

FRAMEWORK ACT ON SMALL AND MEDIUM ENTERPRISES

Wholly Amended by Act No. 8360, Apr. 11, 2007

Amended by Act No. 8852, Feb. 29, 2008

Act No. 9184, Dec. 26, 2008

Act No. 10952, Jul. 25, 2011

Act No. 12240, Jan. 14, 2014

Act No. 13865, Jan. 27, 2016

Article 1 (Purpose)

The purpose of this Act is to provide for basic matters concerning the direction-setting for small and medium enterprises and measures for fostering small and medium enterprises with the aim of supporting their creative and independent growth, improving their industrial structure, and facilitating the balanced development of the national economy.

Article 2 (Scope of Small and Medium Entrepreneurs)

(1) Small and medium entrepreneurs eligible for such measures for the development of small and medium enterprises (hereinafter referred to as "policy for small and medium enterprises") shall be those who engage in any of the following businesses (hereinafter referred to as "small and medium business"): *<Amended by Act No. 10952, Jul. 25, 2011; Act No. 12240, Jan. 14, 2014; Act No. 13157, Feb. 3, 2015; Act No. 13865, Jan. 27, 2016>*

1. For-profit businesses that meet all of the following requirements:

(a) Sales or total assets, etc. for each industry shall meet the standards set by Presidential Decree;

(b) Actual separation of ownership and management, such as in terms of ownership of shares or an investment relationship, shall meet the standards set by Presidential Decree.

2. Social enterprises prescribed by Presidential Decree, from among those under Article 2 subparagraph 1 of the Social Enterprise Promotion Act;

3. Cooperatives, federation of cooperatives, social cooperatives, and federation of social cooperatives prescribed by Presidential Decree, from among those under Article 2 of the Framework Act on Cooperatives;

4. Deleted. *<by Act No. 13865, Jan. 27, 2016>*

(2) Small and medium enterprises shall be classified into small enterprises and medium enterprises according to the standards for classification, as prescribed by Presidential Decree.

(3) In applying paragraph (1), a small and medium enterprise, which no longer falls within the scope of small and medium enterprises owing to the expansion of its scale, etc., shall be deemed a small and medium enterprise for three years from the year immediately following the year during which such expansion, etc. occurs: Provided, That the foregoing shall not apply where a small and medium enterprise is merged into any company other than a small and medium enterprise or it no longer falls within the scope of small and medium enterprises on any other ground as specified by the Presidential Decree.

(4) Small and medium enterprise cooperatives or any other legal entities, organizations, etc. may be treated as small and medium enterprises pursuant to the Small and Medium Enterprise Cooperatives Act or any other Act, if deemed particularly necessary in light of the characteristics of any policy for small and medium enterprises.

Article 3 (Duties of Government, Local Governments, etc.)

(1) The Government shall establish and implement a fundamental and comprehensive policy for small and medium enterprises, tailored to each beneficiary of support, considering innovative capacity, competitiveness level, and growth potential of small and medium enterprises. *<Amended by Act No. 10952, Jul. 25, 2011>*

(2) Each local government shall reflect regional characteristics in establishing and implementing a policy for small and medium enterprises within its jurisdiction in compliance with the policy under paragraph (1).

(3) The Government and local governments shall endeavor to maximize the effectiveness of support for small and medium enterprises through mutual cooperation and interconnectivity with the policy for small and medium enterprises. *<Newly Inserted by Act No. 10952, Jul. 25, 2011>*

Article 4 (Duties of Small and Medium Entrepreneurs, etc.)

(1) Small and medium entrepreneurs shall secure competitiveness through technical development and management innovation and commit themselves to management transparency and corporate social responsibility, thereby contributing to the national economic development and increase in national welfare.

(2) Small and medium entrepreneurs and persons who have relations with any small and medium enterprise in connection with their business activities shall cooperate with the Government and local governments in implementing the policies for small and medium enterprises.

