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# LAW OF THE DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA ON LAND LEASE

Adopted by Decision No. 40 of the Standing Committee of the Supreme People's Assembly on October 27, 1993, amended by Decree No. 484 of the Presidium of the Supreme People's Assembly on February 26, 1999, amended by Decree No. 2842 of the Presidium of the Supreme People's Assembly on August 19, 2008 and amended by Decree No. 1995 of the Presidium of the Supreme People's Assembly on November 29, 2011

## Chapter 1 Fundamentals

### Article 1 (Objective)

This Law is enacted for the purpose of providing strict guidelines for the leasing of land to and the use of the leased land by foreign investors and foreign-invested businesses.

### Article 2 (Lessee)

Foreign corporate bodies or individuals may lease and use the land.

### Article 3 (Limited land use right of lessee)

A lessee shall have the right to use the land leased.

Natural resources and deposits in the leased land shall not belong to the holder of the right to use the land.

### Article 4 (Parties to land lease contract)

Land shall be leased subject to the approval of the central land and environmental protection guidance organ.

A contract of land lease shall be concluded by the land and environmental protection department of the people's committee of the province (or municipality directly under the central authority) concerned.

### Article 5 (Contribution of land use right)

Institutions, enterprises and organizations of the DPRK may contribute land use right to an equity or contractual joint venture. In this case approval thereof shall be obtained from the people's committee of the province (or municipality directly under the central authority) concerned.

### Article 6 (Term of lease)

The term of lease shall be determined by agreement between the contracting parties within the limit of 50 years.

### Article 7 (Property right of lessee)

The right to use the leased land shall be the property right of the lessee.

### Article 8 (Use of leased land)

The leased land shall be used in accordance with the land-related laws and regulations of the DPRK and the contract of land lease.

## Chapter 2 Mode of Land Lease

### Article 9 (Mode)

Land shall be leased through consultation.

Land may also be leased by tender or auction in the special economic zones.

### Article 10 (Information to be furnished by lessor)

The lessor shall provide the lessee with the following information:

1. Location and area of the land and its topographical map;
2. Purpose of land use;
3. Building area and land development plan;
4. Term of construction and the minimum amount of investment required;
5. Requirements related to environmental protection, hygiene, anti-epidemics and fire service;
6. Term of land lease; and
7. State of land development.

### Article 11 (Consultation)

Land shall be leased through consultation according to the following procedures:

1. A potential lessee shall study the supplied information concerning the land and submit to the lessor an application for the use of land, accompanied by a copy of a document approving the establishment of an enterprise or the residence;
2. The lessor shall notify the applicant of its approval or rejection within 20 days of receipt of the application;
3. The lessor and the potential lessee shall enter into a contract containing the area and purpose of the land use, purpose and term of the lease, total amount of investment, term of construction, rental charge and other relevant matters; and
4. The lessor shall, after receiving the charges for the transfer of the land use right as specified in the contract of land lease, issue a certificate of land use and register it.

### Article 12 (Tender)

The procedures for leasing land by tender shall be as follows:

1. The lessor shall either make public the information concerning the land in question, place and date of the tender, opening date of the tender, procedures of tender and other relevant information, or forward a tender guide to the designated bidder;
2. The lessor shall sell the tender documents to the potential bidder;
3. The lessor shall provide consultation with regard to the tender;
4. The bidder shall pay the prescribed security for a tender and place a sealed tender document in the tender box;
5. The lessor shall form a jury consisting of experts from economic, legal and other relevant sectors;
6. The jury shall review the tender documents and decide the best offer by taking into account the conditions of land development, construction and the amount of rental charge offered;
7. The lessor shall issue a notice to the successful bidder after the jury has reached a decision;

8. The successful bidder shall conclude a contract of land lease with the lessor within 30 days of the receipt of the notice, pay the relevant charges for the right of land use, receive the certificate of land use and register it.

