

Doing Business 2011

Korea, Rep.

**Making
a Difference for
Entrepreneurs**

COMPARING BUSINESS REGULATION IN 183 ECONOMIES



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1818 H Street NW
Washington, DC 20433
Telephone 202-473-1000
Internet www.worldbank.org

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Doing Business 2011
Business Reforms

Doing Business 2011 : Making a Difference for Entrepreneurs is the eighth in a series of annual reports investigating 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 183 economies, from Afghanistan to Zimbabwe, over time.

A set of regulations affecting 9 stages of a business's life are measured: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. Data in *Doing Business 2011* are current as of June 1, 2010*. 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 an economy'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 or the underlying strength of institutions, are not studied directly by Doing Business. To make the data comparable across economies, the indicators refer to a specific type of business, generally a local 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 183 economies: 46 in Sub-Saharan Africa, 32 in Latin America and the Caribbean, 25 in Eastern Europe and Central Asia, 24 in East Asia and Pacific, 18 in the Middle East and North Africa and 8 in South Asia, as well as 30 OECD high-income economies.

The following pages present the summary Doing Business indicators for Korea, Rep.. The data used for this economy profile come from the Doing Business database and are summarized in graphs. These graphs allow a comparison of the economies in each region not only with one another but also with the "good practice" economy for each indicator.

The good-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 countries. These good-practice economies do not necessarily rank number 1 in the topic or indicator, but they are in the top 10.

More information is available in the full report. *Doing Business 2011 : Making a Difference for Entrepreneurs* 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 (www.doingbusiness.org).

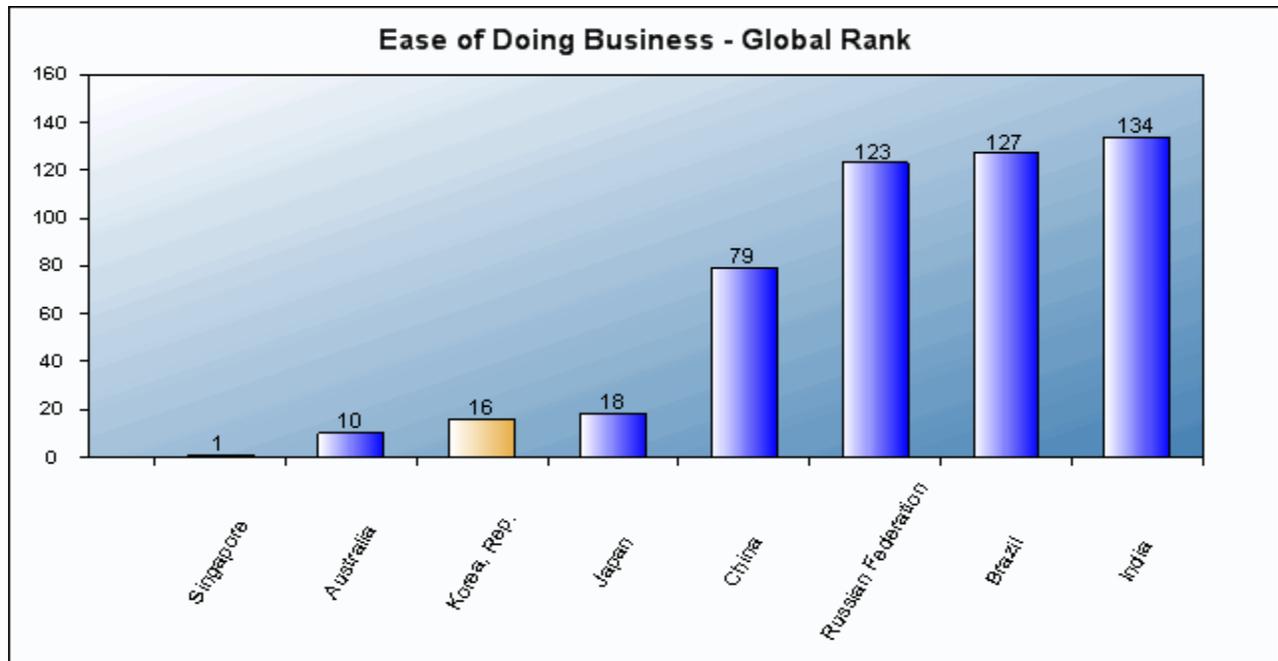
* Except for the Paying Taxes indicator that refers to the period January to December of 2009.

Note: 2008-2010 Doing Business data and rankings have been recalculated to reflect changes to the methodology and the addition of new economies (in the case of the rankings).

Economy Rankings - Ease of Doing Business

Korea, Rep. is ranked 16 out of 183 economies. Singapore is the top ranked economy in the Ease of Doing Business.

Korea, Rep. - Compared to global good practice economy as well as selected economies:



Korea, Rep.'s ranking in Doing Business 2011

Rank	Doing Business 2011
Ease of Doing Business	16
Starting a Business	60
Dealing with Construction Permits	22
Registering Property	74
Getting Credit	15
Protecting Investors	74
Paying Taxes	49
Trading Across Borders	8
Enforcing Contracts	5
Closing a Business	13

Summary of Indicators - Korea, Rep.

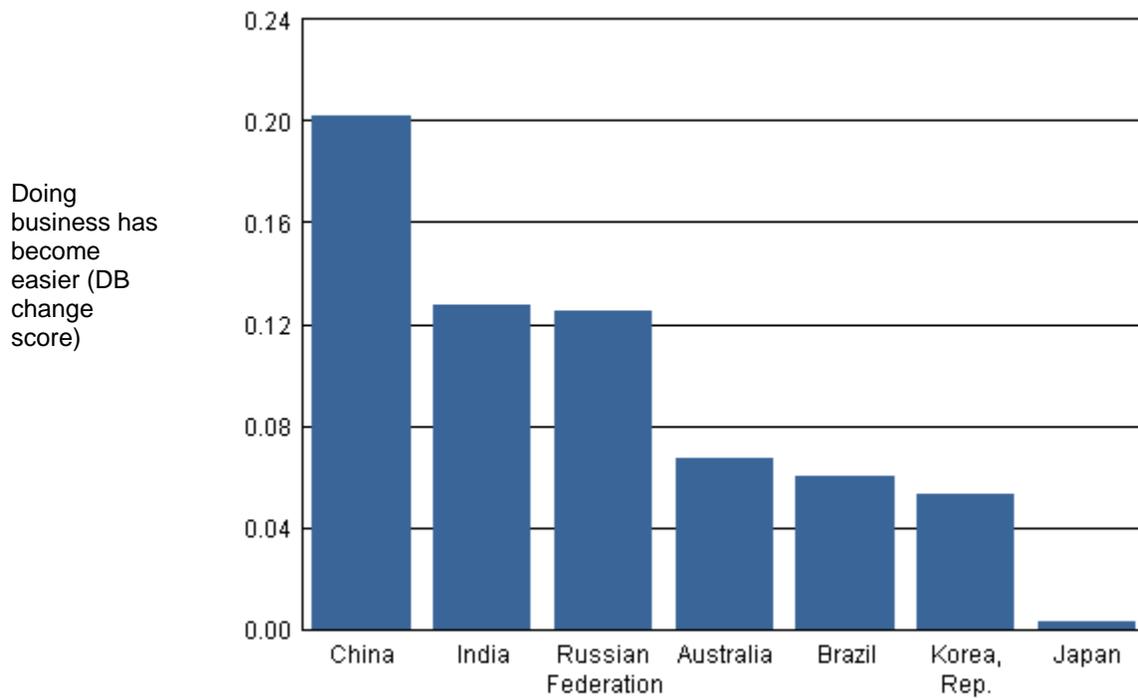
Starting a Business	Procedures (number)	8
	Time (days)	14
	Cost (% of income per capita)	14.7
	Min. capital (% of income per capita)	0.0
Dealing with Construction Permits	Procedures (number)	13
	Time (days)	34
	Cost (% of income per capita)	131.2
Registering Property	Procedures (number)	7
	Time (days)	11
	Cost (% of property value)	5.1
Getting Credit	Strength of legal rights index (0-10)	7
	Depth of credit information index (0-6)	6
	Public registry coverage (% of adults)	0.0
	Private bureau coverage (% of adults)	93.3
Protecting Investors	Extent of disclosure index (0-10)	7
	Extent of director liability index (0-10)	2
	Ease of shareholder suits index (0-10)	7
	Strength of investor protection index (0-10)	5.3
Paying Taxes	Payments (number per year)	14
	Time (hours per year)	250
	Profit tax (%)	15.3
	Labor tax and contributions (%)	12.9
	Other taxes (%)	1.6
	Total tax rate (% profit)	29.8
Trading Across Borders	Documents to export (number)	3
	Time to export (days)	8
	Cost to export (US\$ per container)	790
	Documents to import (number)	3
	Time to import (days)	7
	Cost to import (US\$ per container)	790

Enforcing Contracts	Procedures (number)	35
	Time (days)	230
	Cost (% of claim)	10.3
Closing a Business	Recovery rate (cents on the dollar)	81.7
	Time (years)	1.5
	Cost (% of estate)	4

The 5 year measure of cumulative change illustrates how the business regulatory environment has changed in 174 economies from *Doing Business 2006* to *Doing Business 2011*. Instead of highlighting which countries currently have the most business friendly environment, this new approach shows the extent to which an economy's regulatory environment for business has changed compared with 5 years ago.

This snapshot reflects all cumulative changes in an economy's business regulation as measured by the Doing Business indicators—such as a reduction in the time to start a business thanks to a one-stop shop or an increase in the strength of investor protection index thanks to new stock exchange rules that tighten disclosure requirements for related-party transactions.

This figure shows the distribution of cumulative change across the 9 indicators and time between *Doing Business 2006* and *Doing Business 2011*



Many economies have undertaken reforms to smooth the starting a business process in stages—and often as part of a larger regulatory reform program. A number of studies have shown that among the benefits of streamlining the process to start a business have been greater firm satisfaction and savings and more registered businesses, financial resources and job opportunities. Economies with higher entry costs are associated with a larger informal sector and a smaller number of legally registered firms.

Some reform outcomes

In Egypt reductions of the minimum capital requirement in 2007 and 2008 led to an increase of more than 30% in the number of limited liability companies.

In Portugal creation of One-Stop Shop in 2006 and 2007 resulted in a reduction of time to start a business from 54 days to 5. In 2007 and 2008 new business registrations were up by 60% compared with 2006.

In Malaysia reduction of registration fees in 2008 led to an increase in registrations by 16% in 2009.

What does Starting a Business measure?

Procedures to legally start and operate a company (number)

- Preregistration (for example, name verification or reservation, notarization)
- Registration
- Post registration (for example, social security registration, company seal)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes
- No professional fees unless services required by law

Paid-in minimum capital (% of income per capita)

- Deposited in a bank or with a notary prior to registration begins

Starting a Business: getting a local limited liability company up and running
Rankings are based on 4 subindicators



Case Study Assumptions

- Doing Business records all procedures that are officially required for an entrepreneur to start up and formally operate an industrial or commercial business.
- Any required information is readily available and that all agencies involved in the start-up process function without corruption.

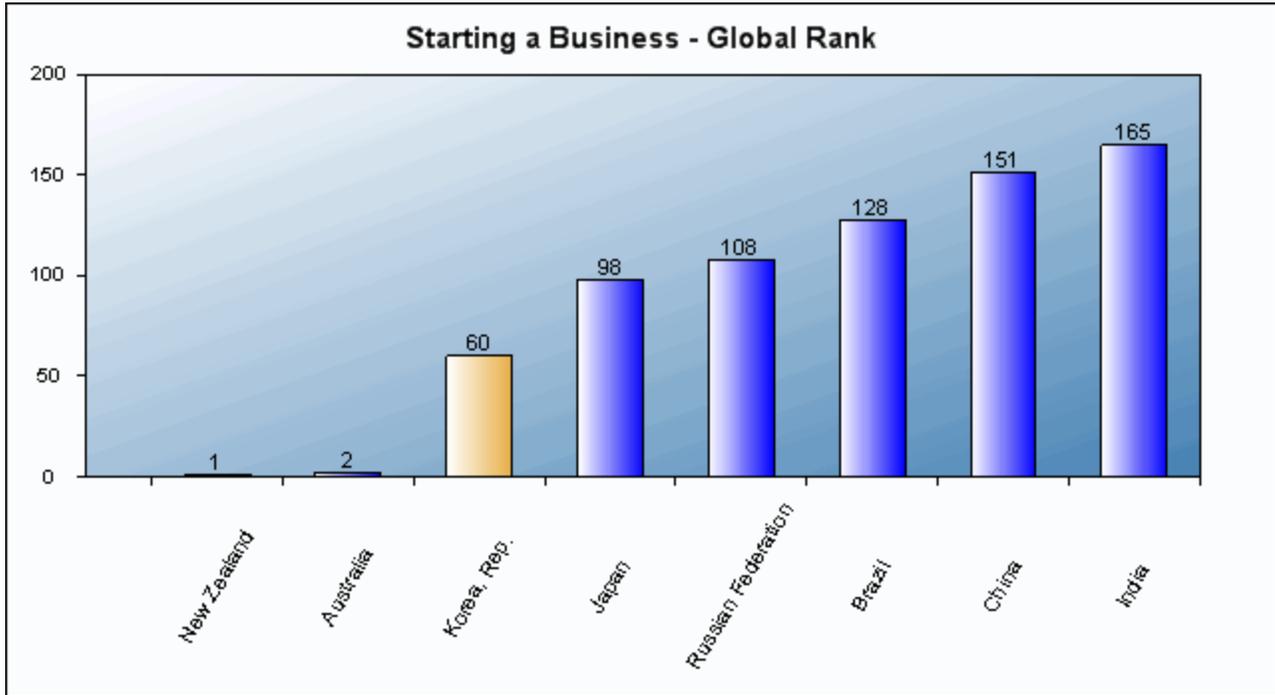
The business:

- is a limited liability company, located in the largest business city
- conducts general commercial activities
- is 100% domestically owned
- has a start-up capital of 10 times income per capita
- has a turnover of at least 100 times income per capita
- has at least 10 and up to 50 employees
- does not qualify for investment incentives or any special benefits
- leases the commercial plant and offices and is not a proprietor of real estate

1. Benchmarking Starting a Business Regulations:

Korea, Rep. is ranked 60 overall for Starting a Business.