Article 5 (Encouragement to Start Business and Diffusion of Entrepreneurial Spirit)

(1) The Government shall take measures necessary to encourage the establishment of new small and medium enterprises and to help new small and medium entrepreneurs to grow and develop their businesses. *<Amended by Act No. 10952, Jul. 25, 2011>*

(2) The Government shall take measures necessary for small and medium entrepreneurs or persons preparing to start a business to have sound entrepreneurial spirit and pride. *<Newly Inserted by Act No. 10952, Jul. 25, 2011>*

Article 6 (Rationalization of Management and Improvement of Technology)

(1) The Government shall take measures necessary to rationalize the management of small and medium enterprises and upgrade technology and quality, which include guidance and training programs for business management and technology, the promotion of technological development, and standardization.

(2) The Government shall take measures necessary to improve the productivity of small and medium enterprises, which include the modernization of manufacturing facilities and promotion of informatization.

Article 7 (Securing Markets)

(1) The Government shall take measures necessary to increase opportunities for small and medium entrepreneurs to receive procurement orders when the Government, local governments, public organizations, Government-invested institutions, etc. procure goods or services.

(2) The Government shall take measures necessary to improve efficiency in distribution, such as modernizing distribution systems, encouraging cooperation in the distribution industry, etc. with the aim of expanding markets for the products manufactured by small and medium enterprises.

Article 8 (Cooperation between Small and Medium Enterprises)

The Government shall take measures necessary to encourage cooperation between small and medium enterprises, such as inducing small and medium enterprises, etc. to cluster together and cooperate with one another.

Article 9 (Conversion of Business Structure)

The Government shall take measures necessary to facilitate the incorporation of small and medium enterprises, business conversion, mergers between small and medium enterprises, etc. so that small and medium enterprises can have a more advanced corporate structure.

Article 10 (Encouragement of Fair Competition and Mutual Growth)

The Government shall take measures necessary to ensure that small and medium enterprises can cooperate, fairly compete with businesses other than the small and medium enterprises, and pursue mutual growth.

Article 11 (Protection of Business Areas)

The Government shall take necessary measures to ensure that small and medium entrepreneurs can smoothly secure their business areas in the fields appropriate for the companies of such size.

Article 12 (Establishment of Mutual Aid System)

The Government shall take measures necessary to establish a mutual aid system through which small and medium entrepreneurs may be able to help each other to prevent insolvency and lay the foundation for common purchasing, sales activities, etc.

Article 13 (Organization of Small and Medium Entrepreneurs)

The Government shall take measures necessary to facilitate the formation of organizations, such as small and medium enterprises' cooperatives, and rationalizing the management of such organizations to enable small and medium entrepreneurs to assist each other in pursuing their growth and development and enhancing their economic status.

Article 14 (Facilitation of Internationalization)

(1) The Government shall take measures necessary to promote the exportation and importation by small and medium enterprises, cooperation with foreign companies, etc. to encourage them to go global.

(2) The Government shall take such necessary measures as furnishing information about small and medium enterprises so that they may be able to cope actively with changes in the domestic and overseas economic environment.

Article 15 (Support for Securing Workforce)

The Government shall take measures necessary for small and medium enterprises to stably secure skilled workforce by supplying and training them, improving their working environment and welfare, and raising awareness of small and medium enterprises, etc.

Article 16 (Measures for Small Enterprises)

The Government shall take measures necessary to improve and develop the management of small enterprises.

Article 17 (Fostering of Local Small and Medium Enterprises)

The Government shall foster small and medium enterprises in rural areas and take measures necessary to encourage them to hire females and the disabled.

Article 18 (Legislative and Fiscal Measures)

The Government shall take legislative and fiscal measures necessary to implement its policy for small and medium enterprises.

Article 19 (Financial and Tax Measures)

(1) The Government shall take measures necessary to ensure smooth funding for small and medium entrepreneurs, such as facilitation of a proper supply of financial resources and establishment of a credit guarantee system.

(2) The Government may provide tax support, as prescribed by the Acts governing taxation, to ensure an efficient implementation of its policies for small and medium enterprises.

Article 20 (Formulation of Plans for Fostering Small and Medium Enterprises and Submission of Annual Reports)

(1) The Government shall formulate a plan regarding the policies for fostering small and medium enterprises (hereinafter “foster plan”), and submit such plan, along with relevant budget proposals, to the National Assembly by every March.

