

North Korea Modifies Laws to Attract Foreign Investments

North Korea is modifying a series of laws related to foreign investments.

The KCNA announced on February 9 that the “Foreign Investment Bank Law” was modified and supplemented. According to the report, the amended law included “those businesses in operation for over ten years are exempt from income tax on the profit collected in the first year and Bank of Chosun [Bank of North Korea] will be exempt from business taxes on the interest revenue collected from loans provided to companies on favorable terms.”

The previous law already had regulations about exemption of transaction taxes but nothing on business tax. The foreign investment company and foreigner tax law regulated that two to ten percent of profit to be paid by the foreign companies in service and construction sectors.

While the prior law stated, “tax exemption will be provided for the first year for income tax on those businesses over ten years old, and 50 percent exemption will be given in the next two years,” the “50 percent limit” was omitted in the amended legislation.

According to the KCNA, “The law has 5 chapters and 32 articles which included the contents of categorization and specification for areas to establish foreign investment banks, property rights, and autonomy on business management.”

On February 10, the KCNA announced that the Foreign Investment Company Registration Law, Foreign Investment Company and Foreigner Tax Law, and Foreign Investment Company Bankruptcy Law were amended.

In reference to the ordinance of the Supreme People’s Assembly Standing Committee signed on December 21, 2011, provided that this law consisted of 6 chapters and 34 articles with specifics on business establishment, address, tax, and tariff registrations. However, no other details were given.

On January 30, the KCNA also reported the “Labor Law of Foreign Investment Company” was amended and supplemented. This law consists of 8 chapters and 51 articles on hiring and labor contracts, rest, protection, social insurance, and security.

In addition, the “Financial Management Law of Foreign Investment Company” and “Fiscal Law of Foreign Investment Company,” was also modified. However, no other details were provided.

The KCNA has reported that North Korea modified foreign investment laws previously in 1992, 1999, and 2004. This year marks the fourth amendment.

The news elaborated, “The DPRK is encouraging foreign companies to investment in our country based on complete equality and reciprocity and will not nationalize or collect the invested asset,” reiterating the safety and security of foreign investment.

Some analyze the recent amendment as an effort to attract more foreign investment into the country. Similarly, North Korea has recently announced the Special Economic Zone Act for the development of Hwanggumpyong and Wiwha Islands. In addition, the state-run Academy of Social Sciences published a newsletter emphasizing the rational tax investigation for foreign companies.