Ranking of Korea, Rep. in Starting a Business - Compared to good practice and selected economies:



The following table shows Starting a Business data for Korea, Rep. compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)	Min. capital (% of income per capita)
Denmark*			0.0	
New Zealand*	1	1		0.0

<i>Selected Economy</i>				
Korea, Rep.	8	14	14.7	0.0

<i>Comparator Economies</i>				
Australia	2	2	0.7	0.0
Brazil	15	120	7.3	0.0
China	14	38	4.5	118.3
India	12	29	56.5	188.8
Japan	8	23	7.5	0.0
Russian Federation	9	30	3.6	1.9

* The following economies are also good practice economies for :

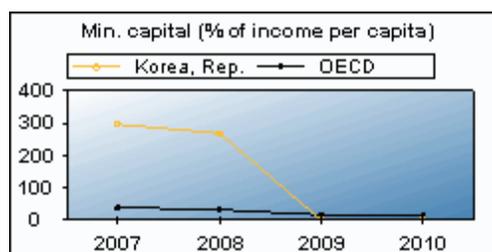
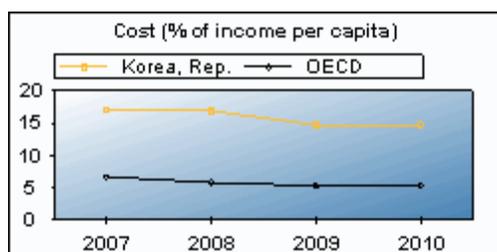
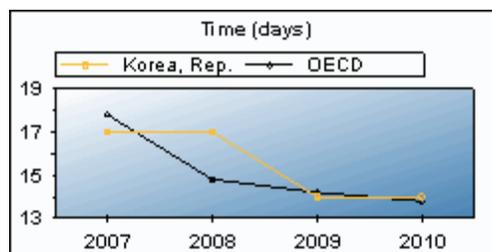
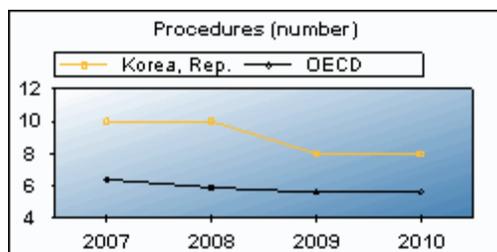
Procedures (number): Canada

Cost (% of income per capita): Slovenia

2. Historical data: Starting a Business in Korea, Rep.

Starting a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	55	60
Procedures (number)	10	10	8	8
Time (days)	17	17	14	14
Cost (% of income per capita)	17.1	16.9	14.7	14.7
Min. capital (% of income per capita)	296.0	268.9	0.0	0.0

3. The following graphs illustrate the Starting a Business sub indicators in Korea, Rep. over the past 4 years:



Starting a Business Summary - Korea, Rep.

What are the time, cost, paid-in minimum capital and number of procedures to get a local, limited liability company up and running?



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

STANDARDIZED COMPANY

Legal Form: Jusik Hoesa

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	no charge
2	Make company seal	1	KRW 30,000
3	Obtain bank statement from a bank	1	KRW 2,000-5,000 depending on bank
4	File the application package for incorporation registered with the District Government Office and obtain a corporate registration tax bill.	1	KRW 24000
5	Registered with the Commercial Registry Office in the Seoul District Court and obtain certificate of seal impression of corporation.	1	1.2% capital registration tax + education tax (20% of the registration tax)+ KRW 10,000 (e-registration form) or KRW 30,000 (non-e-registration form) of Supreme Court stamps

6	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	no charge
7	Register electronically for Public Health Insurance Program, National Pension Fund, and Employment Insurance and Industrial Accident Compensation Insurance	1	no charge
8	Submit the rules of employment to the local labor office of Labor Minister	1	no charge

Starting a Business Details - Korea, Rep.

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

Time to complete: 1

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.iros.go.kr).

Procedure 2 Make company seal

Time to complete: 1

Cost to complete: KRW 30,000

Comment: The promoters may use their personal seal and thus there is no need to make a new one

Procedure 3 Obtain bank statement from a bank

Time to complete: 1

Cost to complete: KRW 2,000-5,000 depending on bank

Comment: According to new government reforms, a bank certificate is not required, but a bank statement, as a simpler and less expensive method, is still necessary.

Procedure 4 File the application package for incorporation registered with the District Government Office and obtain a corporate registration tax bill.

Time to complete: 1

Cost to complete: KRW 24000

Comment: One must go to the relevant district government office and show the registration application to be submitted to the commercial registry. The district government office will then issue a registration tax bill which needs to be paid at a bank, and the receipt issued by such bank after payment of the registration tax needs to be submitted to the commercial registry.

Procedure 5 Registered with the Commercial Registry Office in the Seoul District Court and obtain certificate of seal impression of corporation.

Time to complete: 1

Cost to complete: 1.2% capital registration tax + education tax (20% of the registration tax)+ KRW 10,000 (e-registration form) or KRW 30,000 (non-e-registration form) of Supreme Court stamps

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 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.

A new method of submitting the registration documents has been added. Before, there was only the “e-registration form” (requires user registration beforehand with the Supreme Court and electronic ID certification) and “non-e-registration form” (personal submission of documents), but now there is also the “e-form” (the application form can be filed on-line, but the attachments must be submitted personally).

Procedure 6 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

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); and the company’s registered seal of the company.
There are many cases where the tax registration is completed on the date of the application, however, additional time is required when the tax office decides to verify whether the company in question is a real entity by making a visit to its physical location.

Procedure 7 Register electronically for Public Health Insurance Program, National Pension Fund, and Employment Insurance and Industrial Accident Compensation Insurance

Time to complete: 1

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 8 Submit the rules of employment to the local labor office of Labor Minister

Time to complete: 1

Cost to complete: no charge

Comment: The rules are submitted along with proof of accident insurance. The procedure is required for companies hiring 10 or more employees.

In many economies, especially developing 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. Where the regulatory burden is large, entrepreneurs may tend to move their activity into the informal economy. There they operate with less concern for safety, leaving everyone worse off. In other economies compliance is simple, straightforward and inexpensive, yielding better results.

Some reform outcomes

In Burkina Faso, a one-stop shop for construction permits, "Centre de Facilitation des Actes de Construire", was opened in May 2008. The new regulation merged 32 procedures into 15, reduced the time required from 226 days to 122 and cut the cost by 40%. From May 2009 to May 2010 611 building permits were granted in Ouagadougou, up from an average of about 150 a year in 2002-06.

Toronto, Canada revamped its construction permitting process in 2005 by introducing time limits for different stages of the process and presenting a unique basic list of requirements for each project. Later it provided for electronic information and risk-based approvals with fast-track procedures. Between 2005 and 2008 the number of commercial building permits increased by 17%, the construction value of new commercial buildings by 84%.

What does the Dealing with Construction Permits indicator measure?

Procedures to legally build a warehouse (number)

- Submitting all relevant documents and obtaining all necessary clearances, licenses, permits and certificates
- Completing all required notifications and receiving all necessary inspections
- Obtaining utility connections for electricity, water, sewerage and a land telephone line
- Registering the warehouse after its completion (if required for use as collateral or for transfer of warehouse)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior contact with officials

Cost required to complete each procedure (% of income per capita)

- Official costs only, no bribes

Case Study Assumptions

The business:

- is a small to medium-size limited liability company in the construction industry, located in the economy's largest business city
- is 100% domestically and privately owned and operated
- has 60 builders and other employees
- has at least one employee who is a licensed architect and registered with the local association of architects

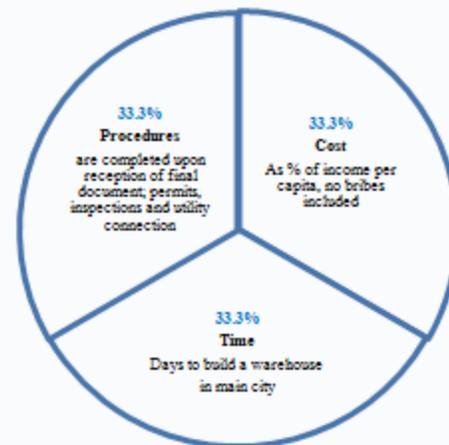
The warehouse:

- is a new construction (there was no previous construction on the land)
- has 2 stories, both above ground, with a total surface of approximately 1,300.6 sq. meters (14,000 sq. feet)
- 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 a land telephone line
- will be used for general storage of non-hazardous goods, such as books
- will take 30 weeks to construct (excluding all delays due to administrative and regulatory requirements)

Dealing with Construction Permits:

Building a warehouse

Rankings are based on 3 subindicators



1. Benchmarking Dealing with Construction Permits Regulations:

Korea, Rep. is ranked 22 overall for Dealing with Construction Permits.

Ranking of Korea, Rep. in Dealing with Construction Permits - Compared to good practice and selected economies:



The following table shows Dealing with Construction Permits data for Korea, Rep. compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of income per capita)
Denmark	6		
Qatar			0.8
Singapore		25	

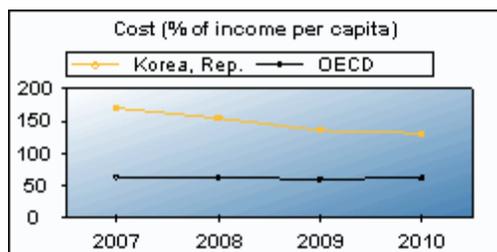
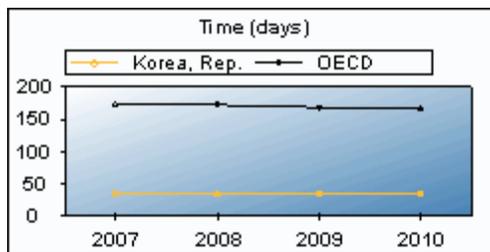
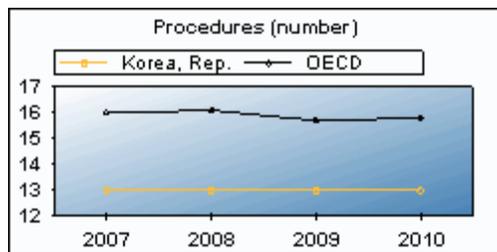
<i>Selected Economy</i>			
Korea, Rep.	13	34	131.2

<i>Comparator Economies</i>			
Australia	16	221	11.7
Brazil	18	411	46.6
China	37	336	523.4
India	37	195	2143.7
Japan	15	187	20.8
Russian Federation	53	540	4141.0

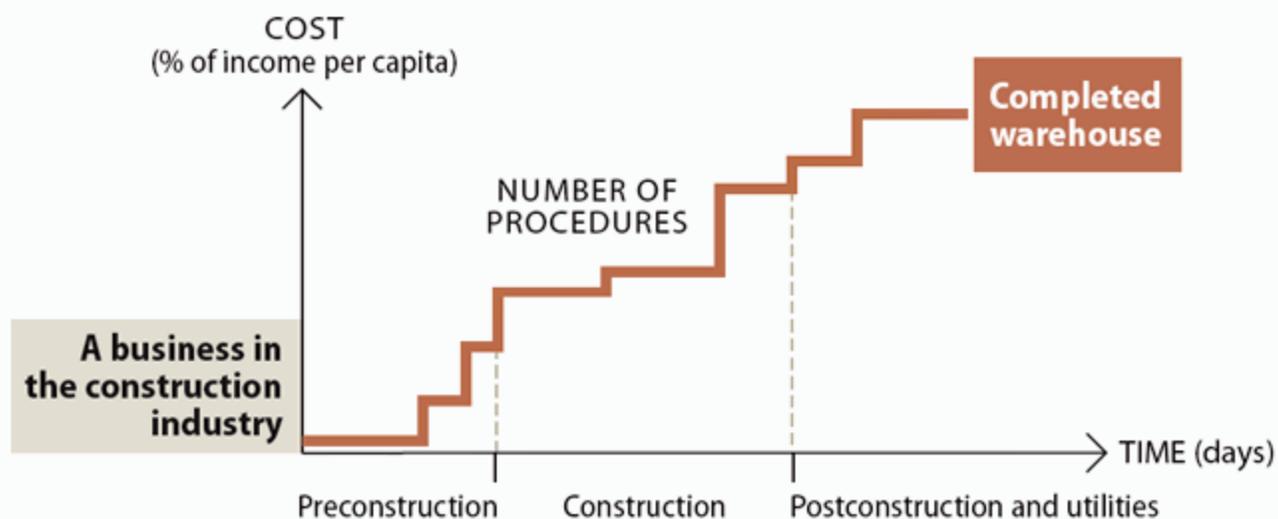
2. Historical data: Dealing with Construction Permits in Korea, Rep.

Dealing with Construction Permits data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	22	22
Procedures (number)	13	13	13	13
Time (days)	34	34	34	34
Cost (% of income per capita)	170.2	154.6	135.6	131.2

3. The following graphs illustrate the Dealing with Construction Permits sub indicators in Korea, Rep. over the past 4 years:



What are the time, cost and number of procedures to comply with formalities to build a warehouse?



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

BUILDING A WAREHOUSE
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 142,500
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 6,756,310
11 *	Request and receive connection to electricity	7 days	KRW 9,684,400
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.

Dealing with Construction Permits Details - Korea, Rep.

Procedure 1 Request and obtain proof of ownership of land

Time to complete: 1 day

Cost to complete: KRW 800

Agency: Property Register

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

Agency: Commercial Bank

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 600 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: $KRW 1,300 \times 1300.6 \text{ sq.m} = KRW 1,690,780$. 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

Agency: County (Ku) Office of Construction

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 10 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 142,500

Agency: Korea Electrical Safety Corp.

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 90,000 + Additional fee of KRW 52,500 (140 kilowatts x KRW 375/Kilowatts).

Procedure 6 Request and obtain telephone inspection certificate**Time to complete:** 1 day**Cost to complete:** KRW 40,000**Agency:** Korea Telecom Corporation

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**Agency:** Fire Department

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 6,756,310**Agency:** Court Registry

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 14,000 per land parcel.

Procedure 11 Request and receive connection to electricity

Time to complete: 7 days

Cost to complete: KRW 9,684,400

Agency: Korea Electric Power Corp. (KEPCO)

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

Agency: Korea Water Company

Comment:

Procedure 13 Request and receive connection to telephone services

Time to complete: 1 day

Cost to complete: KRW 60,000

Agency: Korea Telecom Corporation

Comment:

Ensuring formal property rights is fundamental. Effective administration of land is part of that. If formal property transfer is too costly or complicated, formal titles might go informal again. *Doing Business* records the full sequence of procedures necessary for a business to purchase a property from another business and transfer the property title to the buyer's name. In the past 6 years 105 economies undertook 146 reforms making it easier to transfer property. Globally, the time to transfer property fell by 38% and the cost by 10% over this time. The most popular feature of property registration reform in these 6 years, implemented in 52 economies, was lowering transfer taxes and government fees.

