the transaction?

0=CEO or managing director alone; 1=shareholders or board of directors vote and Mr. James can vote; 2=board of directors votes and Mr. James cannot vote; 3 = shareholders vote and Mr. James cannot vote

Immediate disclosure to the public and/or shareholders

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

Disclosures in published periodic filings

0=none; 1=disclosure on the transaction only; 2=disclosure on the transaction and Mr. James' conflict of interest

Disclosures by Mr. James to board of directors

0=none; 1=existence of a conflict without any specifics; 2= full disclosure of all material facts

Director Liability Index

Shareholder plaintiff's ability to hold Mr. James liable for damage the Buyer-Seller transaction causes to the company

0= Mr. James is not liable or liable only if he acted fraudulently or in bad faith; 1= Mr. James is liable if he influenced the approval or was negligent; 2= Mr. James is liable if the transaction was unfair, oppressive or prejudicial to minority shareholders

Shareholder plaintiff's ability to hold the approving body (the CEO or board of directors) liable for damage to the company

0=members of the approving body are either not liable or liable only if they acted fraudulently or in bad faith; 1=liable for negligence in the approval of the transaction; 2=liable if the transaction is unfair, oppressive, or prejudicial to minority shareholders

Whether a court can void the transaction upon a successful claim by a shareholder plaintiff

0=rescission is unavailable or available only in case of Seller's fraud or bad faith; 1=available when the transaction is oppressive or prejudicial to minority shareholders; 2=available when the transaction is unfair or entails a conflict of interest

Shareholder plaintiffs' ability to sue directly or derivatively for damage the transaction causes to the company

0=not available; 1=direct or derivative suit available for shareholders holding 10% of share capital or less

Shareholder Suits Index

Documents available to the plaintiff from the defendant and witnesses during trial

Score 1 each for (1) information that the defendant has indicated he intends to rely on for his defense; (2) information that directly proves specific facts in the plaintiff's claim; (3) any information that is relevant to the subject matter of the claim; and (4) any information that may lead to the discovery of relevant information.

Ability of plaintiffs to directly question the defendant and witnesses during trial

0=no; 1=yes, with prior approval by the court of the questions posed; 2=yes, without prior approval

Paying Taxes in Korea

The table below addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year in Korea, as well as measures of administrative burden in paying taxes.

Tax or mandatory contribution	Payments (number)	Notes on Payments	Time (hours)	Statutory tax rate	Tax base	Total tax rate (% profit)	Notes on TTR
Stamp duty	1				contract value		small amount
Value added tax (VAT)	1	online filing	50	10.0%	value added		not included
Per capita resident tax	1			fixed fee (KRW 62,500)		0.01	
Automobile tax	1			fixed fee (KRW 169,650)		0.02	
Business place tax for business	1			KRW 250 per □ of business place	building area	0.02	
Community facility tax	1			0.06% to 0.16%	statutory price of building	0.10	
City planning tax	2			0.1%	statutory price of building and assessed land value	0.13	
Unemployment insurance	0	paid jointly		0.4%	gross salaries	0.51	
Business place tax per employee	12			0.5%	gross salaries	0.56	
Property tax	1			1.0%	statutory price of building and land	0.59	
Fuel tax	1				included in fuel price	2.02	
Comprehensive Real estate holding tax	1			1.2% to 4.8%	assessed land value	2.36	
Health insurance	12			varies	gross salaries	2.54	
Accident insurance	0	paid jointly		2.4%	gross salaries	2.71	

Pension contribution	12		120	varies	gross salaries	5.05
Corporate income tax	1	online filing	120	14.3%, 27.5%	taxable profits	18.34
Totals	48		290			34.9

Notes:

- a) data not collected
- b) VAT is not included in the total tax rate because it is a tax levied on consumers
- c) very small amount
- d) included in other taxes
- e) Withheld tax
- f) electronic filling available
- g) paid jointly with another tax

Name of taxes have been standardized. For instance income tax, profit tax, tax on company's income are all named corporate income tax in this table.

When there is more than one statutory tax rate, the one applicable to TaxpayerCo is reported.

The hours for VAT include all the VAT and sales taxes applicable.

The hours for Social Security include all the hours for labor taxes and mandatory contributions in general.

Trading Across Borders in Korea

These tables list the procedures necessary to import and exports a standardized cargo of goods in Korea. The documents required to export and import the goods are also shown.

Nature of Export Procedures (2007)	Duration (days)	US\$ Cost
Documents preparation	5	65
Customs clearance and technical control	1	30
Ports and terminal handling	3	200
Inland transportation and handling	2	450
Totals	11	745

Nature of Import Procedures (2007)	Duration (days)	US\$ Cost
Documents preparation	5	65
Customs clearance and technical control	1	30
Ports and terminal handling	2	200
Inland transportation and handling	2	450
Totals	10	745

Export

Bill of lading

Commercial invoice

Customs export declaration

Packing list

Import

Bill of lading

Cargo release order

Commercial invoice

Customs import declaration

Packing list

Terminal handling receipts

Enforcing Contracts in Korea

This topic looks at the efficiency of contract enforcement in Korea.

Nature of Procedure (2007)	Indicator
Procedures (number)	35.00
Duration (days)	230.00
Filing and service	20.0
Trial and judgment	90.0
Enforcement of judgment	120.0
Cost (% of claim)*	10.30
Attorney cost (% of claim)	9.0
Court cost (% of claim)	0.6
Enforcement Cost (% of claim)	0.7

Court information: Seoul Central District Court ("서울중앙지방법원")

www.seoul.scourt.go.kr

* Claim assumed to be equivalent to 200% of income per capita.