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# REGULATIONS ON THE ESTABLISHMENT AND OPERATION OF BUSINESSES IN THE MT. KUMGANG SPECIAL ZONE FOR INTERNATIONAL TOURISM

Adopted by Resolution No. 63 of the Presidium of the Supreme People's Assembly on September 6, 2011

## Article 1 (Objective)

These Regulations are formulated for the purpose of affording convenience for business operation by providing strict guidelines for the procedures for the establishment, registration and operation of businesses in the Mt. Kumgang Special Zone for International Tourism.

## Article 2 (Applicability)

These Regulations shall be applicable to the foreign corporate bodies, individuals, economic organizations, south Koreans and overseas Koreans that establish and operate businesses (branches and offices included) in the Mt. Kumgang Special Zone for International Tourism (the SZIT).

## Article 3 (Preferential treatment)

Businesses investing in the SZIT shall be accorded such preferential treatment as reduction and/or exemption of tax and favourable conditions for business operation.

## Article 4 (Object of investment)

Investors may invest in tourism-related sectors such as travel business, accommodations business, restaurant business, casino business, golf course business, and entertainment and convenience facility business, as well as in the construction of infrastructure facilities related thereto.

Sectors of information technology, light industry and agriculture shall also be open for investment.

## Article 5 (Restriction, prohibition)

Investment in the projects that may lead to destruction or change of natural ecological environment of the SZIT shall be restricted or prohibited.

The restrictions or prohibitions in the investment in the SZIT shall be prescribed by the SZIT guidance organ.

## Article 6 (Mode of establishment of business)

Investors shall be entitled to set up businesses of various types through a sole investment or joint investment with others.

## Article 7 (Articles of association)

Businesses shall have the articles of association.

The articles of association shall specify the name and domicile of the business concerned, purpose of establishment, business category and scale, total investment amount, registered capital, functions and powers of the chief and the auditor, particulars about issuance of stocks and bonds, distribution of profits, dissolution, liquidation and procedures for the amendment thereof.

**Article 8 (Conditions for business operation, registered capital)**

Businesses shall have managerial personnel, employees and a fixed place of business for conducting the operational activities.

Registered capital shall be more than 30% of the total amount of capital.

**Article 9 (Approval of establishment of business, registry)**

Approval of the establishment of business and the registration thereof shall be granted by the SZIT management committee.

The SZIT management committee shall prepare and enforce the rules concerning the granting of approval for the establishment of business and the registration.

**Article 10 (Application for establishment of business)**

Investors wishing to make an investment in the SZIT shall file an application to that effect with the SZIT management committee.

The application shall specify the name of the business concerned, name and address of the investor, total amount of investment, registered capital, business category and scale, term of investment and operation, managerial structure and number of employees, which shall be accompanied by a copy of the articles of association, credit references, feasibility study report and the like.

**Article 11 (Examination of application)**

The SZIT management committee shall examine an application within 15 days of receiving thereof and either approve or reject it.

In case of approval a document of approval of business establishment shall be sent to the applicant, and in case of rejection, a notice with the reason thereof stated.

**Article 12 (Application for registration of establishment of business)**

An investor shall, within 30 days of obtaining the approval for the establishment of business, file an application with the SZIT management committee for the registration of business.

The application shall contain the name of the business concerned, name and address of the investor, total investment amount, registered capital, business category and scale, term of investment and operation, managerial structure and number of employees, which shall be accompanied by copies of document of approval of the business establishment and a registration certificate of the right to use land.

**Article 13 (Issuance of business registration certificate)**

The SZIT management committee shall examine an application for the registration of business within 15 days of receiving thereof and either grant or reject it.

In case of granting an approval, a business registration certificate shall be issued and in case of rejection, a notice stating the reason thereof sent to the applicant.

A business (branch and office excluded) shall be a corporate body of the DPRK from the date of registration.

**Article 14 (Tax affairs, customs registration)**

A business shall make the required registration with the SZIT tax office and customs within 15 days of obtaining a business registration certificate.

**Article 15 (Establishment of insurance company, branch bank and office)**

Opening of a branch or an office in the SZIT by a foreign insurance company or a bank shall be subject to the relevant laws and regulations.

**Article 16 (Term of investment, extension thereof)**

Businesses shall make an investment within the term prescribed in the document of approval of business establishment.

Where the term of investment is to be extended due to unavoidable circumstances, an application to that effect shall be filed with the SZIT management committee.

**Article 17 (Business license, inaugural date)**

Businesses shall file an application with the SZIT management committee for approval of business operation.

A business license shall be issued to the business that has been granted approval.

The date of issuance of a license shall be the inaugural date.

**Article 18 (Scope of business operation, change of business category)**

Businesses shall conduct operation within the limit of the approved business category.

Where the business category is to be extended or changed, approval thereof shall be obtained from the SZIT management committee.

**Article 19 (Contact with institutions and organizations of the DPRK)**

Businesses may, via the SZIT management committee, conclude contracts with the institutions and organizations of the DPRK outside the SZIT for the purchasing of materials needed for the construction work or business operation, or for the consigning of processing of raw and other materials and components.

**Article 20 (Declaration of goods bringing in or taking out)**

Goods brought in or taken out of the SZIT shall be declared.

Businesses wishing to bring in or take out goods shall declare to and undergo inspection by the customs at the point of entry or exit of goods.

**Article 21 (Preparation of accounting documents, settlement of accounts)**

Businesses shall enter the records of business operation into accounting documents.

The accounts of businesses shall be settled on a yearly basis.

**Article 22 (Opening of accounts)**

Businesses shall open accounts with a DPRK bank or a foreign-invested bank established in the SZIT.

**Article 23 (Extension of term of operation)**

Where a business wishes to extend the term of operation prescribed in the document of approval of business establishment, an application to that effect shall be filed with the SZIT management committee 6 months before the expiration of the original term, stating the name and domicile of the business, period to be extended and the like, as well as a feasibility study report.

**Article 24 (Environmental protection)**

Businesses shall set up sewage purifying station, depositing basin and other environmental protection and sanitation facilities, and strictly observe the environmental protection criteria in respect of the discharge of pollutants, noise and vibration.

**Article 25 (Transfer of share of contribution)**

Businesses may transfer their share of contribution to a third party. In this case notification thereof shall be made to the SZIT management committee.

#### Article 26 (Issuance of stocks and bonds)

Businesses may issue stocks and bonds as prescribed in the articles of association. Stocks, bonds and the like may be transferred or circulated.

#### Article 27 (Dissolution of business)

A business shall be dissolved in case the term of operation has expired, continued operation is impossible due to lack of funds or other reasons or it has violated the laws and regulations. In this case a report on dissolution shall be submitted to the SZIT management committee.

The date on which such report is submitted shall be the date of dissolution.

#### Article 28 (Liquidation of business)

Liquidation of a business to be dissolved shall be undertaken by the liquidation committee.

A liquidation committee shall be formed by the business or the SZIT management committee, consisting of necessary personnel.

#### Article 29 (Conclusion of liquidation)

A liquidation committee shall, upon completion of liquidation work, prepare a report thereon to be submitted to the SZIT management committee.

#### Article 30 (Disposal of property remaining after liquidation)

The property remaining after liquidation may be disposed of in the SZIT or taken out of the territory of the DPRK.

#### Article 31 (Sanction)

Any violation of these Regulations by an investor or a business shall, depending on the gravity of violation, lead to fines or suspension of business, and even revocation of the business registration in serious cases.