Some reform outcomes

Georgia now allows property transfers to be completed through 500 authorized users, notably banks. This saves time for entrepreneurs. A third of people transferring property in 2009 chose authorized users, up from 7% in 2007. Also, Georgia's new electronic registry managed 68,000 sales in 2007, twice as many as in 2003.

Belarus's unified and computerized registry was able to cope with the addition of 1.2 million new units over 3 years. The registry issued 1 million electronic property certificates in 2009.

What does the Registering Property indicator measure?

Registering Property: transfer of property between 2 local companies

Rankings are based on 3 subindicators

Procedures to legally transfer title on immovable property (number)

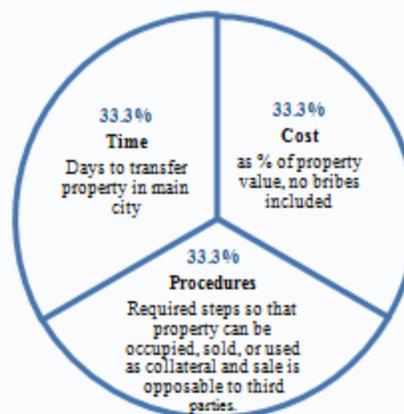
- Preregistration (for example, checking for liens, notarizing sales agreement, paying property transfer taxes)
- Registration in the economy's largest business city
- Post registration (for example, transactions with the local authority, tax authority or cadastre)

Time required to complete each procedure (calendar days)

- Does not include time spent gathering information
- Each procedure starts on a separate day
- Procedure completed once final document is received
- No prior personal contact with officials

Cost required to complete each procedure (% of property value)

- Official costs only, no bribes
- No value added or capital gains taxes included



Case Study Assumptions

The parties (buyer and seller):

- Are limited liability companies, 100% domestically and privately owned.
- Are located in the periurban area of the economy's largest business city.
- Have 50 employees each, all of whom are nationals.
- Perform general commercial activities.

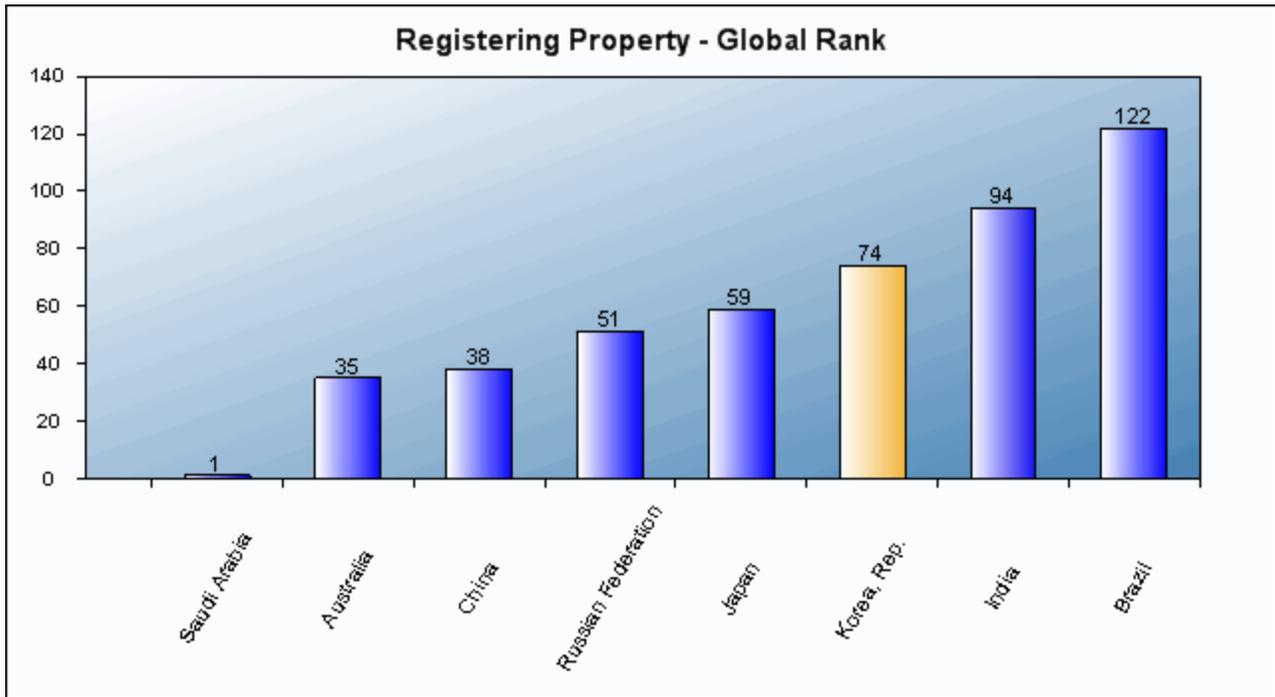
The property (fully owned by the seller):

- Has a value of 50 times income per capita. The sale price equals the value.
- Has no mortgages attached and has been under the same ownership for the past 10 years.
- Is registered in the land registry or cadastre, or both, and is free of title disputes.
- Is located in a periurban commercial zone, and no rezoning is required.
- Consists of a 557.4 square meters (6,000 square feet) land and 10 years old 2-story warehouse of 929 square meters (10,000 square feet) located on the land. The warehouse is in good condition and complies with all safety standards, building codes and legal requirements. The property will be transferred in its entirety.

1. Benchmarking Registering Property Regulations:

Korea, Rep. is ranked 74 overall for Registering Property.

Ranking of Korea, Rep. in Registering Property - Compared to good practice and selected economies:



The following table shows Registering Property data for Korea, Rep. compared to good practice and comparator economies:

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

<i>Selected Economy</i>			
Korea, Rep.	7	11	5.1

<i>Comparator Economies</i>			
Australia	5	5	5.0
Brazil	14	42	2.7
China	4	29	3.6
India	5	44	7.4
Japan	6	14	5.5
Russian Federation	6	43	0.1

* The following economies are also good practice economies for :

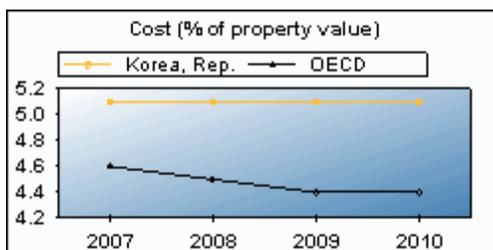
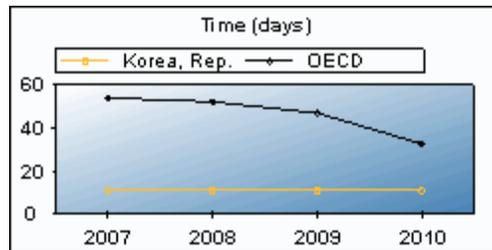
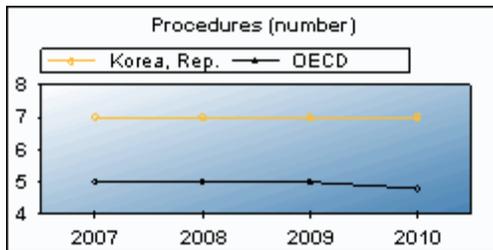
Procedures (number): United Arab Emirates

Time (days): Saudi Arabia, Thailand, United Arab Emirates

2. Historical data: Registering Property in Korea, Rep.

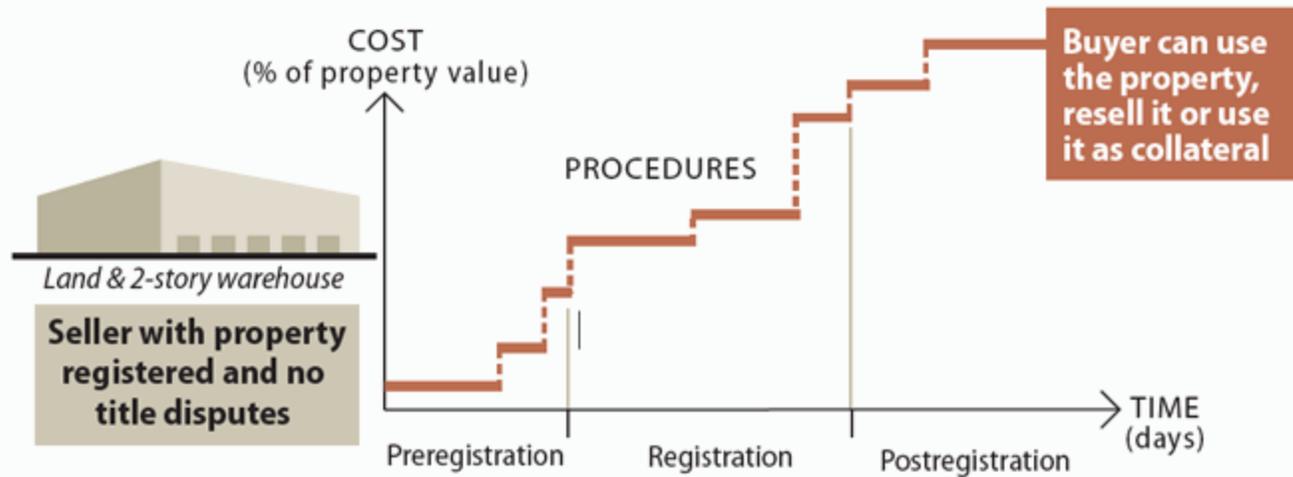
Registering Property data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	72	74
Procedures (number)	7	7	7	7
Time (days)	11	11	11	11
Cost (% of property value)	5.1	5.1	5.1	5.1

3. The following graphs illustrate the Registering Property sub indicators in Korea, Rep. over the past 4 years:



Registering Property in Korea, Rep.

What are the time, cost and number of procedures required to transfer a property between 2 local companies?



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

STANDARDIZED PROPERTY

Property Value: 1,096,182,957.37

City: Seoul

Registration Requirements:

No:	Procedure	Time to complete	Cost to complete
1	Obtain their commercial registry extracts from the commercial registry	1 day	KW 800 each x 2 (online)
2	Obtain a copy of the Land Cadastre Certificate and the Building Management Certificate and the registry extract of the concerned land and building	1 day	No cost
3	Obtain a statement of taxes to be paid from the tax department of the jurisdictional district office	1 day	no cost

4	Buyer buys and affixes a National Revenue stamp & prepare sale agreement	1-2 days	Fee for real estate agent (broker fees between 0.2-0.9% of sale price, agreed by the parties) + National Revenue Stamp, according to the following schedule: Property value (in KW)NRS From 10 to 30 millionsKW 20,000 From 30 to 50 millionsKW 40,000 From 50 to 100 millionsKW 70,000 From 100 to 1,000 millionsKW 150,000 Above 1,000 millionsKW 350,000
5	Buyer pays taxes online	1 day	2 % of sale price for the Acquisition tax (transfer tax)2 % of sale price for the Registration tax20% of registration tax (0.4% of sale price) for the Education tax10% 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 sale price (not included in calculation of total cost)
7	Buyer applies for the registration of the titles	3 days	Cost per real property (land + building) for court registry stamp: In person: KRW14,000; Electronic standard form application: KRW10,000; Electronic application: KRW 6,000

Registering Property Details - Korea, Rep.

Procedure	1	Obtain their commercial registry extracts from the commercial registry
Time to complete:	1 day	
Cost to complete:	KW 800 each x 2 (online)	
Agency:	Commercial Registry	
Comment:	The buyer obtains a certificate of its registered corporate seal issued by the commercial registry office (KW 1200). The buyer obtains its commercial registry from the commercial registry office. The buyer and seller obtains its commercial registry extract from the commercial registry office. There is more than one way (in person, via website -KW 800, through an unattended machine -KW 1000) to obtain the certificates. Most people obtain the extract through an unattended machine placed in a governmental district office or from the website (www.iros.go.kr) of the Supreme Court.	
Procedure	2	Obtain a copy of the Land Cadastre Certificate and the Building Management Certificate and the registry extract of the concerned land and building
Time to complete:	1 day	
Cost to complete:	No cost	
Agency:	Land and Building Registry	
Comment:	The seller obtains from the jurisdictional district office an official copy of the extract from the land registry, or the Land Cadastre Certificate and an official copy of the extract from the building registry or the Building Management Certificate. The actual sale price is currently used as the standard real property price. 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 . The land and building registry extracts are obtained at the Land and Building registry office and the land cadastre certificate and building management certificate are obtained at governmental offices of various levels (Governmental office at city (Si), district (Gun), or borough (Gu) level). Also, the extracts can be obtained online at www.iros.go.kr and the certificates at www.egov.go.kr .	
Procedure	3	Obtain a statement of taxes to be paid from the tax department of the jurisdictional district office
Time to complete:	1 day	
Cost to complete:	no cost	
Agency:	Tax department of jurisdictional district office	
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: 2% of the sale 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 legal entities is 2% (1% for transfers between individuals for residential properties).

Under Korean law, the parties to an agreement for sale of real property must, within 60 days of signing such agreement, report to the relevant government office prescribed information regarding the real property transaction such as the transaction price (may be reported online at <http://rtms.mltm.go.kr>). This is to prevent tax evasion. Once this real property transaction report is made and cleared, a certificate is issued by the government office (also needed for the title transfer registration).