Should it be necessary to defer the signing of the contract, an application for a deferment of at least 30 days shall be submitted to the lessor 10 days prior to the prescribed date;

9. The unsuccessful bidder shall be informed of the result within 5 days of the decision of the jury and the security shall be refunded. In this case no interest shall be payable for the security; and

10. Should the successful bidder fail to conclude a contract of land lease within the prescribed period of time, the tender shall be declared null and void and the security shall not be refunded.

### Article 13 (Auction)

Leasing of land by auction shall be conducted as follows:

1. The lessor shall make public the information concerning the land in question, date, place and procedures of the auction, standard price of the land, and other information necessary for the auction;

2. The lessor shall put up land for auction based on the standard price which has been made public, and the bidder who offers the highest price shall be declared the successful bidder; and

3. The successful bidder shall conclude a contract of land lease with the lessor, obtain a certificate for use of the land and register it.

### Article 14 (Use of leased land, supplementary contract)

The lessee shall use land in a manner consistent with the purpose prescribed in the contract of land lease.

A lessee who wishes to alter the purpose of land use shall conclude a supplementary contract in that regard with the lessor.

## Chapter 3 Transfer or Mortgage of the Right to Use Land

### Article 15 (Term of transfer or mortgage)

The lessee shall, subject to the approval of the lessor, be entitled to transfer (by selling, re-leasing, donating or inheriting) or mortgage to a third party the right to use the whole or part of the leased land.

The term of the transfer or mortgage of the right to use land shall not exceed the remaining term of the lease prescribed in the contract.

### Article 16 (Terms of transfer)

The lessee shall be entitled to sell, re-lease, donate or mortgage the right to use the leased land only when the total amount of charges for the transfer of the land use right is paid and the investment prescribed in the land lease contract is made.

### Article 17 (Scope of transfer)

Where the land use right is to be transferred, the rights and obligations related to the use of the land, and the structures and the attachments shall also be transferred.

#### Article 18 (Sale of land use right)

The land use right shall be sold in accordance with the following procedures:

1. The seller and buyer of the land use right shall conclude a contract and have it notarized;
2. The seller shall submit to the lessor an application for the sale of the land use right, together with a copy of the contract; and
3. The seller and buyer shall register with the relevant lessor the changes concerning the land use right.

#### Article 19 (Prior lien on leased land)

Where a lessee sells the right to use the land, the lessor shall have a prior lien on buying it.

#### Article 20 (Re-lease of leased land)

The lessee may re-lease the land leased. In this case an application for the re-lease shall be filed with the lessor for approval, accompanied by a copy of the contract of land lease.

#### Article 21 (Mortgaging land use right)

A lessee may mortgage the land use right for the purpose of securing a loan from a bank or other financial institutions. In this case the structures and other attachments on the land shall also be mortgaged.

#### Article 22 (Mortgage contract)

Where the land use right is to be mortgaged, the mortgagor and the mortgagee shall conclude a contract on the basis of the terms of the contract of land lease. In this case the mortgagee may require the mortgagor to provide a copy of the contract of land lease or the transfer contract, a copy of the certificate of land use and other information relating to the current state of land.

#### Article 23 (Registration of mortgage)

Both the mortgagor and the mortgagee of the land use right shall register the mortgaged right with the lessor within 10 days of the conclusion of mortgage contract.

#### Article 24 (Disposal of mortgaged land)

Where the mortgagor fails to redeem debts by the expiry of the mortgage, or where business is dissolved or goes bankrupt during the term of the mortgage contract, the mortgagee may dispose of the land use right mortgaged by contract, as well as the structures and other attachments on the land in accordance with the mortgage contract.

#### Article 25 (Use of disposed mortgaged land)

The winner of the land use right, and the structures and other attachments disposed of by the mortgagee shall have them attested by a notary office, register the changed name of the right holder with the registration office and use the land in a manner consistent with the contract of land lease.

#### Article 26 (Prohibition of re-mortgage or transfer)

The mortgagor shall not, without the consent of the mortgagee, be entitled to re-mortgage or transfer the land use right during the term of contract.

