

Korea passes K-Chips Act, raising chip investment tax credits to 15% for large firms

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Korea's K-Chips Act with big tax breaks passes National Assembly

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A vote to pass the revision to the Act on Restriction of Special Taxation takes place at the National Assembly in western Seoul on March 30. YONHAP

The National Assembly on Thursday passed a bill known as the K-Chips Act to give bigger tax incentives to chipmakers and other strategic businesses.

The proposed revision to the Act on Restriction of Special Taxation centers on expanding the tax credit rate for companies that make facility investments in national strategic industries, including those related to semiconductors, secondary batteries and future cars.

Under the bill, the tax credit rate for large companies will rise to 15 percent from the current 8 percent, while the rate for small and medium-sized businesses will increase to 25 percent from 16 percent.

An additional 10 percent cut will also be applied to the increased amount of investments compared with the previous three-year average.

Asia's No. 4 economy depends heavily on chips for its exports, but outbound shipments have been significantly losing ground recently in the face of the industry's global downcycle.

Exports of chips plunged 44.7 percent on-year to reach \$4.32 billion over the first 20 days of March, according to the data from the Korea Customs Service released earlier this month

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