Procedure 4 Buyer buys and affixes a National Revenue stamp & prepare sale agreement

Time to complete: 1-2 days

Cost to complete: Fee for real estate agent (broker fees between 0.2-0.9% of sale price, agreed by the parties) + National Revenue Stamp, according to the following schedule:
Property value (in KW)NRS
From 10 to 30 millionsKW 20,000
From 30 to 50 millionsKW 40,000
From 50 to 100 millionsKW 70,000
From 100 to 1,000 millionsKW 150,000
Above 1,000 millionsKW 350,000

Agency: District government office

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 online

Time to complete: 1 day

Cost to complete: 2 % of sale price for the Acquisition tax (transfer tax)2 % of sale price for the Registration tax20% of registration tax (0.4% of sale price) for the Education tax10% of Acquisition tax (0.2% of sale price) for the Agricultural and Fisheries Tax

Agency: online at wetax.go.kr

Comment: The buyer pays the Acquisition tax, Registration tax, Education tax, and the Agricultural and Fisheries Tax online at wetax.go.kr

Procedure 6 The buyer buys Housing Bonds

Time to complete: 1-3 days

Cost to complete: 5% of sale price (not included in calculation of total cost)

Agency: Commercial bank (handling national housing bonds)

Comment: The bonds have a maturity of 5 years, after which they are redeemed with interest. Typically the buyer sells the bonds at a discount immediately after purchasing them, usually at 10% (but this may change depending on market circumstances. The rate as of Apr. 21, 2010 was 9.2%). Value of bonds that need to be purchased by the buyer:

For land located in Seoul with:

- 1) Standard market price of KRW 5M or more ~ less than KRW 50M: 2.5% of sale price
- 2) KRW 50M or more ~ less than KRW 100M: 4%
- 3) KRW 100M or more: 5%

For a warehouse located in Seoul with:

- 1) Standard market price of KRW 10M or more ~ less than KRW 130M: 1% of sale price
- 2) KRW 130M or more ~ less than KRW 250M: 1.6%
- 3) KRW 250M or more: 2%

The base used for determining the value of bonds to be purchased is not the actual transaction price but the "standard market price," which can be obtained from the tax department at the relevant government office.

(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: Cost per real property (land + building) for court registry stamp: In person: KRW14,000; Electronic standard form application: KRW10,000; Electronic application: KRW 6,000

Agency: Court Registry

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)
- 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)
- Report of real property transaction Certificate (obtained in Procedure 3)

Fees for title transfer registration for 1 real property have been changed as follows:

- KRW 14,000 if applied in person
- KRW 10,000 if applied in person using a standard form that is available online (need to fill it out online, print it, and submit it to the registry)
- KRW 6,000 via online

Through two sets of indicators, *Doing Business* assesses the legal rights of borrowers and lenders with respect to secured transactions and the sharing of credit information. The depth of credit information index measures rules and practices affecting the coverage, scope and accessibility of credit information available through either a public credit registry or a private credit bureau. Credit information systems mitigate the ‘information asymmetry’ in lending and enable lenders to view a borrower’s financial history (positive or negative), providing them with valuable information to consider when assessing risk. Credit information systems benefit borrowers as well, allowing good borrowers to establish a reputable credit history which will enable them to access credit more easily. The Legal Rights Index measures the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders and thus facilitate lending. Sound collateral laws will enable businesses to use their assets, especially movable property, as security to generate capital while having strong creditor’s rights has been associated with higher ratios of private sector credit to GDP.

Some reform outcomes

After Vietnam’s new Civil Code was enacted in 2005, a decree further clarified the provisions governing secured transactions. Since the inclusion of the new provisions, the number of registrations increased from 43,000 (2005) to 120,000 (end of 2008).

In 2008, when Zambia established a private credit bureau, its database initially covered about 25,000 borrowers. Thanks to a strong communication campaign and a central bank directive, coverage has grown 10-fold in the past 2 years, exceeding 200,000 by the beginning of 2010.

What do the Getting Credit indicators measure?

Strength of legal rights index (0–10)

- Protection of rights of borrowers and lenders through collateral laws
- Protection of secured creditors’ rights through bankruptcy laws

Depth of credit information index (0–6)

- Scope and accessibility of credit information distributed by public credit registries and private credit bureaus

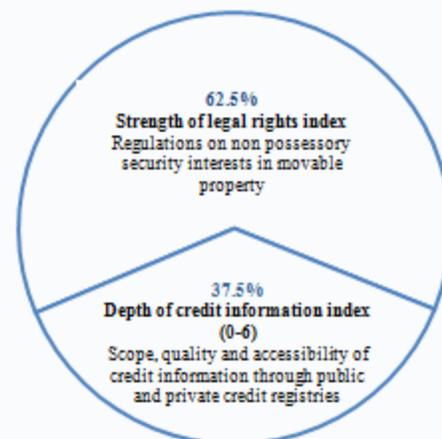
Public credit registry coverage (% of adults)

- Number of individuals and firms listed in public credit registry as percentage of a adult population

Private credit bureau coverage (% of adults)

- Number of individuals and firms listed in largest private credit bureau as percentage of a adult population

Getting Credit: collateral rules and credit information



Note: Private bureau coverage and public credit registry coverage are measured but do not count for the rankings.

Case Study Assumptions (applying to the Legal Rights Index only)

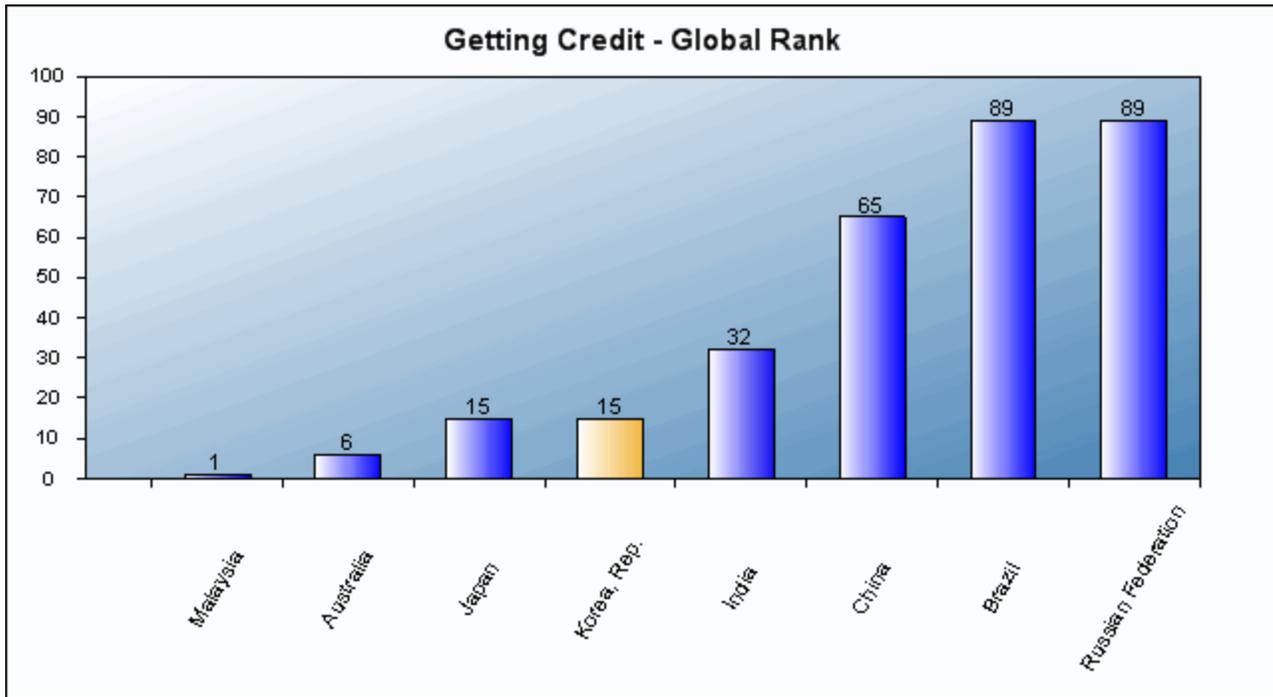
The Debtor

- is a Private Limited Liability Company
- has its Headquarters and only base of operations in the largest business city
- obtains a loan from a local bank (the Creditor) for an amount up to 10 times income (GNI) per capita
- Both creditor and debtor are 100% domestically owned.

1. Benchmarking Getting Credit Regulations:

Korea, Rep. is ranked 15 overall for Getting Credit.

Ranking of Korea, Rep. in Getting Credit - Compared to good practice and selected economies:



The following table shows Getting Credit data for Korea, Rep. compared to good practice and comparator economies:

Good Practice Economies	Strength of legal rights index (0-10)	Depth of credit information index (0-6)	Public registry coverage (% of adults)	Private bureau coverage (% of adults)
New Zealand*				100.0
Portugal			67.1	
Singapore*	10			
United Kingdom		6		

<i>Selected Economy</i>				
Korea, Rep.	7	6	0.0	93.3

<i>Comparator Economies</i>				
Australia	9	5	0.0	100.0
Brazil	3	5	26.9	53.5
China	6	4	63.9	0.0
India	8	4	0.0	10.0
Japan	7	6	0.0	76.1
Russian Federation	3	5	0.0	14.4

* The following economies are also good practice economies for :

Strength of legal rights index (0-10): Hong Kong, China, Kenya, Kyrgyz Republic, Malaysia

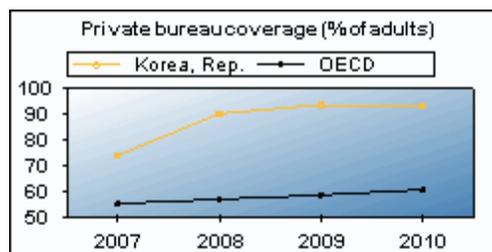
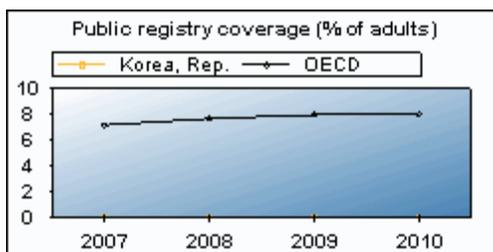
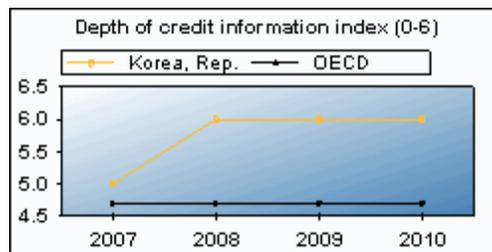
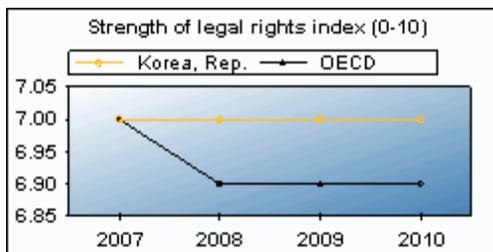
Private bureau coverage (% of adults): Argentina, Australia, Canada, Iceland, Ireland, Norway, Sweden, United Kingdom, United States

27 countries have the highest credit information index.

2. Historical data: Getting Credit in Korea, Rep.

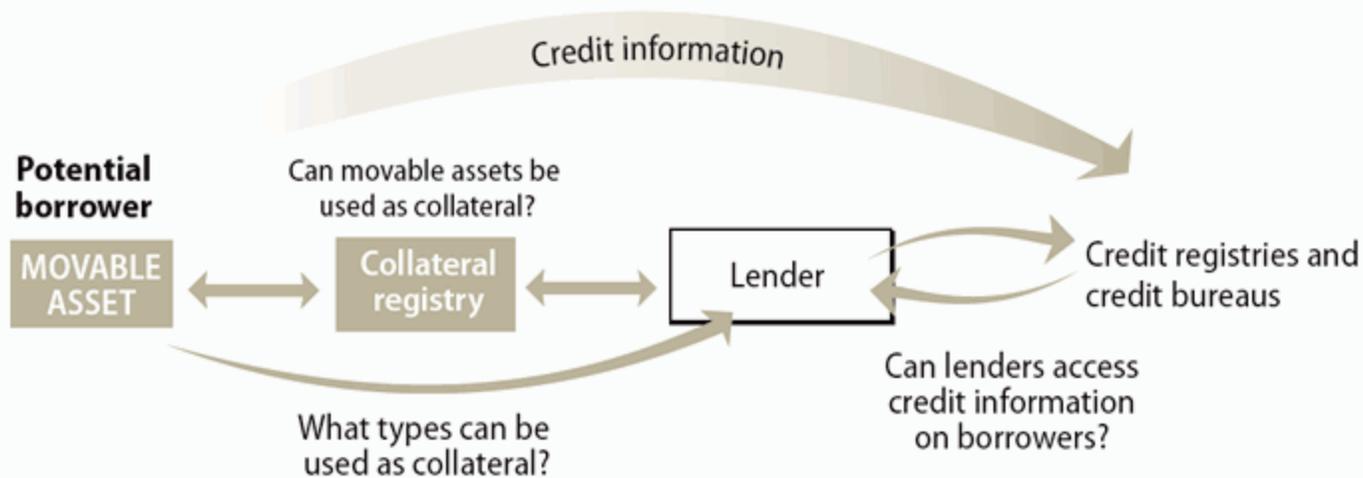
Getting Credit data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	14	15
Strength of legal rights index (0-10)	7	7	7	7
Depth of credit information index (0-6)	5	6	6	6
Private bureau coverage (% of adults)	74.2	90.4	93.8	93.3
Public registry coverage (% of adults)	0.0	0.0	0.0	0.0

3. The following graphs illustrate the Getting Credit sub indicators in Korea, Rep. over the past 4 years:



Getting Credit in Korea, Rep.

Do lenders have credit information on entrepreneurs seeking credit? Is the law favorable to borrowers and lenders using movable assets as collateral?



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

Getting Credit Indicators (2010)			Indicator
Private bureau coverage (% of adults)	Private credit bureau	Public credit registry	6
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?	Yes	No	1
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	93.3	0.0	
Number of individuals	..	..	0
Number of firms	..	..	0

Strength of legal rights index (0-10)**7**

Can any business use movable assets as collateral while keeping possession of the assets; and any financial institution accept such assets as collateral ? Yes

Does the law allow businesses to grant a non possessory security right in a single category of movable assets, without requiring a specific description of collateral? Yes

Does the law allow businesses to grant a non possessory security right in substantially all of its assets, without requiring a specific description of collateral? Yes

May a security right extend to future or after-acquired assets, and may it extend automatically to the products, proceeds or replacements of the original assets ? Yes

Is a general description of debts and obligations permitted in collateral agreements, so that all types of obligations and debts can be secured by stating a maximum amount rather than a specific amount between the parties ? Yes

Is a collateral registry in operation, that is unified geographically and by asset type, as well as indexed by the grantor's name of a security right ? 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

Does the law authorize parties to agree on out of court enforcement? Yes

Stronger investor protections matter for the ability of companies to raise the capital needed to grow, innovate, diversify and compete. This is all the more crucial in times of financial crisis when entrepreneurs must navigate through defiant environments to finance their activities. Using 3 indices of investor protection, *Doing Business* measures how economies regulate a standard case of self-dealing, use of corporate assets for personal gains. Since 2005, 51 economies have strengthened investor protections as measured by *Doing Business*.

