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AMCHAM
American Chamber of Commerce in Korea

Korea as an **Asia-Pacific** **Regional Headquarters** Report

AMCHAM Cross-Border Investment Committee
March 2024



A. Introduction: Korea as a Potential Asia-Pacific Regional Headquarters

Since the early 1980s, Korea has consistently been an attractive destination for Foreign Direct Investment (“FDI”) and an important base for global multinational companies (“MNCs”) looking to establish operations in Korea or extend their reach across the Asia-Pacific Region (“APAC”). Benefiting from an expansive treaty network, strategic alliances, notably with partners like the United States, and a robust rule-based legal framework, Korea has cultivated a secure environment that serves as a solid foundation for enduring economic growth and prosperity. For over 70 years, AMCHAM Korea has played a proactive role as a staunch advocate, fostering, and strengthening commercial relations.

Over the past few decades, Korea’s economic landscape has undergone a remarkable transformation. Initially centered around manufacturing and heavily reliant on exports, it has evolved into a thriving global economic powerhouse. Currently ranked as the 10th largest economy and 4th largest in the Asia-Pacific region,¹ Korea boasts sixteen companies listed on the prestigious Fortune 500.²

Korea’s economy is rapidly transitioning to a cutting-edge, highly skilled technology, and service-based industry. This transformation is driven by substantial investments in education, coupled with significant research and development expenditure as a percentage of GDP.³ The country stands at the forefront of global industries such as semiconductors, electric vehicle supply chains, Internet platforms, and others. This leadership in forward-looking sectors positions Korea as a key player in shaping the industries of the future.

In today’s interconnected global landscape, Korea stands at the cusp of a transformative era. Not only is it cultivating world-leading businesses, but it is also reshaping its domestic industry, actively attracting new FDI and diverse types of businesses. The influx of foreigners living and working in Korea has surged, reaching 2.26 million,⁴ with nearly 2 million being expats or foreign workers. This influx has seen a remarkable increase in recent years, as global employers contribute fresh perspectives and opportunities to a business environment once predominantly shaped by domestic entities.

Furthermore, Korea has also jumped significantly up the global value supply chain, earning recognition as an influential business leader throughout the entire APAC region.

In light of the evolving geopolitical landscape involving China, coupled with Korea’s robust infrastructure, strategic geographic proximity to sizable consumer markets, well-established supply chain infrastructure, and the shifts in international tax regulations (e.g. BEPS Pillar Two), Korea emerges as an optimal destination for MNCs seeking to establish Asia-Pacific Regional Headquarters (“APAC RHQ”).

¹ [South Korean Economy | Outlook 2022/2023 - AsiaFundManagers](#)

² [16 Korean Companies Make It into Fortune Global 500 - Businesskorea](#)

³ South Korea ranks second among OECD countries in R&D spending as portion of GDP: [S. Korea ranks 2nd among OECD nations in R&D spending as portion of GDP: reportView Details | Investment News | InvestKOREA\(ENG\)](#)
[Sustaining the Miracle on the Han River \(oecd.org\)](#)

⁴ [Korea’s foreign population reaches record-high of 2.26 million - The Korea Times.](#)

AMCHAM Business Survey 2024

According to the AMCHAM Business Survey 2024, Korea is ranked as the second most preferred APAC RHQ destination, following Singapore. The survey results indicate a noteworthy ascent in Korea's APAC RHQ rankings, signifying an improved standing compared to the past. Interestingly, the survey highlights a decline in the preference for Hong Kong and China as APAC RHQ locations, attributed to geopolitical concerns and economic uncertainties, a trend accentuated by the challenges posed by the COVID crisis, including stringent lockdowns prompting expats and businesses to reconsider their presence in China.

The survey results provide a nuanced view of the current business landscape in Korea and offer valuable insights into potential areas for improvement to position Korea as the regional headquarters in the Asia Pacific. While **43.7%** of respondents rated the current business environment in Korea as average, indicating room for enhancement, a notable portion of **31%** rated it positively. This suggests a foundation upon which to build and improve, with **66.2%** of respondents expressing optimism or neutrality regarding the business outlook for their industry in Korea within the next two years.

Despite challenges such as an unpredictable regulatory environment and concerns about the impact of government policies and reforms, many companies reported meeting or exceeding growth expectations in 2023. This indicates resilience and adaptability within the Korean business community.

However, there are areas of concern that must be addressed to foster an environment conducive to attracting and retaining regional headquarters. The survey highlights Korea-unique regulations, labor policy, CEO risks, and digital economy-related policy as some of the most important policy reforms necessary to make Korea APAC RHQ.

Additionally, **77.5%** of the respondents noted the impact of the upcoming Korean and U.S. election results as potentially significant to their businesses in Korea, underscoring the importance of the stable regulatory and geopolitical environment in ensuring Korea's appeal as an attractive business hub.

By addressing concerns related to regulatory uncertainty, fostering a favorable business environment, and strategically implementing policy reforms, Korea can enhance its competitiveness and attractiveness to businesses seeking a regional base in Asia.

The establishment of APAC RHQs in Korea holds the promise of attracting FDI and generating high-impact jobs. This, in turn, will reinforce Korea's position as a prominent leader within the APAC region and the global business community. However, to be most successful in this endeavor, the support of the Korean Government becomes critical, playing a pivotal role in steering the initiatives toward optimal outcomes.

This report will outline the important factors that strategically position Korea as the preferred destination for establishing an APAC RHQ and explore elements that can elevate Korea to emerge as the prominent APAC RHQ destination.

B. What is an APAC RHQ?

Business in the Asia-Pacific region has increased exponentially over the past decade, emerging as one of the most critical global growth engines for MNCs both now and in the foreseeable future.

Effectively running and managing businesses across the diverse landscape of the APAC region is a formidable task, requiring seasoned executives with top-level decision-making authority and deep local expertise. These individuals play a crucial role in translating the company's global strategic vision into tailored plans for localized execution in Asia. Positioned as the strategic epicenter of business operations in Asia, an APAC RHQ serves as a linchpin that can make a decisive impact on the outcome of ventures in this important market.

Many MNCs structure their global operations with a Global Headquarters ("Global HQ") in their home country, dividing the world into several geographic blocks to address region-specific market dynamics. It is common for a global MNC to designate the Asia-Pacific region as one of these key geographic "Regions," allowing for strategic decision-making authority to be closer to local markets.

An APAC RHQ differs from a regular business operating entity responsible for day-to-day operations. Unlike a factory engaging in labor-intensive tasks or a legal entity focused on a single country's operations, an RHQ is established to drive major business strategies across a large geographic region. It serves as the legal entity housing the most senior-level executives (typically just below the C-suite positions at the global HQ) for the Region.

The characteristics of an APAC RHQ vary, but they typically involve:

- A number of senior executives at the highest organizational level globally
- A concentration of high-value executives, experienced expatriates, and local personnel
- Strategic and decision-making authority for business operations across the entire APAC Region
- Oversight of country-level leaders or operations reporting to the RHQ Leadership
- Authority to decide and direct the allocation of investment capital across the Region
- Budgeting, forecasting, and finance/accounting oversight for the entire Region

Additionally, some RHQs may include high-value responsibilities such as a holding company legal structure, acting as a principal company for trading activities, managing physical flows of goods, conducting treasury functions, and implementing cash pools.

The key differentiating factor lies in the APAC RHQ's authority to make strategic decisions and execute the company's strategy and vision across the entire APAC region, providing support to local entities with a presence in each country.

Why is a RHQ important to the host country and what are the potential benefits?

The significance of hosting an APAC RHQ extends beyond immediate gains, encouraging governments worldwide to vigorously compete for FDI from MNCs seeking to establish RHQs in their jurisdictions. Governments attract these investments with incentives such as reduced tax rates, economic perks,

rebates, and operational assistance in recognition of the far-reaching benefits that accrue to the host country.

Here are some of the compelling reasons why countries vie for APAC RHQ investments:

- **Local Career Advancement:** Employees at an APAC RHQ gain access to a potential career trajectory that extends beyond managing a single country, providing a unique opportunity for local executives to ascend to leadership roles overseeing the entire APAC region.
- **Increased Investments:** Additional investments invariably flow into the host country as part of the RHQ establishment, bolstering economic development and infrastructure.