#### Article 27 (Withdrawal of registration of mortgage of land use right)

Should a mortgage contract be terminated due to the payment of debt or other reasons, the mortgagee and the mortgagor shall withdraw the registration of mortgage of the land use right within 10 days the said termination.

## Chapter 4 Land Rental Charge and Land Use Fee

### Article 28 (Obligation to pay rental charge)

The lessee shall pay the rental charge according to the prescribed rates.

The rental charge shall be paid to the lessor.

### Article 29 (Cost of land development)

Where the developed land is to be leased, the lessor shall receive from the lessee the rental charges plus the cost of land development.

The cost of land development shall include the costs of land realignment, road construction, water supply and drainage, electricity, telecommunications and heating systems.

### Article 30 (Term of payment of rental charges)

The lessee shall pay the total amount of rental charges within 90 days of concluding the land lease contract.

Where a large area of land is leased in such case as the comprehensive development of land, the lessee may make payment by installment within period of time approved by the lessor.

### Article 31 (Payment of guaranty money for fulfilment)

A lessee who leased land through consultation or by auction shall pay to the lessor guaranty money equivalent to 10% of the rental charges within 15 days of concluding the contract of land lease.

The guaranty money for fulfilment may be appropriated for the rental charges.

### Article 32 (Arrearage)

Where the lessee fails to pay the rental charges within the prescribed period of time, the lessor shall demand additional payment equivalent to 0.05% of the overdue rent on a daily basis, starting from the first day of default.

Where arrears are not paid for more than 50 consecutive days, the contract of land lease may be cancelled.

### Article 33 (Payment of land use fee)

Foreign-invested businesses and banks shall annually pay fee for the use of the land.

For the investors in priority sectors the fee may be reduced or exempted for up to 10 years.

## Chapter 5 Return of the Land Use Right

### Article 34 (Return of land use right, compensation for residual values)

The land use right shall automatically return to the lessor at the expiry of the term of lease prescribed in the contract. The structures and other attachments on the land shall also return without charges being paid.

In the case of land leased for more than 40 years, compensation may be made for the residual value of the buildings completed within 10 years before the expiry of the land lease.

#### Article 35 (Cancellation of registration)

Upon expiry of the term of the land lease the lessee shall return the certificate of land use to the issuing organ and cancel the registration of the land use right.

#### Article 36 (Extension of term of lease)

The lessee who wishes to extend the term of land lease shall file with the lessor an application to that effect 6 months before the expiry of the term. In this case another contract of land lease shall be concluded, necessary procedures followed and the certificate of land use reissued.

#### Article 37 (Expenses for removal and clearing of land)

Upon expiry of the term of the lease, the lessee shall, in compliance with the request of the lessor, remove the structures, facilities and other attachments at his own expense and clear the land.

#### Article 38 (Withdrawal of land use right)

The land use right shall not be withdrawn during the term of the lease.

Should unavoidable circumstances demand the withdrawal of the land use right during the term of lease, the lessor shall obtain consent from the lessee 6 months in advance and offer the lessee other land in the same conditions or pay appropriate indemnity.

## Chapter 6 Sanction, Settlement of Disputes

#### Article 39 (Penalties)

Where a lessee illegally uses land without the certificate of land use, or changes the purpose of use of land or transfers or mortgages the land use right without approval, he shall be fined, have the facilities on the land confiscated or be required to restore the land to original state, and the contract of transfer or mortgage be declared null and void.

#### Article 40 (Withdrawal of land use right)

Where a lessee fails to make an investment equivalent to 50% of the total sum during the term prescribed in the contract of land lease, or to develop the land as specified in the contract, the land use right may be withdrawn.

#### Article 41 (Complaints)

Where the penalty imposed is not acceptable, a lessee may, within 20 days of the receipt of the notice of penalty, appeal to an institution higher to the one that has imposed sanctions.

The higher institution shall settle the complaints within 30 days of receipt thereof.

#### Article 42 (Settlement of disputes)

Disputes concerning the land lease shall be settled through consultation between the parties concerned.

In case of failure in consultation, the disputes shall be settled through mediation, arbitration or judicial procedures.