Some reform outcomes

In Indonesia, an economy that consistently improved its laws regulating investor protections, the number of firms listed on the Indonesia Stock Exchange increased from 331 to 396 between 2004 and 2009. Meanwhile, market capitalization grew from 680 trillion rupiah (\$75 billion) to 1,077 trillion rupiah (\$119 billion).

After Thailand amended its laws in 2006 and 2008, more than 85 transactions that failed to comply with the disclosure standards were suspended. Thirteen were deemed prejudicial and were therefore canceled, thus preventing damage to the companies involved and preserving their value. Companies were not deterred either, as more than 30 new companies joined the stock exchange since 2005 bringing the number of listed companies to 523.

What do the Protecting Investors indicators measure?

Extent of disclosure index (0–10)

- Who can approve related-party transactions
- Requirements for external and internal disclosure in case of related-party transactions

Extent of director liability index (0–10)

- Ability of shareholders to hold the interested party and the approving body liable in case of a prejudicial related-party transaction
- Available legal remedies (damages, repayment of profits, fines, imprisonment and rescission of the transaction)
- Ability of shareholders to sue directly or derivatively

Ease of shareholder suits index (0–10)

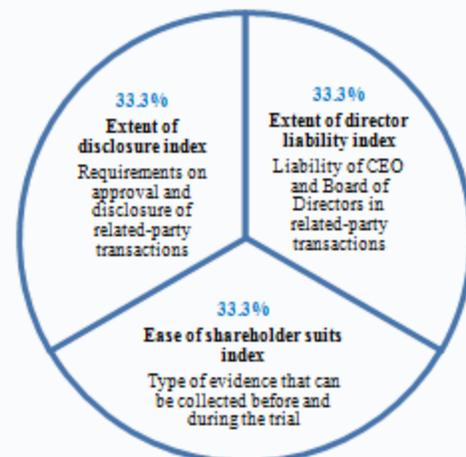
- Documents and information available during trial
- Access to internal corporate documents (directly or through a government inspector)

Strength of investor protection index (0–10)

- Simple average of the extent of disclosure, extent of director liability and ease of shareholder suits indices

Protecting Investors: minority shareholder rights in related-party transactions

Rankings are based on 3 subindicators



Case Study Assumptions

The business (Buyer):

- Is a publicly traded corporation listed on the economy's most important stock exchange (or at least a large private company with multiple shareholders),
- Has a board of directors and a chief executive officer (CEO) who may legally act on behalf of Buyer where permitted, even if this is not specifically required by law.

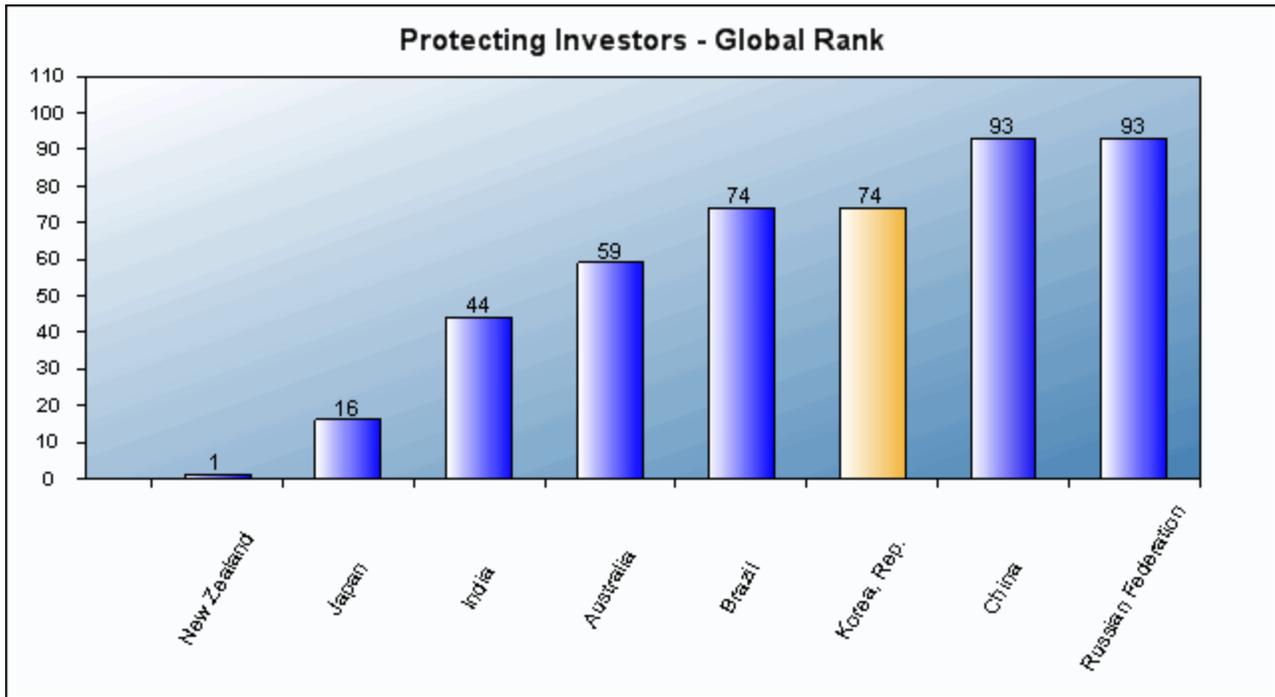
The transaction

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

1. Benchmarking Protecting Investors Regulations:

Korea, Rep. is ranked 74 overall for Protecting Investors.

Ranking of Korea, Rep. in Protecting Investors - Compared to good practice and selected economies:



The following table shows Protecting Investors data for Korea, Rep. compared to good practice and comparator economies:

Good Practice Economies	Strength of investor protection index (0-10)
New Zealand	9.7

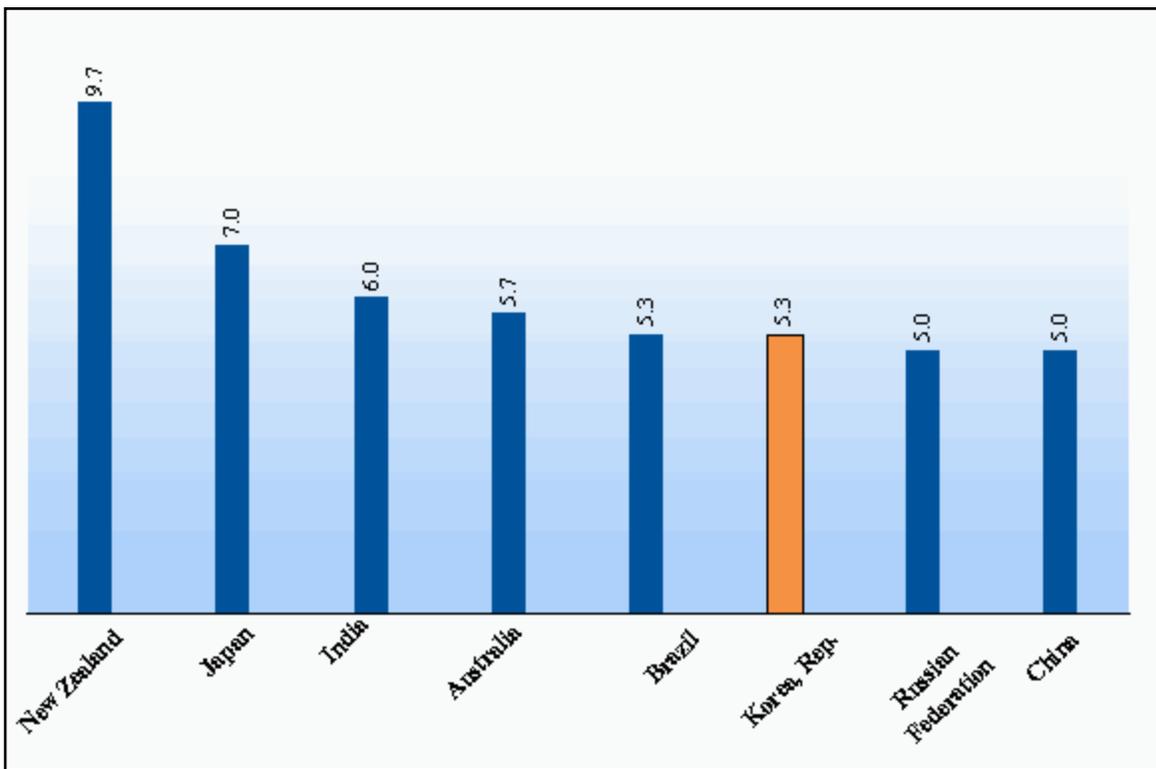
<i>Selected Economy</i>	
Korea, Rep.	5.3

<i>Comparator Economies</i>	
Australia	5.7
Brazil	5.3
China	5.0
India	6.0
Japan	7.0
Russian Federation	5.0

2. Historical data: Protecting Investors in Korea, Rep.

Protecting Investors data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	73	74
Strength of investor protection index (0-10)	5.3	5.3	5.3	5.3

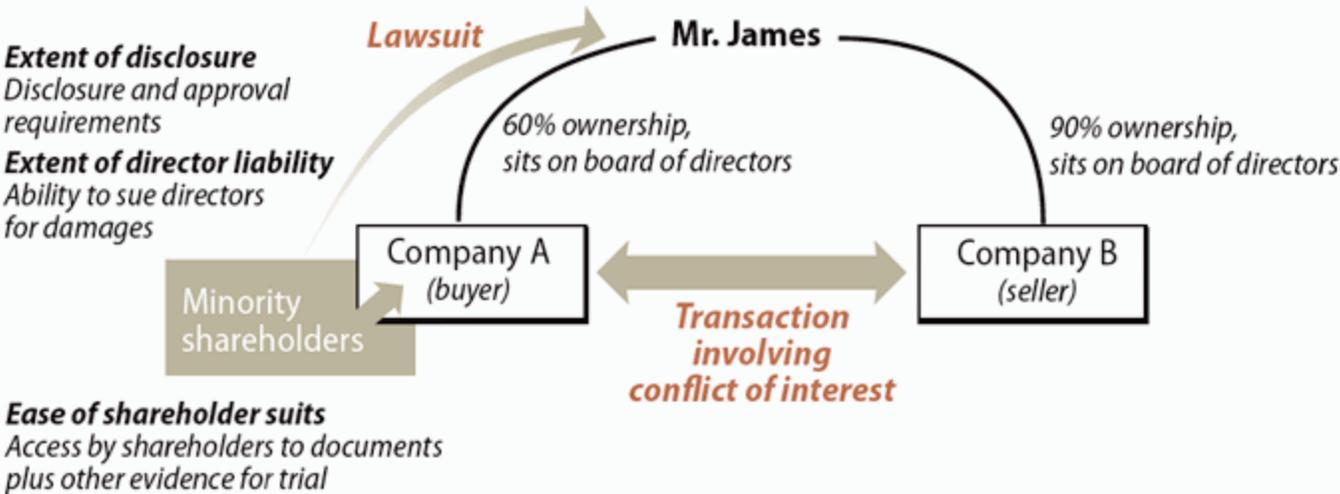
3. The following graph illustrates the Protecting Investors index in Korea, Rep. compared to best practice and selected Economies:



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

Protecting Investors in Korea, Rep.

How well are minority shareholders protected against self-dealing in related-party transactions?



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

Protecting Investors Data (2010)	Indicator
Extent of disclosure index (0-10)	7
What corporate body provides legally sufficient approval for the transaction?	2
Whether immediate disclosure of the transaction to the public and/or shareholders is required?	2
Whether disclosure of the transaction in published periodic filings (annual reports) is required?	2
Whether disclosure of the conflict of interest by Mr. James to the board of directors is required?	1
Whether an external body must review the terms of the transaction before it takes place?	0
Extent of director liability index (0-10)	2
Whether shareholders can hold Mr. James liable for the damage that the Buyer-Seller transaction causes to the company?	0
Whether shareholders can hold the approving body (the CEO or board of directors) liable for the damage that the Buyer-Seller transaction causes to the company?	1
Whether a court can void the transaction upon a successful claim by a shareholder plaintiff?	0
Whether Mr. James pays damages for the harm caused to the company upon a successful claim by the shareholder plaintiff?	0

Whether Mr. James repays profits made from the transaction upon a successful claim by the shareholder plaintiff?	0
Whether fines and imprisonment can be applied against Mr. James?	0
Whether shareholders can sue directly or derivatively for the damage that the Buyer-Seller transaction causes to the company?	1
Ease of shareholder suits index (0-10)	7
Whether the plaintiff can obtain any documents from the defendant and witnesses during trial?	3
Whether the plaintiff can directly question the defendant and witnesses during trial?	1
Whether the plaintiff can request categories of documents from the defendant without identifying specific ones?	1
Whether shareholders owning 10% or less of Buyer's shares can request an inspector to investigate the transaction?	1
Whether the level of proof required for civil suits is lower than that of criminal cases?	1
Whether shareholders owning 10% or less of Buyer's shares can inspect transaction documents before filing suit?	0
Strength of investor protection index (0-10)	5.3

Taxes are essential to provide public amenities, infrastructure and services which are crucial for a properly functioning economy. *Doing Business* data show that economies where it is more difficult and costly to pay taxes have larger shares of informal sector activity. More than 60% of economies have reformed in the last 6 years and are starting to see concrete results.

Some reform outcomes

Colombia introduced a new electronic system for social security and labor taxes in 2006 and by 2008 the social security contributions collected from small and medium-size companies rose by 42%, to 550 billion pesos.

Mauritius reduced the corporate income tax rate from 25% to 15% and removed exemptions and industry-specific allowances in 2006 and saw their corporate income tax revenue grow by 27% in the following year, and in 2008/09 it increased by 65%.

What do the Paying taxes indicators measure?