Singapore Economic Development Board (EDB) in Year 2022 in Review stated *“EDB also secured S\$6.2B in TBE, which is in line with our medium-term goals. The Headquarters and Professional Service accounted for about half of TBE commitments as more global businesses used Singapore as a hub to build resilience in their operations as well as to access regional and global markets.”*

The Review continues showing the benefit of RHQs by stating *“of the jobs created, 61% will be in Hub and Business Services...while 12% will be in Innovation (jobs created by Research & Development projects)”*.

- **Expatriate Contributions:** RHQs typically attract a senior expatriate executive base with accompanying families, leading to higher domestic consumption, increased tax collections, and additional spending on high-end housing, international education, and entertainment.
- **Tax Revenue:** The presence of expatriates and high-salaried executives contributes to increased tax revenue for the host country.
- **Stimulated Local Economy:** High-value services associated with APAC RHQs stimulate the domestic economy, with increased demand for services ranging from housing to entertainment.
- **Business Activity Diversification:** APAC RHQ locations naturally draw high value-add services and business activities, including functions like Treasury, Cash Pooling, or direct investment vehicles that will create additional value⁵
- **Global Investments:** RHQ locations often attract additional high-value investments from the broader global organization, such as R&D facilities and education centers, enhancing the country’s global standing.

The cumulative impact of these long-term economic benefits makes hosting an APAC RHQ an attractive proposition for countries. In recent years, Korea has emerged as a contender for APAC RHQs, with numerous prominent MNCs, including Qualcomm, General Motors, Delta, Disney, Novelis, and the New York Times, recognizing the advantages of establishing their APAC RHQ in the country.

⁵ It is expected that in the early years of an APAC RHQ program in Korea that some functions such as investment vehicle, treasury, cash pooling or other functions may not transfer to Korea until the regulatory regime is more business friendly and able to address the concerns that are not as prevalent in other APAC RHQ centers such as Singapore and Hong Kong. Banking, foreign exchange and other such regulatory challenges are a hurdle for these activities to take place in a Korea based APAC RHQ.

As we delve further, we will explore additional reasons why Korea is now a prime contender for preferred APAC RHQ destinations. We will examine how Korea can leverage the global “K-wave” phenomenon to position itself strategically and attract a significant share of the APAC RHQ business and investments.

APAC RHQ Trends

For years, MNCs have strategically positioned their APAC RHQs to spearhead the plans of their Asia-based business portfolios. Traditionally, locations such as Singapore, Hong Kong, and Shanghai have been the preferred choices for establishing APAC RHQs due to factors like ease of doing business, cost of living, quality of life, tax incentives, and overall operational expenses. However, the landscape is undergoing substantial shifts, prompting companies to reassess their APAC RHQ locations in light of evolving global trends.

Recent risk factors include:

- **Geopolitical Dynamics and Supply Chain Resilience:** Increasing emphasis on geopolitical stability and the need to de-risk supply chains
- **Cost Considerations:** The overall cost of living and business operations, including expenses related to expatriate housing and education
- **Regulatory Environment:** Evaluating the business regulatory environment and legislative transparency
- **Ease of Doing Business:** Assessing the ease of doing business in different locations
- **Proximity to Geographic Markets:** Considering the proximity to the largest markets and customers
- **Access to Talent:** Evaluating the availability of talent and the desirability of expatriates to work and live in specific locations
- **Tax Burden:** Examining the cost and tax burden associated with employing expat and local employees, including housing and education expenses
- **Changing Tax Landscape:** Considering the impact of a post-BEPS Pillar Two world on the value of existing tax incentives

Historically, Singapore, Hong Kong, and Shanghai have dominated as APAC RHQ locations, with significant numbers established in these hubs. However, recent trends indicate a shift in considerations. The following estimates highlight the prevalence of APAC RHQs in different locations:

Estimated Number of APAC RHQs by Location

Location	Estimated Number of APAC RHQs
Singapore	Approx. 5,000 RHQs ⁶
Hong Kong	Approx. 1,400 RHQs / 2,400 regional offices ⁷
Shanghai	Approx. 900 ⁸
Korea	Limited
ASEAN outside of Singapore	Limited
Japan	Limited

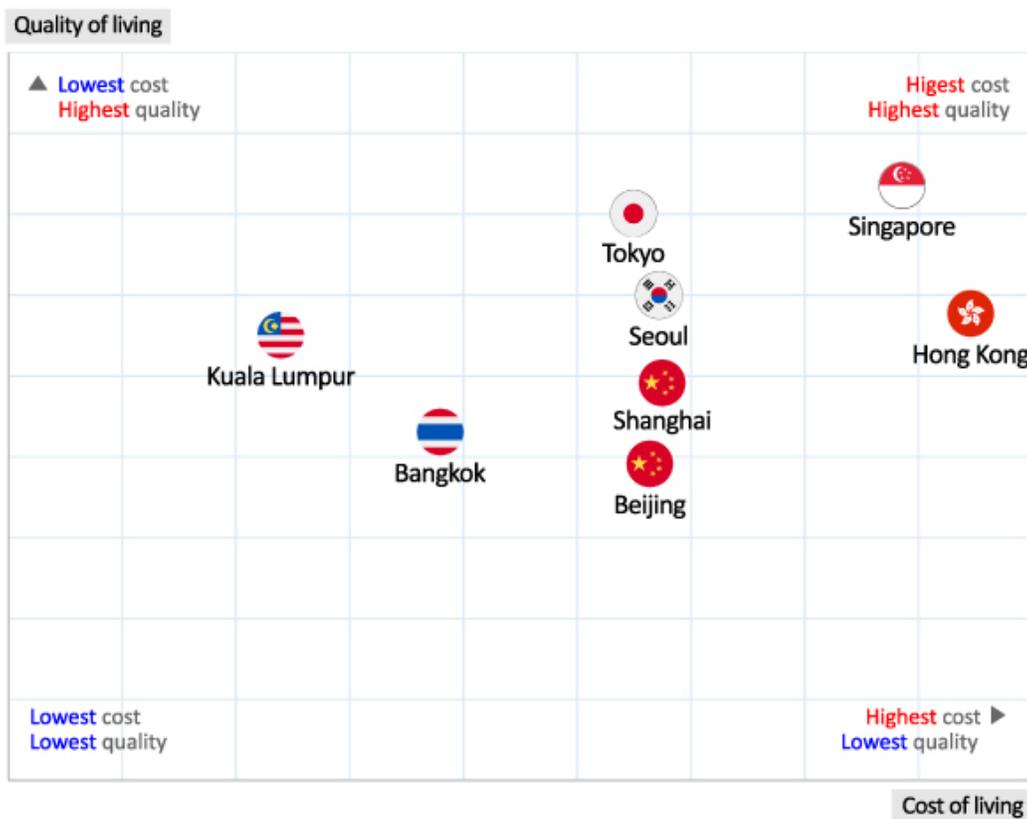
⁶ "APAC Regional Headquarters" Cushman & Wakefield Research, 2016

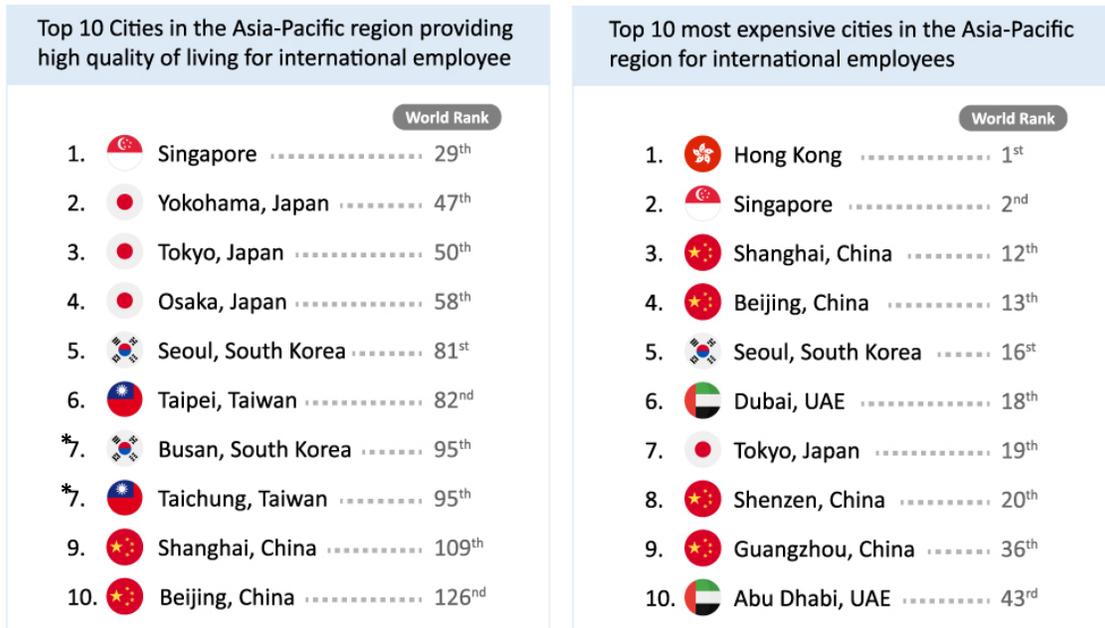
⁷ Foreign-affiliated Companies in Hong Kong. Census and Statistics Department of Hong Kong. Retrieved February 7, 2024, from <https://www.censtatd.gov.hk/en/scode360.html>.

