

## Criteria of the SMEs according to the Framework Act on Small and Medium Enterprises and the Restriction of Special Taxation Act

Criteria of small and medium enterprises(SMEs) consists of several categories such as type of business, size criteria by type of business, maximum size of assets amount, independence and etc. Some criteria according to the Framework Act on SMEs and the Restriction of Special Taxation Act are same, but some criteria such as type of business, and grace period, etc are different. More specific details are as follows:

Category	Framework Act on Small and Medium Enterprises	Restriction of Special Taxation Act
Type of business	All types of business	All types of business except consumptive service business as its main business
Size - sales	Average sales according to size criteria by the type of business of Enforcement Decree of the Framework Act on Small and Medium Enterprises [Appendix A]	
Upper limit criteria (*1,*2)	-Total assets: 500 billion won	-Total assets: 500 billion won
Independence	Excluding a conglomerate belonged to mutual investment restriction business group	
	Excluding a company owned by the majority investor who has total assets of 500 billion won or more and owns 30% or more of the shares directly or indirectly	
	To be excluded from small and medium enterprises if the aggregated sales of the affiliated companies exceeds the size criteria by type of business	To be excluded from small and medium enterprises if the number of full time employees aggregated of the affiliated companies fails to meet upper limit criteria
Grace period	Considered as a small and medium enterprise 3 years after the year in which a cause happens (limited only to the first time)	Considered as a small and medium enterprise in the year in which a cause happens and 3 years thereafter (limited only to the first time)
Exclusions in the application of grace period	- Merger with a large corporation - Merger with a corporation under a grace period - Independence criteria are not met (affiliated company is permitted)	- Merger with a large corporation - Merger with a corporation under a grace period - Independence criteria are not met - Size criterion is exceeded as of the end of a fiscal year within two years from the end of the fiscal year to which the date of company establishment belongs

(Source: KICPA)

\*1. When calculating the total assets of a foreign corporation, apply only the prior five business years' average currency.

\*2. Based on the total assets of prior business year's balance sheet. Based on the total assets as of the date of establishment, merger, divestiture for companies established, merged, and divested in the current business year.

[Appendix A.]

**Enforcement Decree of the Framework Act on Small and Medium Enterprises [Table 1]  
Size criteria of average sales, etc. by major type of business of medium enterprises  
<Amended on October, 17, 2017>**

Applicable Type of Business	Classification Code	Size Criteria
1. Clothing, accessories and fur product manufacturing	C14	Average Sales, etc. below 150 billion won
2. Leather, bag and shoe manufacturing	C15	
3. Pulp, paper and paper product manufacturing	C17	
4. Primary metal manufacturing	C24	
5. Electrical equipment manufacturing	C28	
6. Furniture manufacturing	C32	
7. Agriculture, forestry and fishery	A	Average Sales, etc. below 100 billion won
8. Mining	B	
9. Grocery manufacturing	C10	
10. Tobacco manufacturing	C12	
11. Textile products manufacturing (excluding clothing manufacturing)	C13	
12. Lumber and wood product manufacturing (excluding furniture manufacturing)	C16	
13. Coke, coal briquette, and refined oil product manufacturing	C19	
14. Chemical and chemical product manufacturing (excluding medical supply manufacturing)	C20	
15. Rubber product and plastic product manufacturing	C22	
16. Metal processing product manufacturing (excluding machinery and furniture manufacturing)	C25	
17. Electronic component, computer, image, sound, and communications equipment manufacturing	C26	
18. Other machinery and equipment manufacturing	C29	
19. Car and trailer manufacturing	C30	
20. Other transportation equipment manufacturing	C31	
21. Electricity, gas, steam and water supply	D	
22. Water service business	E36	
23. Construction	F	
24. Wholesale and retail business	G	
25. Beverage manufacturing	C11	
26. Printing and recording medium duplication	C18	
27. Medical substance and medical supply manufacturing	C21	
28. Non-metallic mineral product manufacturing	C23	
29. Medical, precision, optical instrument and watch manufacturing	C27	
30. Other product manufacturing	C33	
31. Sewer & wastes processing, materials recycling and environmental remediation(excluding E36)	E (Exclusion of E36)	
32. Transportation	H	
33. Printing, imaging, broadcasting & communication, and information	J	Average Sales, etc. below 60 billion won
35. Professional service, Science and Technology service business	C34	
35. Professional, science and technology service business	M	
36. Business facility management and business support service business(excluding Leasing business)	N (Exclusion of N76)	
37. Health care and social welfare services	Q	

38. Arts, sports and recreation related services	R	Average Sales, etc. below 40 billion won
39. Repair and other personal services	S	
40. Lodging and restaurant business	I	
41. Finance and insurance	K	
42. Real estates	L	
43. Leasing business	N76	
44. Education services	P	

(Note)

\*Applicable type of business and classification code are categorized in accordance with Korean standard industrial classification notified by the director of statistics referring to Article 22 of the Statistics Act.

\* Notwithstanding no.19 and 20 in the table above, the size criteria of average sales and etc. of the chair manufacturing business for railroad vehicles among the railroad vehicles and related equipment manufacturing(C31202) and the new chair manufacturing for vehicles(C30393), and the chair manufacturing business for aircraft among the aircraft parts manufacturing (C31322) shall be less than 150 billion won.