Tax payments for a manufacturing company in 2009
(number per year adjusted for electronic or joint filing and payment)

- Total number of taxes and contributions paid, including consumption taxes (value added tax, sales tax or goods and service tax)
- Method and frequency of filing and payment

Time required to comply with 3 major taxes (hours per year)

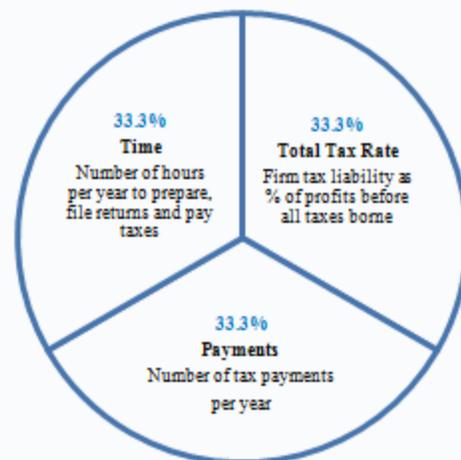
- Collecting information and computing the tax payable
- Completing tax return forms, filing with proper agencies
- Arranging payment or withholding
- Preparing separate tax accounting books, if required

Total tax rate (% of profit)

- Profit or corporate income tax
- Mandatory social contributions and labor taxes paid by the employer
- Property and property transfer taxes
- Dividend, capital gains and financial transactions taxes
- Waste collection, vehicle, road and other taxes

Paying Taxes: tax compliance for a local manufacturing company

Rankings are based on 3 subindicators



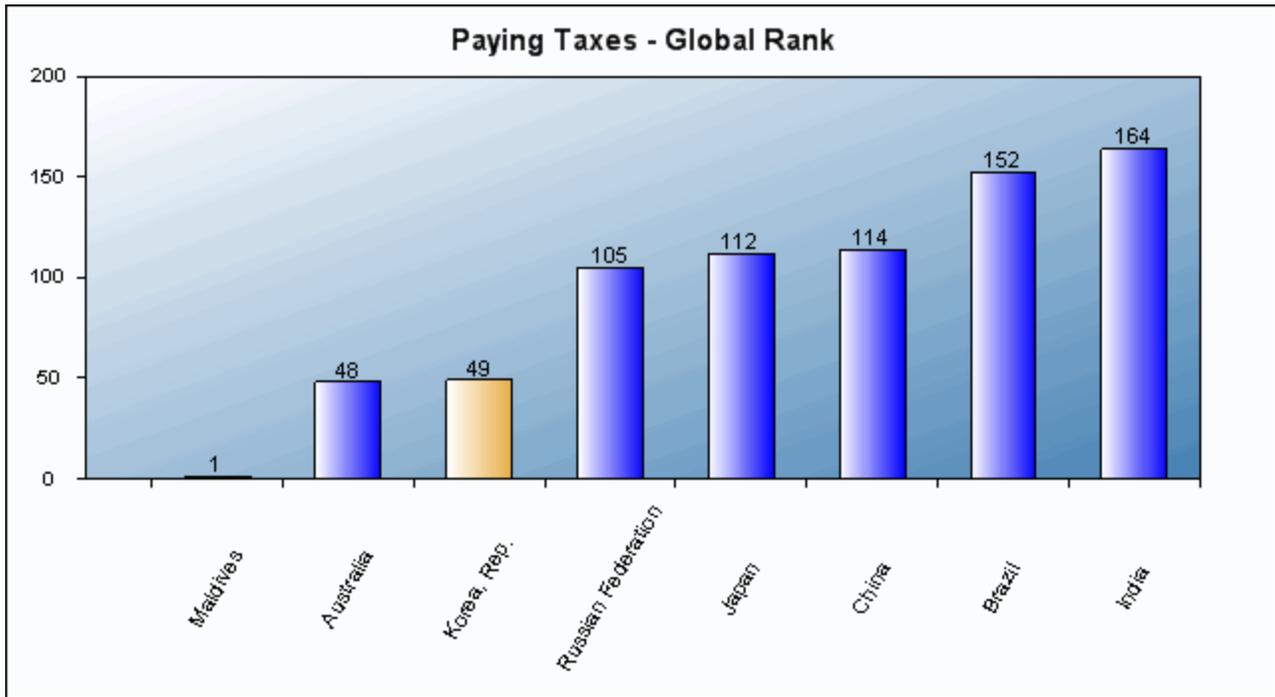
Case Study Assumptions

- TaxpayerCo is a medium-size business that started operations 2 years ago.
- Tax practitioners are asked to review its financial statements, as well as a standard list of transactions that the company completed during the year.
- Respondents are asked how much in taxes and mandatory contributions the business must pay and what the process is for doing so.
- The business starts from the same financial position in each economy. All the taxes and mandatory contributions paid during the second year of operation are recorded.
- Taxes and mandatory contributions are measured at all levels of government
- Taxes and mandatory contributions include corporate income tax, turnover tax, all labor taxes and contributions paid by the company.
- A range of standard deductions and exemptions are also recorded.

1. Benchmarking Paying Taxes Regulations:

Korea, Rep. is ranked 49 overall for Paying Taxes.

Ranking of Korea, Rep. in Paying Taxes - Compared to good practice and selected economies:



The following table shows Paying Taxes data for Korea, Rep. compared to good practice and comparator economies:

Good Practice Economies	Payments (number per year)	Time (hours per year)	Total tax rate (% profit)
Maldives*	3	0	
Timor-Leste			0.2

<i>Selected Economy</i>			
Korea, Rep.	14	250	29.8

<i>Comparator Economies</i>			
Australia	11	109	47.9
Brazil	10	2600	69.0
China	7	398	63.5
India	56	258	63.3
Japan	14	355	48.6
Russian Federation	11	320	46.5

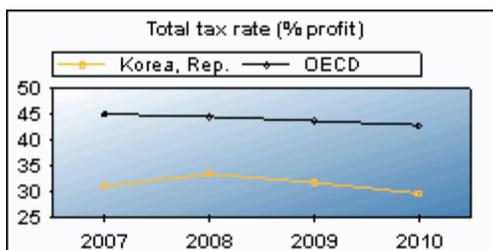
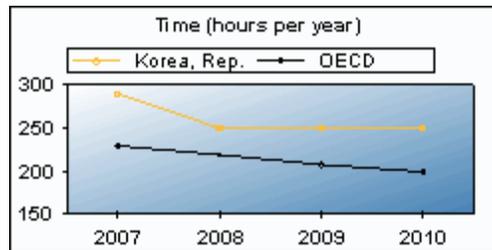
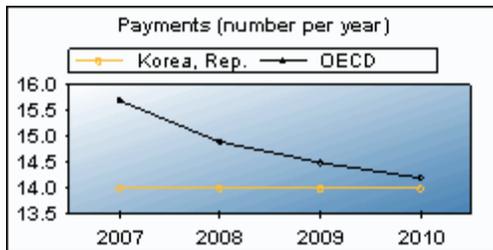
* The following economies are also good practice economies for :

Payments (number per year): Qatar

2. Historical data: Paying Taxes in Korea, Rep.

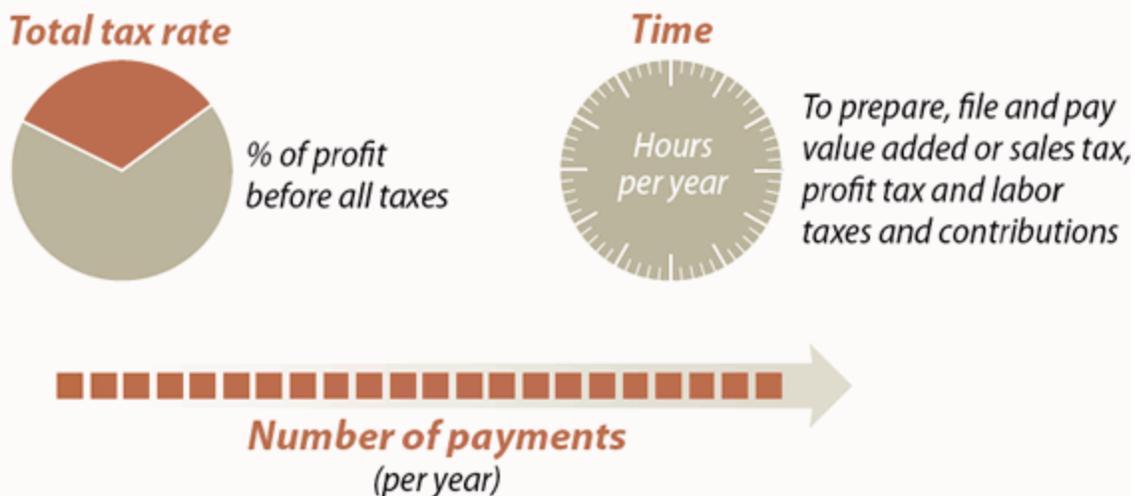
Paying Taxes data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	48	49
Total tax rate (% profit)	31.2	33.5	31.9	29.8
Payments (number per year)	14	14	14	14
Time (hours per year)	290	250	250	250

3. The following graphs illustrate the Paying Taxes sub indicators in Korea, Rep. over the past 4 years:



Paying Taxes in Korea, Rep.

What are the time, total tax rate and number of payments necessary for a local medium-sized company to pay all taxes?



The table below addresses the taxes and mandatory contributions that a medium-size company must pay or withhold in a given year in Korea, Rep., 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
Value added tax (VAT)	1	online filing	50	10%	Net Sales		
Stamp duty	1			various rates	contract value		
Business place tax per property	1			KRW 250 per m ² of business place	Size of business place	0.00	
Per capita resident tax	1			62,500 per entity	per entity	0.00	
Automobile tax	1			46,800 per truck	per vehicle	0.00	
Property tax	1			0.3% (building), 0.24%~4.8% (land)	Statutory standard price	0.10	

City planning tax	1	online filing		0.2%	Adjusted publically announced price of land & Statutory standard price of building	0.10
Community facility tax	1			0.05%~0.13 %	Statutory standard price of building	0.10
Business place tax per employee	1	online filing		0.5%	gross salaries	0.60
Unemployment insurance	0	paid jointly		1.2%	gross salaries	0.80
Fuel tax	1			various rates	included in the price of fuel	1.30
National health insurance	1	online filing		5.1%	gross salaries	2.90
Accident compensation insurance	1	online filing		3.2%	gross salaries	3.60
National pension	1	online filing	80	9.0%	gross salaries	5.10
Corporate income tax	1	online filing	120	11% for income up to 200,000 and 22% after that + 10% resident surtax	Earnings before Tax	15.30
Totals	14		250			29.8

Making trade between countries easier is increasingly important for business in today's globalized world. Excessive document requirements, burdensome customs procedures, inefficient port operations and inadequate infrastructure all lead to extra costs and delays for exporters and importers, stifling trade potential. Trade facilitation tools such as electronic data interchange systems, risk-based inspections, and single windows help improve an economy's trading environment and boost firms' international competitiveness. *Doing Business* trade indicators take into account documents, cost and time associated with every procedure for trading a standard shipment of goods by ocean transport. Research indicates that exporters in developing countries have much more to gain by a 10% drop in their trading costs than from a similar decrease of the tariffs applied to their products in global markets.

Some reform outcomes

In Georgia, reducing customs clearance time by a day has led to operational savings of an estimated \$288 per truck, or an annual \$133 million for the country's whole trading community given the growing amount of cross-border trade in recent years.

In Korea, predictable cargo processing times and rapid turnover by ports and warehouses provide a benefit to the Korean economy of some \$2 billion annually.

What do the Trading Across Borders indicators measure?

Trading Across Borders: exporting and importing by ocean transport

Rankings are based on 3 subindicators

Documents required to export and import (number)

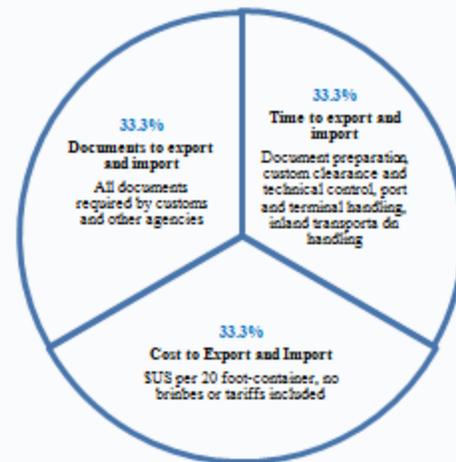
- Bank documents
- Customs clearance documents
- Port and terminal handling documents
- Transport documents

Time required to export and import (days)

- Obtaining all the documents
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Does not include ocean transport time

Cost required to export and import (US\$ per container)

- All documentation
- Inland transport and handling
- Customs clearance and inspections
- Port and terminal handling
- Official costs only, no bribes



Case Study Assumptions

The Business

- Has at least 60 employees and is located in the economy's largest business city
- Is a private, limited liability company, which exports more than 10% of its sales. It is fully domestically owned and does not operate in an export processing zone or an industrial estate with special export or import privileges

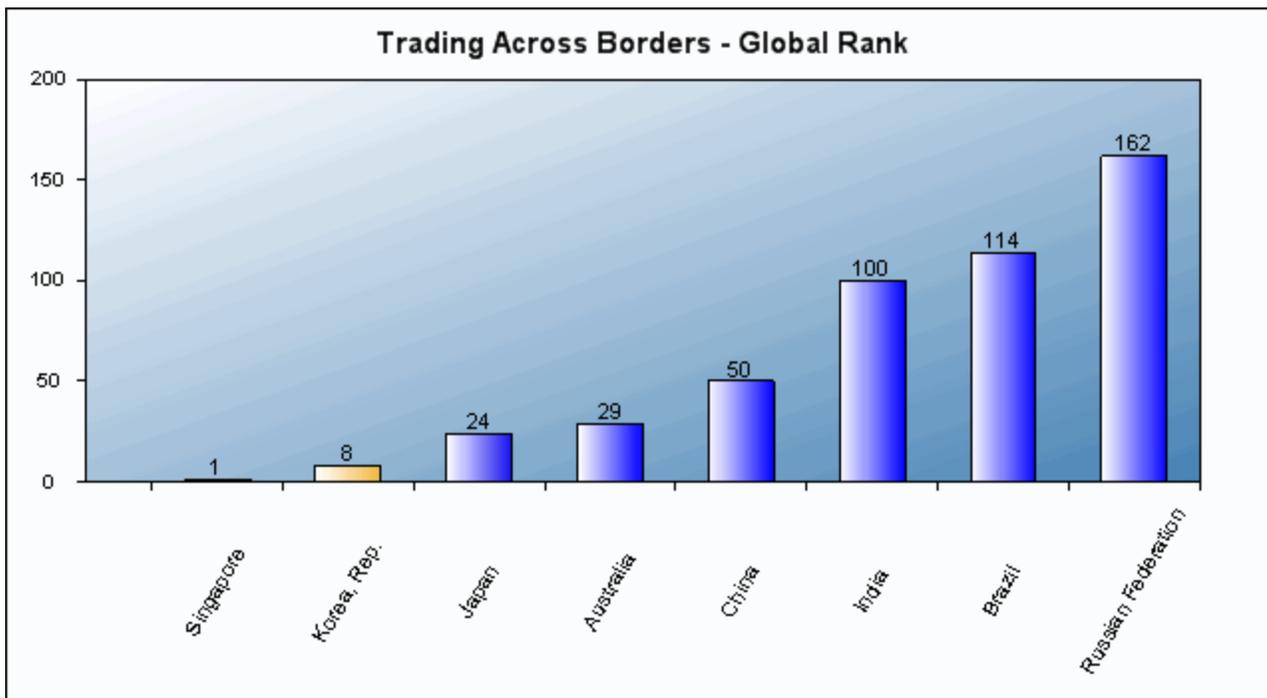
The traded product

- Is transported in a dry-cargo, 20-foot full container load; weighs 10 tons and is valued at \$20,000
- Is not hazardous or include military items; it does not require special phytosanitary or environmental safety standards, refrigeration or any other special environment
- Is one of the economy's leading export or import products

1. Benchmarking Trading Across Borders Regulations:

Korea, Rep. is ranked 8 overall for Trading Across Borders.