⁸ WTS Global (2022) <https://wts.com/global/publishing-article/20221216-china-shanghai-rhq-regulations~publishing-article> "Shanghai eases RHQ regulations" WTS Global (2022) <https://wts.com/global/publishing-article/20221216-china-shanghai-rhq-regulations~publishing-article>

An integral factor in RHQ location assessment is the overall cost of living and doing business locally. Recent studies, such as Mercer’s analysis on the Cost of Living and Quality of Living, reveal concerning trends with significant increases in the cost of living and housing for expatriates in traditionally preferred APAC RHQ locations. This prompts companies to rethink their choices and explore alternative locations that align with evolving global dynamics.

2023 Cost of Living and Quality of Living Correlation – Asia Pacific





* Cities with the same number ranked received the same score for Quality of Living

Source: Mercer's 2023 Cost of Living Survey

Moreover, it would be remiss not to mention the fact that the business landscape has undergone a constant upheaval in recent years, particularly in the wake of the onset and subsequent recovery from the COVID pandemic. The evolution of global geopolitics and a growing emphasis on economic security through alliances have led to a reevaluation of historically favored APAC RHQ destinations.

We are witnessing a noticeable shift in FDI, business operations, and APAC RHQs away from certain locations, notably Mainland China. Various factors contribute to this trend, including:

- Concerns about business freedom and geopolitical issues in other countries, creating uncertainty regarding the choice of APAC RHQ locations
- The previous success of Hong Kong and Mainland China in attracting APAC RHQs now faces challenges due to COVID-related lockdowns and regulatory uncertainties, prompting companies to reassess their long-term strategies.⁹
- The challenges to supply chain resiliency are leading a shift away from globalization, with a growing emphasis on “domestic sovereignty” and the formation of regional blocs
- Changes to international tax laws, such as BEPS 2.0 Pillar One, put pressure on low-tax jurisdictions, and the substantial tax incentives granted by Singapore and others are likely to be neutralized as significant factors in attracting APAC RHQs

⁹ *Growing risk of Geoeconomic Fragmentation*⁹ from the IMF study.

The Effect of Trade Policy Uncertainty Increased trade-related uncertainty as seen in recent years is concerning because even in the absence of actual new policy actions toward fragmentation, uncertainty can dent economic activity. In particular, uncertainty around trading relationships creates an incentive to “wait and see,” leading firms to pause investment or consider different locations. Figure 3.2.1 on page 48 of IMF report.

- Many companies are actively seeking alternative RHQ locations or reconsidering their entire APAC strategy.

Given the prevailing business uncertainties across the APAC Region, companies are actively contemplating whether their current APAC RHQ location is appropriate in today's environment to strategically manage regional operations. In a recent survey conducted by Ernst & Young ("EY") during their APAC Tax Symposium in Singapore, company executives were asked about their considerations regarding the APAC RHQ location or potential restrictions on current RHQ operations. Nearly 30% indicated that they were actively contemplating changes to their APAC RHQ location or operations.¹⁰

This underscores the dynamic nature of the current business environment, with companies reassessing their strategies and adapting to emerging challenges and opportunities in the ever-evolving APAC landscape.

Korea should seize the initiative now to attract APAC RHQs before this window of opportunity closes.

¹⁰ EY Asia-Pacific Tax Symposium 2023, Nov 7, 2023. Ernst & Young,

C. Regulatory Reforms Needed for Korea to Emerge as Preferred APAC RHQ Location

To minimize the costs associated with conducting business in Korea, it is imperative for the Korean Government to establish a regulatory environment that stands competitively alongside its counterparts in the region.

○ Labor Flexibility

Compared to regional competitors, such as Japan, Hong Kong, and Singapore, Korea still lags in the area of labor flexibility, including hiring and firing practices and work hours. Particularly, the current overtime system is limited to a weekly basis and impacts the efficiency of work and individual flexibility. Creating an environment that enables companies to quickly adjust their workforce in response to evolving market demands will position Korea as an appealing destination for international businesses.

Labor Policy and Flexibility by Country

	Korea	Japan	Hong Kong	Singapore
Labor Flexibility	97 th /141	11 th /141	19 th /141	1 st /141
Hiring and Firing Flexibility	102 nd /141	104 th /141	1 st /141	3 rd /141
Regulation on Labor Hours	<ul style="list-style-type: none"> • 40 hrs. /week • Max. 12 hrs. overtime per week¹¹ 	<ul style="list-style-type: none"> • 40 hrs. /week • Max.45 hrs. overtime/month & 360 hrs. overtime/year¹² 	<ul style="list-style-type: none"> • No regulations specifying work hours 	<ul style="list-style-type: none"> • 44 hrs. /week • Max. 72 hrs. overtime/month¹³

* Source: [World Economic Forum the Global Competitiveness Report 2019](#)

** NOTE: Under the proposed law, an employee working in Korea will have different amounts of available overtime based on the calculation period. Monthly calculations provide 52 hours of overtime, quarterly calculations allow for 90% of the possible hours (140 hours), half-yearly calculations permit 80% of the possible hours (250 hours), and annual calculations allow for 70% of the possible hours (about 440 hours). Employees working overtime are guaranteed 11 hours of break, and if not, they can cap the maximum weekly working hours from 69 to 64 hours.

¹¹ Labor Standards Act Article 51 (Flexible Work Hours System)

¹² Labor Standards Law Chapter IV. Working Hours, Rest Periods, Rest Days, and Annual Leave with Pay