Ranking of Korea, Rep. in Trading Across Borders - Compared to good practice and selected economies:



The following table shows Trading Across Borders data for Korea, Rep. compared to good practice and comparator economies:

Good Practice Economies	Documents to export (number)	Time to export (days)	Cost to export (US\$ per container)	Documents to import (number)	Time to import (days)	Cost to import (US\$ per container)
Denmark*		5				
France	2			2		
Malaysia			450			
Singapore					4	439

<i>Selected Economy</i>						
Korea, Rep.	3	8	790	3	7	790

<i>Comparator Economies</i>						
Australia	6	9	1060	5	8	1119
Brazil	8	13	1790	7	17	1730
China	7	21	500	5	24	545
India	8	17	1055	9	20	1025
Japan	4	10	1010	5	11	1060
Russian Federation	8	36	1850	13	36	1850

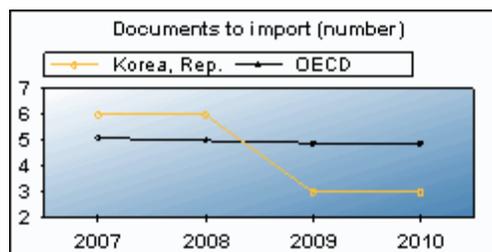
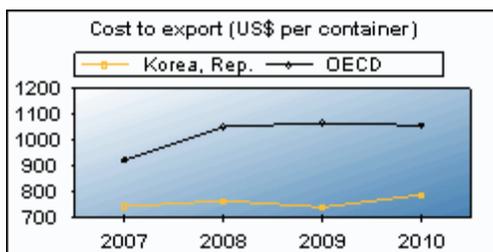
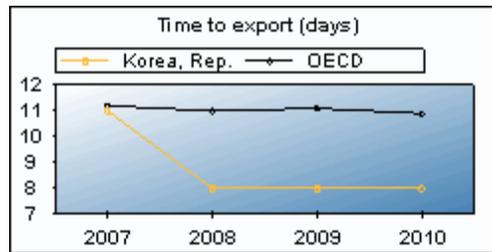
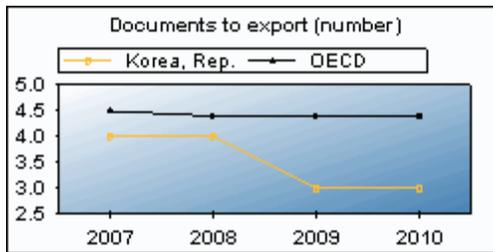
* The following economies are also good practice economies for :

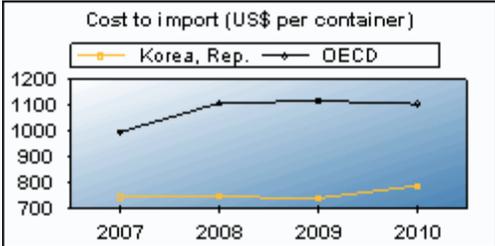
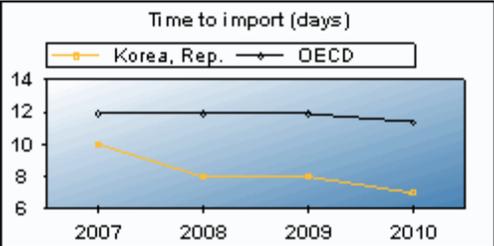
Time to export (days): Estonia

2. Historical data: Trading Across Borders in Korea, Rep.

Trading Across Borders data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	8	8
Cost to export (US\$ per container)	745	767	742	790
Cost to import (US\$ per container)	745	747	742	790
Documents to export (number)	4	4	3	3
Documents to import (number)	6	6	3	3
Time to export (days)	11	8	8	8
Time to import (days)	10	8	8	7

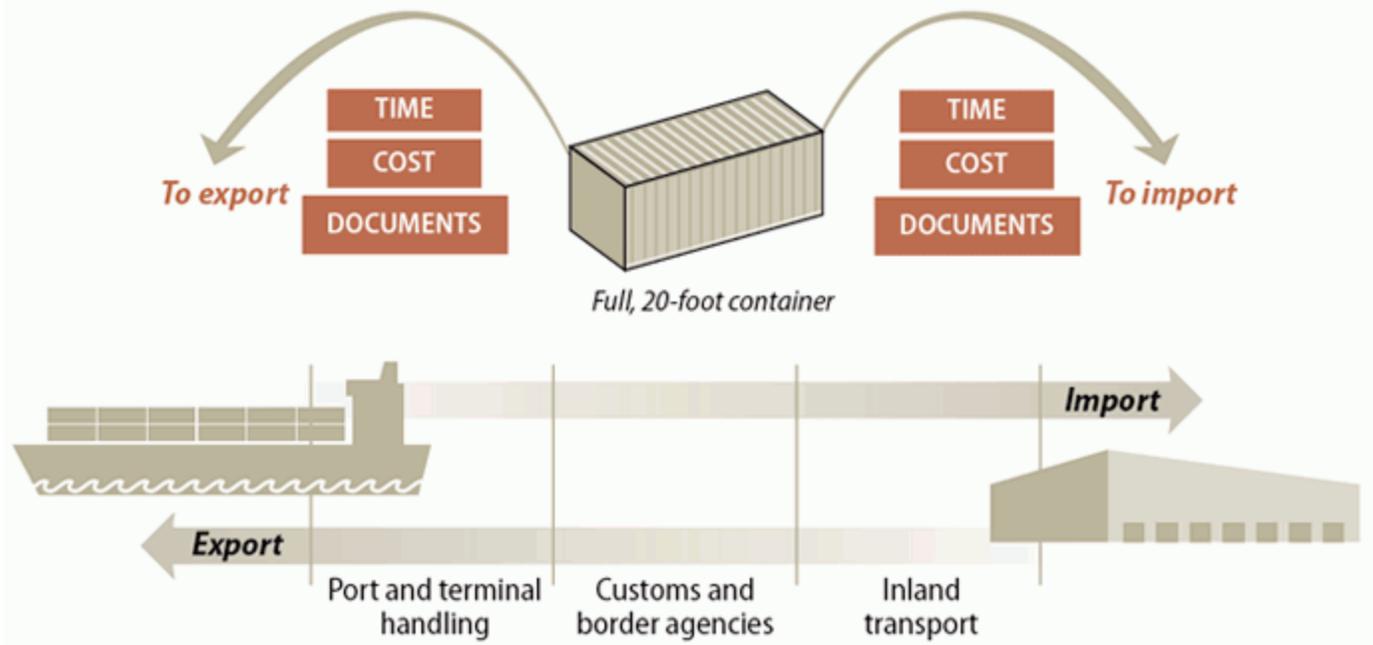
3. The following graphs illustrate the Trading Across Borders sub indicators in Korea, Rep. over the past 4 years:





Trading Across Borders in Korea, Rep.

How much time, how many documents and what cost to export and import across borders by ocean transport?



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

Nature of Export Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	2	60
Customs clearance and technical control	1	30
Ports and terminal handling	3	200
Inland transportation and handling	2	500
Totals	8	790

Nature of Import Procedures (2010)	Duration (days)	US\$ Cost
Documents preparation	2	60
Customs clearance and technical control	1	30
Ports and terminal handling	2	200
Inland transportation and handling	2	500
Totals	7	790

Documents for Export and Import

Export

Packing list

Bill of lading

Customs export declaration

Import

Bill of lading

Customs import declaration

Terminal handling receipts

Well functioning courts help businesses expand their network and markets. Where contract enforcement is efficient, firms have greater access to credit and are more likely to engage with new borrowers or customers. *Doing Business* measures the efficiency of the judicial system in resolving a commercial sale dispute before local courts. Following the step-by-step evolution of a standardized case study, data relating to the time, cost and procedural complexity of resolving a commercial lawsuit are collected through study of the codes of civil procedure and other court regulations, as well as through surveys completed by local litigation lawyers (and, in a quarter of the countries, by judges as well).

Some reform outcomes

In Rwanda the implementation of specialized commercial courts in May 2008 resulted in a significant decrease of the case backlog, and contributed to reduce the time to resolve a commercial dispute by nearly 3 months.

In Austria a "data highway" for the courts that allows attachments to be sent electronically has produced savings of €4.4 million in postage alone.

What do the Enforcing Contracts indicators measure?

Procedures to enforce a contract (number)

- Any interaction between the parties in a commercial dispute, or between them and the judge or court officer
- Steps to file the case
- Steps for trial and judgment
- Steps to enforce the judgment

Time required to complete procedures (calendar days)

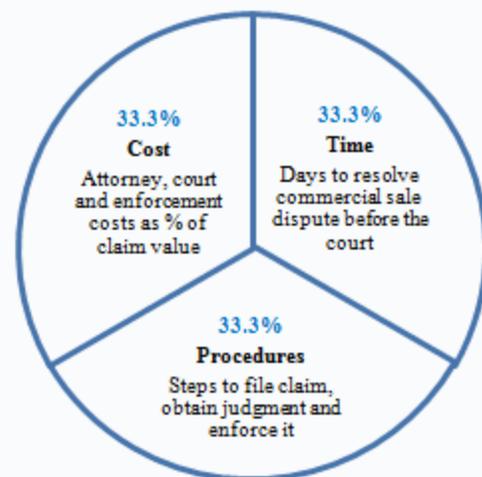
- Time to file and serve the case
- Time for trial and obtaining judgment
- Time to enforce the judgment

Cost required to complete procedures (% of claim)

- No bribes
- Average attorney fees
- Court costs, including expert fees
- Enforcement costs

Enforcing Contracts: resolving a commercial dispute through the courts

Rankings are based on 3 subindicators



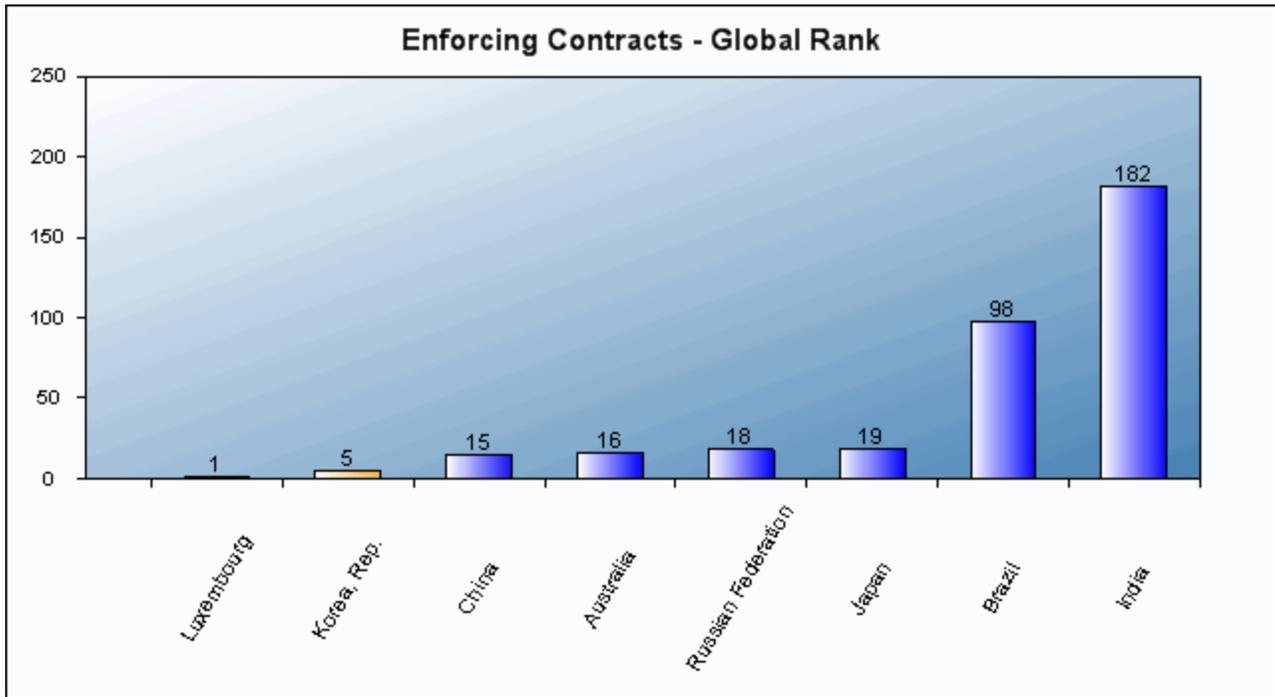
Case Study Assumptions

- Seller and Buyer are domestic companies
- Buyer orders custom-made goods, then does not pay
- Seller sues Buyer before competent court
- Value of claim is 200% of GNI per capita
- Seller requests pre-trial attachment to secure claim
- Dispute on quality of the goods requires expert opinion
- Judge decides in favor of Seller, no appeal
- Seller enforces judgment through a public sale of Buyer's movable assets.

1. Benchmarking Enforcing Contracts Regulations:

Korea, Rep. is ranked 5 overall for Enforcing Contracts.