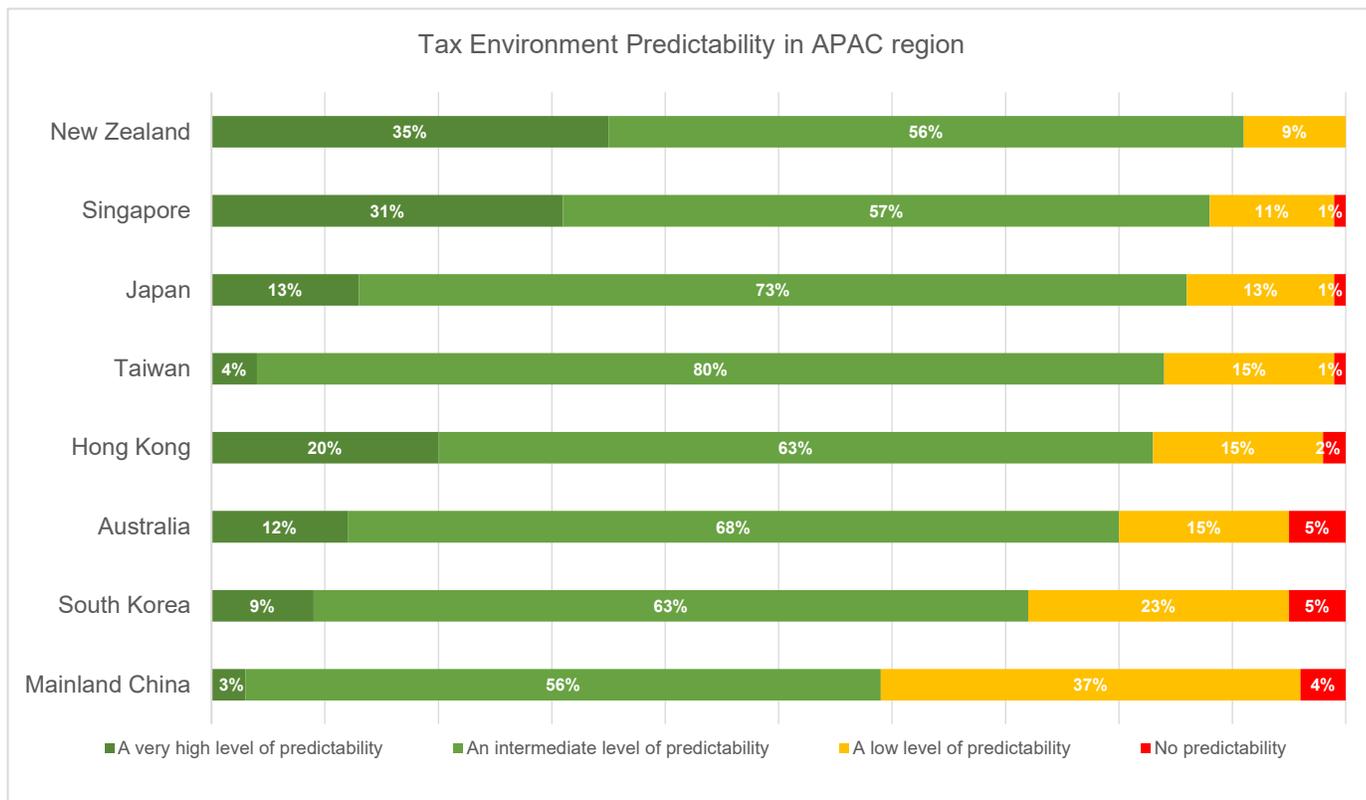
¹³ The Employment Act, Part IV

○ Predictability in Tax Enforcement

To attract and retain global investors, it is crucial for Korea to enhance clarity and predictability in its regulatory environment, facilitating effective business planning.

To improve the predictability of the tax environment, the National Tax Service (NTS) could explore granting taxpayers the option to request tax audits voluntarily. Also expanding the circumstances under which taxpayers can request tax rulings would be helpful. By providing an avenue for advance rulings during the planning phase, even before an actual transaction occurs, NTS would offer businesses the certainty they need to make informed decisions. Lastly, the NTS could explore mechanisms to expedite the process for taxpayers seeking advance pricing agreements. Streamlining these procedures would enhance predictability and encourage companies to confidently engage in cross-border transactions.

Tax Environment Predictability in the APAC region



Source: [Deloitte Asia Pacific Tax Complexity Survey 2021](#)

Note: Based on responses from 407 executives across the Asia Pacific region

○ CEO Risks & Liability

In Korea, CEOs face potential criminal liability across diverse domains including, taxes, industrial accidents, and customs tariffs, among others. This distinctive exposure to criminal liability, unlike practices in other countries, contributes to the notably high rates of criminal records among Korean executives. There is a pressing need to mitigate the risk of criminal liability for CEOs, ensuring that such liability is invoked judiciously and only in cases where the CEO is knowingly involved in criminal activities.

As an illustration, the Serious Accidents Punishment Act (SAPA), despite its reasonable policy goal to reduce industrial accidents in Korea, has heightened the overall risk environment for CEOs by penalizing them for “serious industrial accidents”¹⁴ with imprisonment or a fine much heavier than those of other countries in the world, including Japan, Hong Kong, and Singapore.

Violation Punishment of the Occupational Safety and Health Act by Country

	Korea	Japan	Hong Kong	Singapore
Level of Punishment in Violation of the Occupational Safety and Health Act	Imprisonment of up to 7 years or a fine of up to 1 billion won ¹⁵	Imprisonment of up to 6 months or a fine of up to 500,000 yen (KRW 4.8 million) ¹⁶	Imprisonment of up to 6 months or a fine of up to HK\$ 3,000,000 (KRW 509 million) ¹⁷	Imprisonment of up to 2 years or a fine of up to S\$500,000 (KRW 482 million) ¹⁸

○ Digital Economy Regulations

Currently, foreign companies in Korea face regulatory restrictions in integrating global cloud services, hindering Korea’s potential to establish itself as a business hub for high-tech industries, including financial services and ICT service providers. Regulations such as Network Separation, Cloud Security Assurance Program (CSAP), and Security Evaluation Scheme (SES) create a distinct separation in the Korean cloud market from the global landscape, posing substantial barriers to the adoption of innovative technologies, including AI, in Korea.

¹⁴ Serious industrial accidents” are defined as one in which (1) at least one person has died; (2) at least two persons have been injured due to the same accident, requiring medical treatment for at least six months; or (3) At least three persons have developed occupational diseases prescribed by Presidential Decree, such as acute poisoning attributable to the same hazardous factor, within one year.

¹⁵ Serious Accidents Punishment Act Chapter II Article 6

¹⁶ Industrial Safety and Health Act Chapter XII Penal Provision Article 119

¹⁷ Occupational Safety and Health Ordinance Part II Responsibility for safety and health of employees

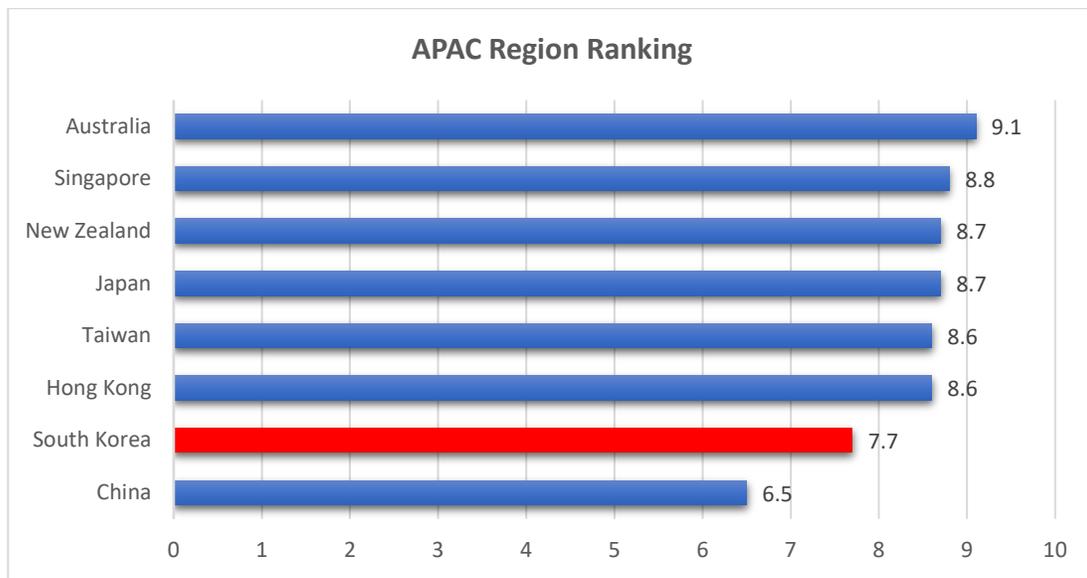
¹⁸ Workplace Safety and Health Act 2006 Part 10, Offences, Penalties and Proceedings

Comparison of Korea's CSAP Regulation with Regional Competitors

	Korea	Japan	Hong Kong	Singapore
Data Localization Requirements	Yes	No	No	No
CSAP-Equivalent Requirements¹⁹	Yes	No	No	No
Logical Network Separation Allowed	No	Yes ²⁰	Yes	Yes

Source: [Korea Financial Services Commission Press Release on April 4, 2022](#)

Cloud Security and Assurance Index



Source: [The Global Cloud Ecosystem Index 2022](#) by MIT Technology Review

Note: The score measures the maturity of regulatory environments that promote progressive, cloud-forward data security and sovereignty environments.

As shown in the above table, other advanced countries in the region such as Japan, Singapore and Hong Kong adopt a more flexible approach to cybersecurity, by embracing logical network separation. aligning with a commitment to fostering financial technology innovation.

¹⁹ CSAP equivalent requirements refer to the mandate that necessitates the localization of data and the transfer of, or access to source code.

²⁰ According to NIST, logical network separation can be enforced either by encryption or network device-enforced partitioning. National Institute of Standards and Technology, Guide to Industrial Control Systems (ICS) Security, Special Publication 800-82, revision 2

D. APAC RHQ Program and Incentive Package Comparison

Countries have long competed to attract FDI and other investments. To enhance their appeal as investment destinations, some countries have instituted formal RHQ “programs,” offering corresponding incentives or benefits to MNCs considering RHQ-level investments. Successful RHQ countries typically excel in factors such as ease of doing business, robust legal infrastructure, and efficient financial and personnel logistics. However, the ultimate decision often hinges on financial benefits, including tax rebates, incentives, or other forms of financial support to offset the entity’s initial investment costs.

APAC RHQ programs and incentives have been in place for many years and come in diverse forms. Traditionally, Singapore, Hong Kong, and Shanghai have been the natural homes for APAC RHQs, with government agencies actively promoting dedicated RHQ programs. While other countries like Korea, Japan, and Thailand have been occasionally considered in APAC RHQ location assessments, these tend to be more isolated business decisions rather than major trends. A recent noteworthy example is Saudi Arabia, which is aggressively seeking RHQ investments by offering up to 30 years of tax exemptions at 0% for qualifying companies.

It is clear that for a country to successfully attract a substantial number of MNCs to establish their APAC RHQs, the government must institute a formal RHQ Program delineating clear qualification requirements with corresponding incentives and assistance. While Korea has an existing APAC RHQ Program, it is less competitive when compared to more advanced programs offered by other countries.

As numerous countries have formulated APAC RHQ programs with attractive incentive packages, coupled with various market factors, a side-by-side comparison in the following table underscores the significance of these initiatives. Countries with well-designed APAC RHQ programs and compelling incentives are effectively securing FDI. To enhance its competitiveness, Korea should contemplate restructuring its APAC RHQ program, introducing more substantive benefits to entice a greater number of MNCs to consider Korea in their decision-making processes.

APAC RHQ Comparison Table

Location	Most Expensive Cities Ranking ²¹	Quality of Living Ranking ²²	Formal RHQ Program and Incentives	Number of APAC RHQs	Govt Governing Agency	Corporate Tax Rate
Singapore	#2	#29	Yes	Approx. 5,000	Economic Development Board (EDB)	17% (5 – 10% post-RHQ incentives) ²³
Hong Kong	#1	#77	No RHQ program, but tax incentives	Approx. 1,400	Commerce and Economic Development Bureau (CEDB)	16.5% ²⁴
Shanghai	#12	#109	Yes	Approx. 940	Shanghai Municipal Commission of Commerce (SMCC)	25% ²⁵ (Mainland China)
Korea	#16 (Seoul)	#81 (Seoul)	Yes	Limited	Ministry of Economy & Finance (MOEF)/ Ministry of Trade, Industry and Energy (MOTIE)	24% ²⁶
Thailand	#105 (Bangkok)	#124 (Bangkok)	Yes	Limited	The Board of Investment of Thailand (BOI)	20% (15% post-RHQ perks) ²⁷
Malaysia	#180 (Kuala Lumpur)	#86 (Kuala Lumpur)	Yes	Limited	Malaysian Investment Development Authority (MIDA)	24% (14 – 19% post-RHQ perks) ²⁸
Japan	#19 (Tokyo)	#50 (Tokyo)	No	Limited	Japan External Trade Organization (JETRO)	23.2% ²⁹

²¹ Cost of Living City Ranking 2023. (2023). Mercer. Retrieved February 7, 2024, from https://www.mercer.com/insights/total-rewards/talent-mobility-insights/cost-of-living/?size=n_20_n#full-ranking

²² Quality of Living City Ranking 2023. (2023). Mercer. Retrieved February 7, 2024 from https://www.mercer.com/insights/total-rewards/talent-mobility-insights/quality-of-living-city-ranking/?size=n_20_n

²³ Basic Guide to Corporate Income Tax for Companies. Inland Revenue Authority of Singapore. Retrieved February 7, 2024, from <https://www.iras.gov.sg/taxes/corporate-income-tax/basics-of-corporate-income-tax/basic-guide-to-corporate-income-tax-for-companies>

²⁴ The corporate tax system in Hong Kong features a two-tiered structure, with an 8.25% tax rate applicable to assessable profits up to \$2,000,000, and a 16.5% rate applying to any profits exceeding this threshold. Retrieved February 7, 2024 from <https://www.gov.hk/en/residents/taxes/taxfiling/taxrates/profitsrates.htm>.

²⁵ From 1 January 2020, qualified enterprises engaged in substantial production or R&D activities in key industries, such as integrated circuits, artificial intelligence, biomedicine, civil aviation, etc., in the Lingang New Area of the Shanghai Pilot Free Trade Zone are eligible for a reduced CIT rate of 15% for five years commencing from the date of establishment.

²⁶ For fiscal years starting on or after 1 January 2023, a 24% corporate tax rate applies to any portion of assessable profits exceeding 300,000 million Korean won. Retrieved February 7, 2024 from <https://taxsummaries.pwc.com/republic-of-korea/corporate/taxes-on-corporate-income>

²⁷ A company incorporated under Thai laws will be considered a resident company and be subject to the 20 percent corporate income tax (CIT) rate. A 20% rate applies to any portion of assessable profits exceeding 3 million THB. Retrieved February 7, 2024 from <https://taxsummaries.pwc.com/thailand/corporate/taxes-on-corporate-income>

²⁸ Resident companies are taxed at the rate of 24%. Lembaga Hasil Dalam Negeri. Retrieved February 7, 2024, from <https://www.hasil.gov.my/en/company/tax-rate-of-company/>

²⁹ For fiscal years starting on or after 1 April 2023, Japan's national standard corporate tax rate stands at 23.2% for companies with share capital surpassing JPY 100 million. Retrieved from February 7, 2024 from <https://taxsummaries.pwc.com/japan/corporate/taxes-on-corporate-income>

APAC RHQ Programs and Incentives – Singapore

APAC RHQ Programs and Incentives

Singapore



Examples of numerous discretionary tax incentives available that encourage regional/HQ activities in Singapore

Activities	Tax Incentives	Key Features
Headquarters/ regional or global activities	<ul style="list-style-type: none"> Development and Expansion Incentive Approved Royalty Incentive 	<ul style="list-style-type: none"> 5% or 10% concessionary tax rate on income from qualifying HQ activities 0%, 1%, or 3% reduced withholding tax on approved royalty & licensing payments
Trading or buy/sell	<ul style="list-style-type: none"> Global Trader Program 	<ul style="list-style-type: none"> 5% or 10% concessionary tax rate on qualifying income
Finance and treasury	<ul style="list-style-type: none"> Finance and Treasury Center 	<ul style="list-style-type: none"> 8% concessionary tax rate on qualifying income and withholding tax exemption on specified overseas interest payments
Intellectual property and R&D	<ul style="list-style-type: none"> IP Development Incentive IP Writingdown Allowance R&D Enhanced Tax Deductions 	<ul style="list-style-type: none"> 5% or 10% concessionary tax rate on qualifying IP income Writingdown allowance on IP acquisition over 5, 10, or 15 years Enhanced 250% tax deduction on local R&D expenditure

Singapore has developed a strong reputation in areas which are [key to the success of RHQs](#)

#1 in Asia and **#2** worldwide for strong intellectual and physical property protection⁽¹⁾

#1 city in Asia for quality of living for foreign employees⁽²⁾

#2 in the global talent competitiveness index⁽³⁾

#1 in Asia and **#3** worldwide on political stability⁽⁴⁾

(1) Property Rights Alliance, International Property Rights Index 2022

(2) Mercer's 2023 Cost of Living Survey

(3) INSEAD, 2022 Global Talent Competitiveness Index

(4) The Global Economy.com, Political Stability Index 2021

Tax Incentives for Office Relocation – Hong Kong

Tax Incentives for Office Relocation

Hong Kong



Regional RHQ, Regional offices, and Local Offices **in Hong Kong** with parent companies located **outside Hong Kong**

Summary of HK Tax Regime & Benefits

Taxation Scope	Territorial
CIT rate	16.5%
GST/VAT	No
Possible incentive tax rates	2-tiered profits tax rates regime the assessable profits of the first HK \$ 2 million are taxed at 8.25% and 16.5% on the remaining assessable profits
Dividend / Services / Interest	0%
Royalty	4.95% / 16.5% ⁽²⁾
Treaty network (in force)	46 currently, 1 newly concluded and is in negotiations with 16 jurisdictions
OECD inclusive framework on BEPS	YES
Headquarter incentive	No
Type	Number (From Census and Statistics Department)
RHQ	1,411
Regional Offices	2,397
Local Offices	5,170

Hong Kong has developed well in the below areas which are **key to the success of RHQs** ⁽²⁾

#1 worldwide on investment environment

#1 worldwide on lowest taxed data center market

#2 worldwide on ease of doing business

#2 worldwide on leading investment hub

#1 worldwide on offshore RMB hub

#2 worldwide on the freest economy

#2 worldwide on the global financial center

(1) 16.5% applies if the payment is accrued to an associated non-resident and a person carrying on a trade or business in Hong Kong has, at any time, wholly or partly owned the IP in respect of which the royalties are paid.