Ranking of Korea, Rep. in Enforcing Contracts - Compared to good practice and selected economies:



The following table shows Enforcing Contracts data for Korea, Rep. compared to good practice and comparator economies:

Good Practice Economies	Procedures (number)	Time (days)	Cost (% of claim)
Bhutan			0.1
Ireland	20		
Singapore		150	

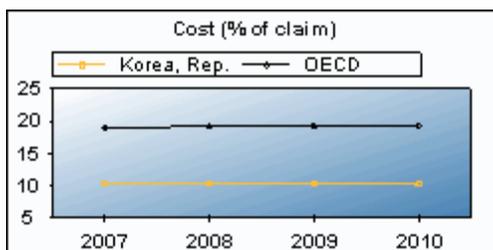
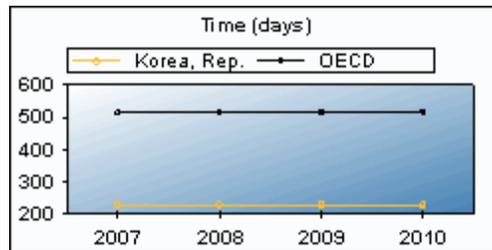
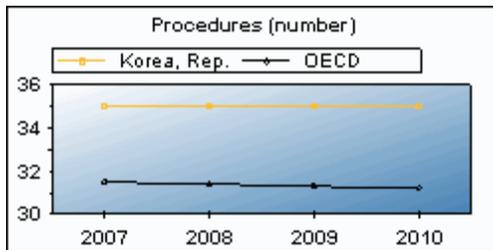
<i>Selected Economy</i>			
Korea, Rep.	35	230	10.3

<i>Comparator Economies</i>			
Australia	28	395	20.7
Brazil	45	616	16.5
China	34	406	11.1
India	46	1420	39.6
Japan	30	360	22.7
Russian Federation	37	281	13.4

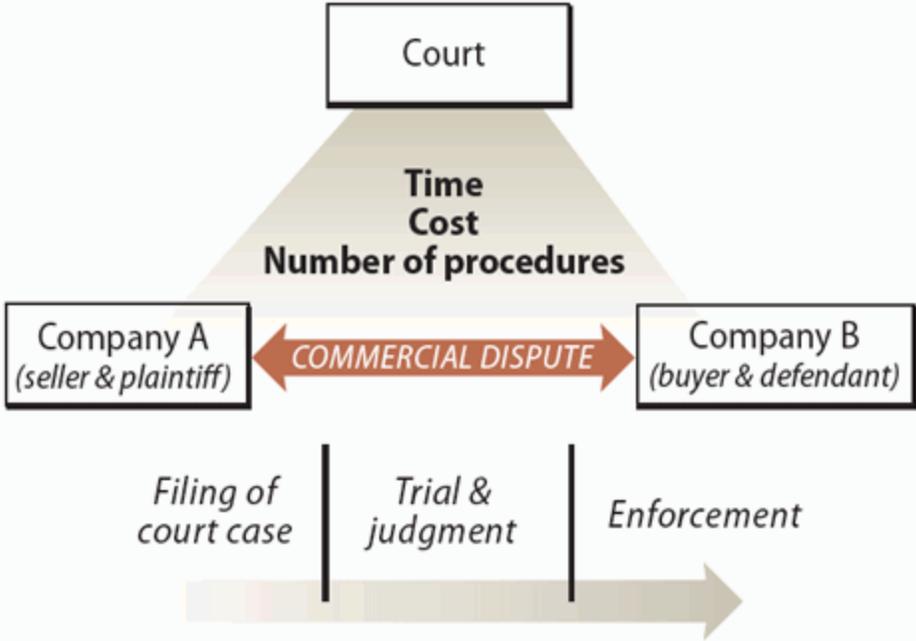
2. Historical data: Enforcing Contracts in Korea, Rep.

Enforcing Contracts data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	5	5
Procedures (number)	35	35	35	35
Time (days)	230	230	230	230
Cost (% of claim)	10.3	10.3	10.3	10.3

3. The following graphs illustrate the Enforcing Contracts sub indicators in Korea, Rep. over the past 4 years:



What are the time, cost and number of procedures to resolve a commercial dispute through the courts?



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

Nature of Procedure (2010)	Indicator
Procedures (number)	35
Time (days)	230
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")

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

A robust bankruptcy system functions as a filter, ensuring the survival of economically efficient companies and reallocating the resources of inefficient ones. Fast and cheap insolvency proceedings result in businesses' speedy return to normal operation and increase returns to creditors. By improving the expectations of creditors and debtors about the outcome of insolvency proceedings, well-functioning insolvency systems can facilitate access to finance, save more viable businesses, and thereby improve growth and sustainability in the economy overall.

Some reform outcomes

A study of the 2005 bankruptcy reform in Brazil found that it had led to an average reduction of 22% in the cost of credit for Brazilian companies, a 39% increase in overall credit and a 79% increase in long-term credit in the economy. The purpose of the reform was to improve creditor protection in insolvency proceedings.

Following the introduction of debtor-in-possession reorganizations in Korea in 2006, the number of reorganization filings increased from 76 in 2006 to 670 in 2009.

What does the Closing a Business indicator measure?

Closing a Business: insolvency proceedings against local company

Time required to recover debt (years)

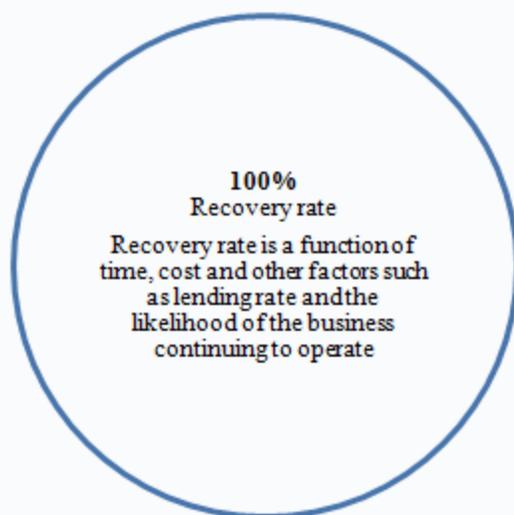
- Measured in calendar years
- Appeals and requests for extension are included

Cost required to recover debt (% of debtor's estate value)

- Measured as percentage of estate value
- Court fees
- Fees of insolvency administrators
- Lawyers' fees
- Assessors' and auctioneers' fees
- All other fees and costs

Recovery rate for creditors (cents on the dollar)

- Measures the cents on the dollar recovered by creditors
- Present value of debt recovered
- Costs of the insolvency proceedings are deducted
- Depreciation of furniture is taken into account
- Outcome for the business (survival or not) affects the maximum value that can be recovered



Case Study Assumptions

The Company

- is domestically owned
- is a limited liability company operating a hotel
- operates in the economy's largest business city
- has 201 employees, 1 secured creditor and 50 unsecured creditors
- has a higher value as a going concern and a lower value in a piecemeal sale of assets

1. Benchmarking Closing Business Regulations:

Korea, Rep. is ranked 13 overall for Closing a Business.

Ranking of Korea, Rep. in Closing Business - Compared to good practice and selected economies:



The following table shows Closing Business data for Korea, Rep. compared to good practice and comparator economies:

Good Practice Economies	Recovery rate (cents on the dollar)	Time (years)	Cost (% of estate)
Ireland		0.4	
Japan	92.7		
Singapore*			1

<i>Selected Economy</i>			
Korea, Rep.	81.7	1.5	4

<i>Comparator Economies</i>			
Australia	81.8	1.0	8
Brazil	17.1	4.0	12
China	36.4	1.7	22
India	16.3	7.0	9
Japan	92.7	0.6	4
Russian Federation	25.3	3.8	9

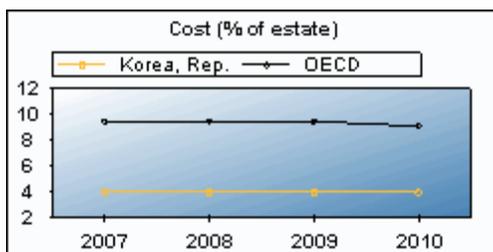
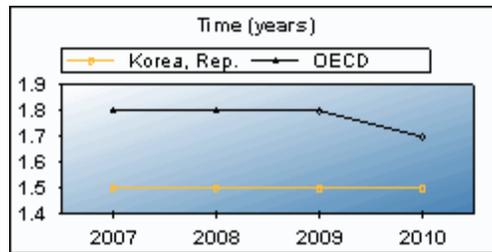
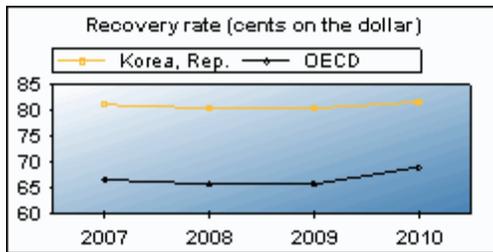
* The following economies are also good practice economies for :

Cost (% of estate): Colombia, Kuwait, Norway

2. Historical data: Closing Business in Korea, Rep.

Closing a Business data	Doing Business 2008	Doing Business 2009	Doing Business 2010	Doing Business 2011
Rank	..	..	12	13
Time (years)	1.5	1.5	1.5	1.5
Cost (% of estate)	4	4	4	4
Recovery rate (cents on the dollar)	81.2	80.5	80.5	81.7

3. The following graphs illustrate the Closing Business sub indicators in Korea, Rep. over the past 4 years:



Since 2004 Doing Business has been tracking reforms aimed at simplifying business regulations, strengthening property rights, opening access to credit and enforcing contracts by measuring their impact on 10 indicator sets . * Nearly 1,000 reforms have had an impact on these indicators. *Doing Business 2011*, covering June 2009 to June 2010, reports that 117 economies implemented 216 reforms to make it easier to start a business. 64% of economies measured by Doing Business have reformed this year, focusing on easing business start-up, lightening the tax burden, simplifying import and export regulations and improving credit information systems.

The top 10 most-improved in Doing Business 2011

Economy	Indicator									
	Starting a Business	Dealing with Construction Permits	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Closing a Business	Employing Workers
Kazakhstan	✓	✓				✓	✓			
Rwanda		✓		✓			✓			
Peru	✓	✓	✓				✓			
Vietnam	✓	✓		✓						
Cape Verde	✓		✓				✓			
Tajikistan	✓				✓	✓				
Zambia	✓						✓	✓		
Hungary		✓	✓				✓			✓
Grenada	✓		✓				✓			
Brunei Darussalam	✓						✓	✓		

✓ Positive Change
 ✗ Negative Change

* For *Doing Business 2011* the Employing Workers indicator is not included in the aggregate ease of doing business ranking.

Summary of changes to business regulation in top 10 most improved economies in *Doing Business 2011* and selected comparator economies.

Brazil	Brazil eased business start-up by further enhancing the electronic synchronization between federal and state tax authorities.
Brunei Darussalam	Brunei Darussalam made starting a business easier by improving efficiency at the company registrar and implementing an electronic system for name searches. Brunei Darussalam reduced the corporate income tax rate from 23.5% to 22% while also introducing a lower tax rate for small businesses, ranging from 5.5% to 11%. The introduction of an electronic customs system in Brunei Darussalam made trading easier.
Cape Verde	Cape Verde made start-up easier by eliminating the need for a municipal inspection before a business begins operations and computerizing the system for delivering the municipal license. Cape Verde eased property registration by switching from fees based on a percentage of the property value to lower fixed rates. Cape Verde abolished the stamp duties on sales and checks.
China	China's new corporate income tax law unified the tax regimes for domestic and foreign enterprises and clarified the calculation of taxable income for corporate income tax purposes.
Grenada	Grenada eased business start-up by transferring responsibility for the commercial registry from the courts to the civil administration. The appointment of a registrar focusing only on property cut the time needed to transfer property in Grenada by almost half. Grenada's customs administration made trading faster by simplifying procedures, reducing inspections, improving staff training and enhancing communication with users.
Hungary	Hungary implemented a time limit for the issuance of building permits. Hungary reduced the property registration fee by 6% of the property value. Hungary simplified taxes and tax bases. Amendments to Hungary's bankruptcy law encourage insolvent companies to consider reaching agreements with creditors out of court so as to avoid bankruptcy.
India	India eased business start-up by establishing an online VAT registration system and replacing the physical stamp previously required with an online version. India reduced the administrative burden of paying taxes by abolishing the fringe benefit tax and improving electronic payment.
Japan	Japan made it easier to deal with insolvency by establishing a new entity, the Enterprise Turnaround Initiative Corporation, to support the revitalization of companies suffering from excessive debt but professionally managed.
Kazakhstan	Kazakhstan eased business start-up by reducing the minimum capital requirement to 100 tenge (\$0.70) and eliminating the need to have the memorandum of association and company charter notarized. Kazakhstan made dealing with construction permits easier by implementing a one-stop shop related to technical conditions for utilities. Kazakhstan strengthened investor protections by requiring greater corporate disclosure in company annual reports. Kazakhstan speeded up trade through efforts to modernize customs, including implementation of a risk management system and improvements in customs automation.
Korea, Rep.	Korea made it easier to deal with insolvency by introducing postfiling financing, granting superpriority to the repayment of loans given to companies undergoing reorganization.
Peru	Peru eased business start-up by simplifying the requirements for operating licenses and creating an online one-stop shop for business registration. Peru streamlined construction permitting by implementing administrative reforms. Peru introduced fast-track procedures at the land registry, cutting by half the time needed to register property. Peru made trading easier by implementing a new web-based electronic data interchange system, risk-based inspections and payment deferrals.
Russian Federation	Russia eased construction permitting by implementing a single window for all procedures related to land use. Russia introduced a series of legislative measures in 2009 to improve creditor rights and the insolvency system.

Rwanda	Rwanda made dealing with construction permits easier by passing new building regulations at the end of April 2010 and implementing new time limits for the issuance of various permits. Rwanda enhanced access to credit by allowing borrowers the right to inspect their own credit report and mandating that loans of all sizes be reported to the central bank's public credit registry. Rwanda reduced the number of trade documents required and enhanced its joint border management procedures with Uganda and other neighbors, leading to an improvement in the trade logistics environment.
Tajikistan	Tajikistan made starting a business easier by creating a one-stop shop that consolidates registration with the state and the tax authority. Tajikistan strengthened investor protections by requiring greater corporate disclosure in the annual report and greater access to corporate information for minority investors. Tajikistan lowered its corporate income tax rate.
Vietnam	Vietnam eased company start-up by creating a one-stop shop that combines the processes for obtaining a business license and tax license and by eliminating the need for a seal for company licensing. Vietnam made dealing with construction permits easier by reducing the cost to register newly completed buildings by 50% and transferring the authority to register buildings from local authorities to the Department of National Resources and Environment. Vietnam improved its credit information system by allowing borrowers to examine their own credit report and correct errors.
Zambia	Zambia eased business start-up by eliminating the minimum capital requirement. Zambia eased trade by implementing a one-stop border post with Zimbabwe, launching web-based submission of customs declarations and introducing scanning machines at border posts. Zambia improved contract enforcement by introducing an electronic case management system in the courts that provides electronic referencing of cases, a database of laws, real-time court reporting and public access to court records.



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