(2) Legatum Institute: Legatum Prosperity Index 2023, Brandhk website, Cushman & Wakefield: 2023 Global Data Center Market Comparison, Fraser Institute: Economic Freedom of the World 2023 Annual Report, The World Bank Group: Doing Business Report 2020, Z/Yen and China Development Institute from Shenzhen: Global Financial Centres Index, UNCTAD: World Investment Report 2023

APAC RHQ Programs and Incentives – Shanghai

APAC RHQ Programs and Incentives	Shanghai 
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- Up to December 2022, there are 891 RHQs set up in **Shanghai**
- The prevailing **Shanghai Municipal RHQ** special financial funding management policy

1. Set-up fund for CHC

Conditions	<ul style="list-style-type: none"> • Registered or relocated to Shanghai after July 7, 2008 • Headcounts no less than 10 • Paid-in capital exceeding USD 30 million
Benefits	<ul style="list-style-type: none"> • RMB 5 million • To be granted in the ratio of 40%, 30%, 30% each year

2. Rental subsidy for RHQ

(During the period of receiving the subsidy, RHQ shall not let or sublet use of office premises or alter the use of the office premises)

Conditions	<ul style="list-style-type: none"> • Registered or relocated to Shanghai after July 7, 2008 • Headcounts no less than 10 • Paid-in capital exceeding USD 2 million 	
Benefits	<p>For rented office</p> <ul style="list-style-type: none"> • Criteria: <ul style="list-style-type: none"> 1) area ≤ 1000m² 2) rental ≤ 8/day/m² • 30% of rental for 3 years 	<p>For self-built office</p> <p>One-off subsidy equivalent to the standards of rented office</p>

3. Operating benefits for RHQ

Conditions	<ul style="list-style-type: none"> • Recognized as RHQ after July 7, 2008 • Paid-in capital exceeding USD 2 million • Yearly revenue no less than RMB 0.5 billion 		
Benefits	<p>0.5B ≤ revenue < 1B (RMB): Subsidy = RMB 5M</p>	<p>1B ≤ revenue < 1.5B (RMB): Subsidy = RMB 5M</p>	<p>Revenue ≥ 1.5B (RMB): Subsidy = RMB 2M</p>
	<p>One-off benefits to be granted in the ratio of 40%, 30%, 30% each year</p>		

4. Subsidy for RHQ enhancement

Conditions	<ul style="list-style-type: none"> • Recognized as or upgraded to be Asian, Asia Pacific or larger RHQ after January 1, 2012 • Headcounts no less than 50 • Paid-in capital exceeding USD 2 million • Senior management located in Shanghai
Benefits	<p>One-off subsidy of RMB 3 million</p>

APAC RHQ Programs and Incentives – Korea

APAC RHQ Programs and Incentives

Korea



1. RHQ Designation System

Criteria for Designation

- Average sales of the parent company over five years exceeds KRW 3 trillion
- Support and coordination of core functions (sales, production, procurement, personnel) for two or more overseas subsidiaries
- Over 10 employees, foreign investment amount of KRW 100 million or more, foreign investment ratio of 50% or more

Incentives

- Income tax reduction for foreign employees
- Easing of obligation to submit tax proof documents
- Extension of D-8 Visa period of stay (1~3 years -> 5 years)

2. Cash Grant & Location Support

Cash Grant:

Partial compensation of the foreign investment amount in cash

- ▷ Up to 30% of the invested amount after negotiation (advanced technology 40%, R&D 50%)

Location Support:

Designate foreign investment zone, support long-term lease (max. 50 years), rental support

- ▷ Rental fee reduction 50~100%

3. Local Government Incentives

Local Tax Reduction:

Reduction of acquisition tax and property tax within a 15-year range based on technology criteria and investment amount.

Subsidies:

Education & training subsidies, employment subsidies, equipment investment subsidies, etc.

APAC RHQ Programs and Incentives – Thailand

APAC RHQ Programs and Incentives

Thailand 

The Board of Investment of Thailand (BOI) – Other non-tax incentives

- Granted to all BOI-promoted applicants
- Permission to own land for operating the BOI Business
- Foreign ownership
- Permission to hire an unlimited number of expatriates for visa and work permit purposes

International Business Center (IBC) - Corporate tax incentives (CIT)

- Reduced CIT rate (8%, 5%, or 3%) on the qualifying IBC profits depending on the level of annual local expenditure
- CIT exemption on dividend income
- Withholding tax (WHT) exemption on qualifying dividend distribution and interest
- Specific business tax exemption on qualifying treasury center income
- Paid-up capital of ≥ THB 10m

BOI – Other tax incentives

- BOI-promoted companies can enjoy import duty exemption and WHT exemption on dividends distributed out of BOI profits during the tax exemption period and up to 6 months after the expiration of the tax holiday
- 15% flat personal income tax rate for qualifying expatriates working for IBC

APAC RHQ Programs and Incentives – Malaysia

APAC RHQ Programs and Incentives

Malaysia 

Global Service Hub

- Applications received by the Malaysian Investment Development Authority from Oct 14, 2023 to Dec 31, 2027 for new & existing companies
- **Corporate Tax Exemption:** 5+5 years/ Tax rate 5% or 10%
- **Special income tax rate:** 15% to a maximum of 3 non-citizen individuals or C-suite position
- **Type of income exempted:** Services income and/or trading income
- **Qualifying services**
 - Regional P&L/Business Management Unit, Strategic business planning, corporate development
 - Any two qualifying activities under the services category as follows
: Strategic services, Business services, Shared services
- **Other considerations:** headcount, spending, etc.

APAC RHQ Programs and Incentives – Saudi Arabia

APAC RHQ Programs and Incentives

Saudi Arabia



Saudi Arabia's RHQ program applies to MNCs in the Middle East and North Africa (MENA) region, with operations in at least two countries other than Saudi Arabia and the country of their first incorporation.

Key Regulatory Requirements	Incentives and Benefits
<p>MNCs wishing to participate in the program must:</p> <ul style="list-style-type: none"> • Obtain an RHQ license from the Ministry of Investment (MISA) • Employ a minimum of 15 full-time employees including at least three C-level executives within one year of the license being issued • Not engage in revenue-generating activities and instead operate as the "centre of administrative control" in the MENA region • Limit their RHQ activities to the full list of mandatory functions (as set out by MISA) and at least three optional activities • Have all their existing MENA entities report to their RHQ in KSA once it is established (the RHQ must commence its operations within six months of the license being issued) 	<p>Whilst the shortlist of benefits offered by MISA is yet to be finalized, the current benefits offered by MISA presently include:</p> <ul style="list-style-type: none"> • A 10-year exemption from Saudisation requirements for the RHQ • the ability to issue an unlimited number of visas to RHQ employees • Generation of employment opportunities for dependents of RHQ employees through the Ajeer portal • Exemption from professional accreditation requirements for RHQ employees holding valid accreditations in their home countries • 30 years of tax relief (0%) on corporate income and withholding taxes related to the RHQ that begin from the time the license is issued

Process of Establishing an RHQ

The process of setting up an RHQ in KSA includes two primary stages:

1. Applying for the MISA license; and
2. Incorporating the RHQ entity either as a branch office or a limited liability company in KSA

To ease the process for investors, MISA has simplified the procedural requirements of obtaining a license by waiving the attestation requirements generally applicable to documents originating from outside KSA.

Beyond the considerations of APAC RHQ programs and incentives, the following elements listed below could be helpful in attracting these investments by improving the experience of initialing setting up the entity and locating resources to Korea.

- A. Accessibility as RHQ:** Examination of accessibility factors affecting the establishment of RHQ, including a smooth and transparent process for company incorporation and obtaining office space
- B. Ease of Immigration:** Expediting visa and certain immigration considerations, particularly length of working visa as well as granting a dependent spouse with a work visa
- C. Bank Setup Process:** Simplified and expeditious processes for setting up banking operations and obtaining local credit cards
- D. Education Assistance:** Many expats relocate to Korea with their families, including children. Given the increasing difficulty in accessing affordable foreign schools, providing assistance to secure sufficient seats for APAC RHQ dependents would alleviate this concern.
- E. Housing Assistance:** Korea's rental housing market has traditionally operated on the "jeonsae" system, unlike the typical "wulsae" approach in many countries. Numerous APAC RHQs and employees find it challenging to comprehend this system and maintain sufficient cash reserves for substantial deposits required for securing housing.

The primary challenge faced by expats living in Korea pertains to the difficulty in settling in, with the country being positioned at the 54th rank in the "Ease of Settling In" category. This ranking is reflected in subcategories where Korea scored near the bottom, ranking 56th out of 57 countries in the "Feeling at home" assessment, and 50th in "Friendliness".³⁰

According to the survey findings, 40.8 percent of foreigners expressed being "very satisfied" with their living experience in Korea, while 39.6 percent indicated being "somewhat satisfied."³¹

³⁰ [Korea ranks low on expats' favored nations list - The Korea Times](#) from updated article on May 20, 2021

³¹ [How content are expats in Korea? Survey shows 8 in 10 satisfied \(koreaherald.com\)](#) article on September 6, 2023

E. Conclusion

Korea – U.S. relations are at an all-time high. Korea, for the past couple of years, has championed economic policies to stimulate private business-led growth and promote advanced industries. The collaboration between Korea and the U.S. has been notably close, particularly in enhancing military and economic ties.

The strong strategic alliance, coupled with an extensive treaty and KORUS FTA relationship, ensures a transparent and predictable business environment, fostering global trade between Korea and the U.S.

We suggest a positive path forward including the following actions:

1. Implement Regulatory Reforms

- **Labor Flexibility**: Korea’s labor flexibility falls short compared to regional competitors in hiring and firing practices, along with rigid work hour regulations. Embracing greater adaptability can enhance its appeal to international businesses.
- **Predictability in Tax Enforcement**: Enhancing clarity and predictability in regulations is vital to attract and retain global investors. Measures such as voluntary tax audits, expanded tax ruling requests, and expedited advance pricing agreements can provide businesses with the certainty needed for informed decisions and encourage cross-border transactions.
- **CEO Risks & Liability**: In Korea, CEOs face significant criminal liability in various areas, leading to high rates of criminal records among executives. There is a need to mitigate this risk judiciously, ensuring CEOs are held accountable only when knowingly involved in criminal activities. For instance, the Serious Accidents Punishment Act imposes heavier penalties on CEOs compared to other countries, exacerbating the risk environment.
- **Digital Economy Regulations**: Regulatory hurdles in Korea hinder global cloud service integration, constraining its potential as a high-tech business hub. Measures such as network separation, CSAP, and SES create market divides, hampering innovation adoption, including AI.

2. Establish a Clearly Defined APAC RHQ Program

- Develop a structured program specifying the qualifications for an APAC RHQ. This may involve stipulating a minimum number of senior executives to be in Korea, potential requirements for local Korean executives, and specific parameters for program eligibility.
- Provide targeted incentives, encompassing a range of measures to attract investment. Consider initiatives such as rental space subsidies, VAT refunds over a defined period, and assistance with international education and relocation to enhance the overall appeal.
- Introduce incentives related to high-end office space, facilitating an exceptional office environment for APAC RHQs. Explore support mechanisms for relocation services, addressing challenges such as the high cost of real estate deposits for foreigners

relocating to Korea. Additionally, consider incentives for international education to further enhance the attractiveness of the location.

3. Proactive Promotion of the APAC RHQ Program

- Actively promote the APAC RHQ program through collaboration between government agencies, local entities, and within the broader business community. Strive for a balanced approach, recognizing potential sensitivities around incentives for foreign MNCs while emphasizing the program's positive impact on domestic market objectives.

4. Enhance Administrative Services for Expats

- Improve immigration process and financial services for expats, such as bank account and credit card setups. Facilitate a seamless mobile phone setup process to enhance the overall expat experience and contribute to the ease of doing business in Korea.

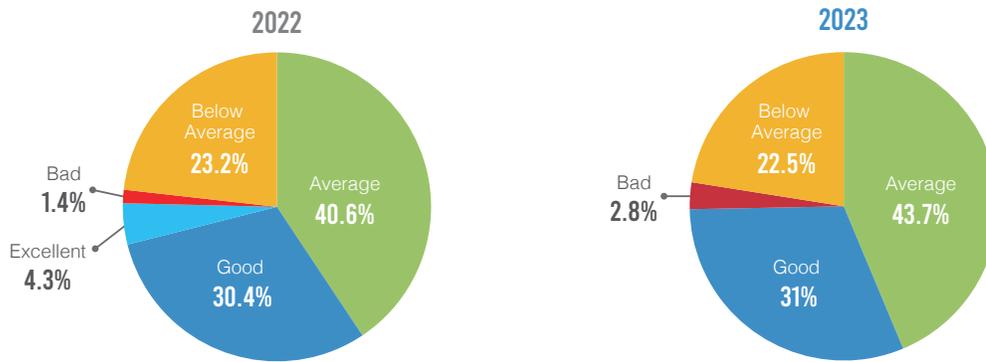
Appendix: AMCHAM Business Survey 2024

AMCHAM Business Survey 2024

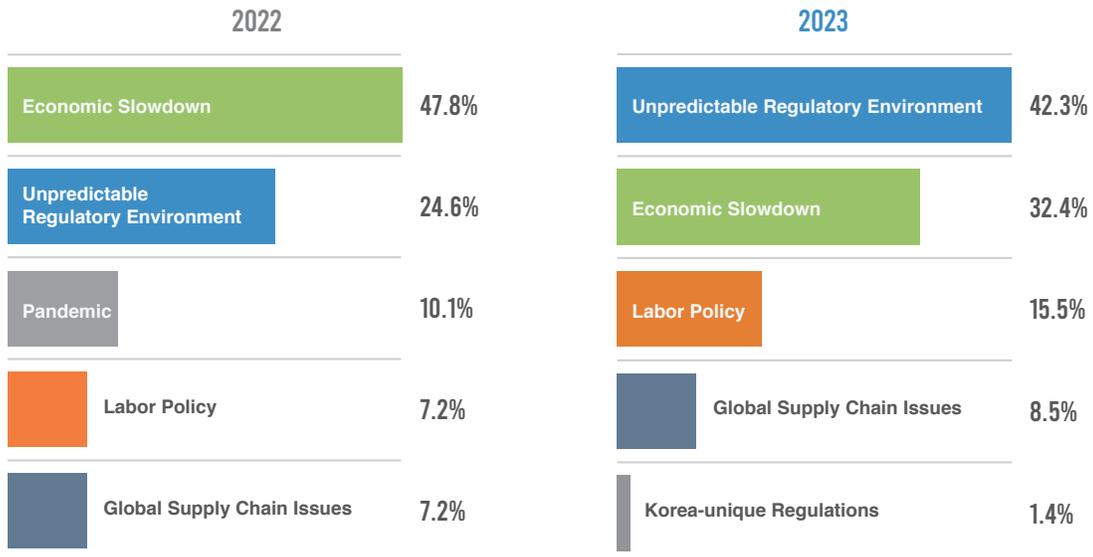


Business Climate of Korea 2023

▶ Current Business Environment in Korea



▶ Biggest Risks to Business Environment

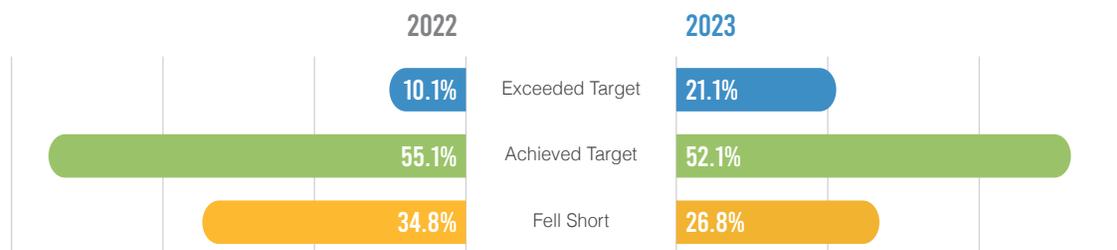


AMCHAM Business Survey 2024

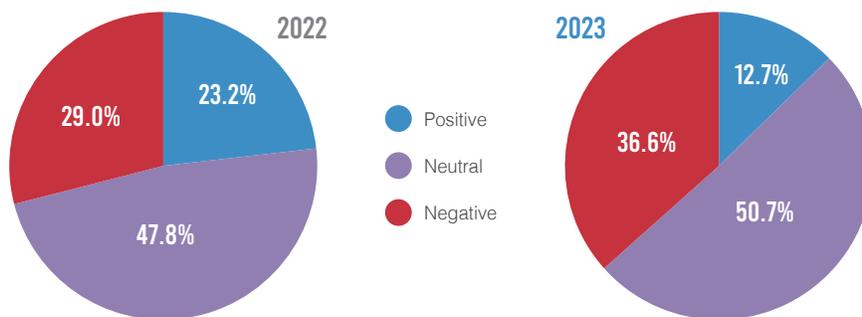


Growth and Political Affairs

▶ 2023 Business Growth

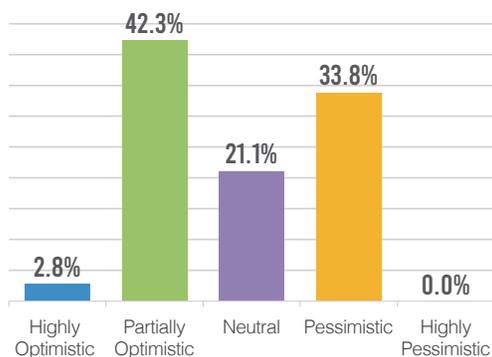


▶ 2023 Impact of Government Policies and Reforms

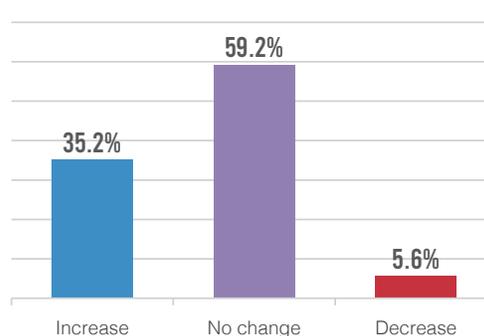


2024 – 2026 Outlook for Korea

▶ 2024 - 2026 Business Outlook



▶ 2024 - 2026 Investment Outlook

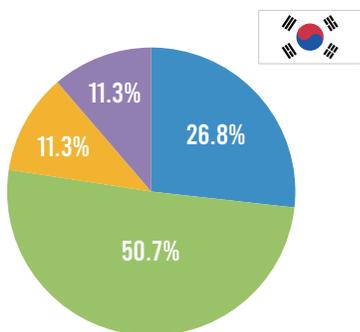


AMCHAM Business Survey 2024



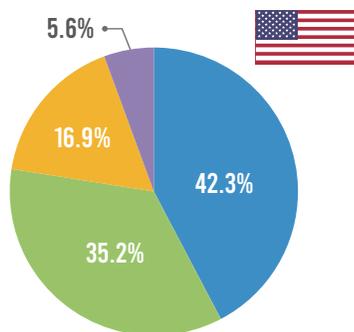
Impact of Korean and U.S. Elections

▶ Impact of Korean General Election on Industry



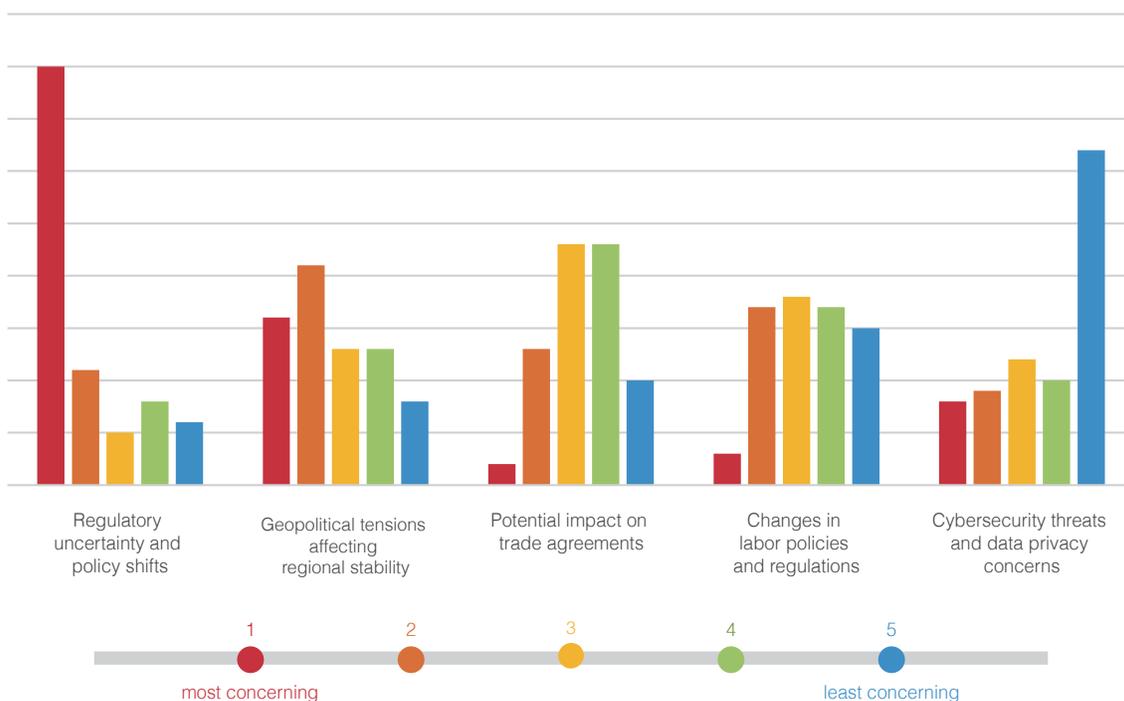
● Significant ● Moderate ● Minimal ● No opinion

▶ Impact of U.S. Presidential Election on Industry



● Significant ● Moderate ● Minimal ● No opinion

▶ Potential Risk Factors of Korean and U.S. Elections

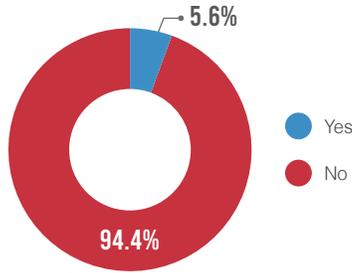


AMCHAM Business Survey 2024

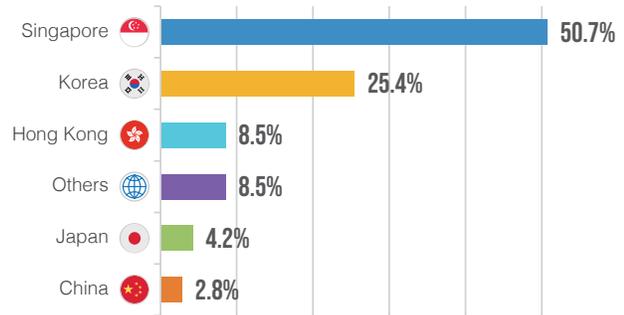


Korea as Regional Business Hub

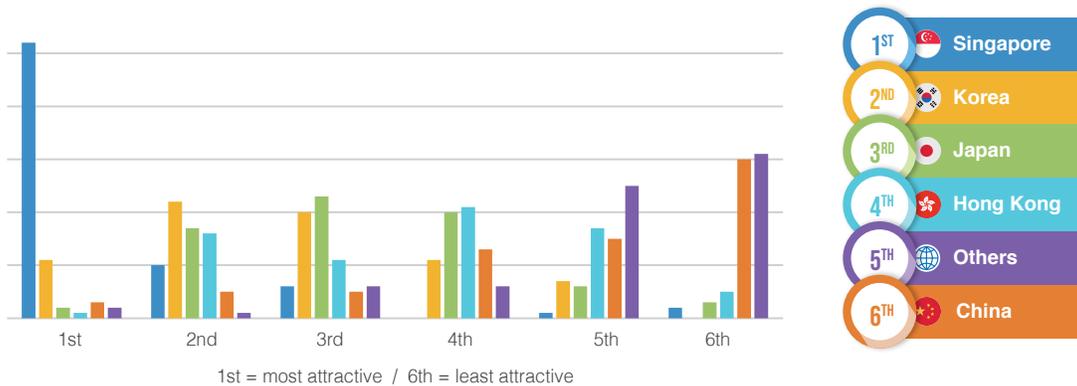
► Is your company considering the possibility of relocating its Asian regional headquarters?



► Location of Current Regional HQ



► Countries Most Preferred as Regional HQ



► Areas to Reform to Make Korea Regional HQ (Ranked)