(2) The Administrator of Small and Medium Business Administration shall evaluate the performance and outcomes of the previous year’s foster plan, and submit an annual report, reflecting the evaluation results, to the National Assembly before its regular session.

(3) The head of a central administrative agency in charge of formulation of the foster plan under paragraph (1) and the Administrator of Small and Medium Business Administration in charge of evaluation under paragraph (2) may request cooperation from the heads of relevant central administrative agencies or relevant local governments. In such cases, the person so requested shall actively comply therewith, except

under extenuating circumstances.

(4) Matters necessary to formulate a foster plan and annual reports shall be prescribed by Presidential Decree.

Article 20-2 (Establishment and Operation of Integrated Management System for Small and Medium Enterprise Aid Programs)

(1) The Administrator of the Small and Medium Business Administration may establish and operate an integrated management system for small and medium enterprise aid programs to integrate and manage the data or information on the status of applications filed by small and medium enterprises, receipt thereof, and records of applications for the small and medium enterprise aid programs (hereinafter referred to as “integrated management system”).

(2) Where deemed necessary for establishing and operating the integrated management system, the Administrator of the Small and Medium Business Administration may request the heads of central administrative agencies, local governments, credit information collection agencies, or other relevant agencies and groups (hereinafter referred to as “heads of central administrative agencies, etc.”) to provide each of the following data and information and may possess and use the said data and information to the extent necessary to achieve the intended purpose of such provision:

1. Resident registration number pursuant to Article 7 (3) of the Resident Registration Act for identifying and confirming the small and medium enterprises under Article 2;
2. Credit information as prescribed in the Credit Information Use and Protection Act;
3. Any of the following taxation information referred to in Article 81-13 of the Framework Act on National Taxes, which is necessary to analyze the effectiveness of support for the enterprises eligible for the policies for small and medium enterprises and whose possession and use are consented to by the person concerned:
 - (a) Total sales;
 - (b) Business start date, date of temporary business closure, date of permanent business closure;
4. Other data and information deemed by the Administrator of the Small and Medium Business Administration to be necessary for the establishment and operation of an integrated management system.

(3) The heads of central administrative agencies, etc. who are requested to provide data or information pursuant to paragraph (2) shall cooperate therewith, except under extenuating circumstances.

(4) The Administrator of the Small and Medium Business Administration may provide the data and information concerning the integrated management system to the heads of central administrative agencies, etc. who carry out the small and medium enterprise aid programs.

(5) The Administrator of the Small and Medium Business Administration shall formulate the policy measures necessary for protecting the data and information possessed and used under paragraph (2).

(6) The Administrator of the Small and Medium Business Administration may establish and operate an organization dedicated to establishing and operating the integrated management system as prescribed by

Presidential Decree.

(7) Other matters that are necessary for establishing and operating the integrated management system shall be prescribed by Presidential Decree.

Article 20-3 (Analysis and Efficiency of Small and Medium Enterprise Aid Programs)

(1) For the analysis and efficiency of small and medium enterprise aid programs managed through the integrated management system pursuant to Article 20-2 (1) (hereafter referred to as “analysis and efficiency”), the Administrator of the Small and Medium Business Administration shall implement the following:

1. Setting the scope, classification, and analysis standards of small and medium enterprise aid programs;
2. Strengthening the role-sharing and interconnectivity among small and medium enterprise aid programs;
3. Offering opinions about the system improvement and budget reflection following analysis and efficiency;
4. Checking redundancy among small and medium enterprise aid programs and preparing measures for improvement thereof;
5. Analyzing performance of institutions or organizations operating small and medium enterprise aid programs upon entrustment;
6. Conducting surveys on satisfaction with small and medium enterprise aid programs;
7. Other matters necessary for the analysis and efficiency.

(2) For the analysis and efficiency, the Administrator of the Small and Medium Business Administration shall make the most of the data and information of the integrated management system and, if necessary, may request submission of data and information from the head of a central administrative agency, etc. In such cases, the head of a central administrative agency, etc. shall comply with such request unless there is a compelling reason not to do so.

(3) The Administrator of the Small and Medium Business Administration shall prepare measures for the analysis and efficiency upon consultation with the head of a central administrative agency, etc., and the head of a central administrative agency, etc. shall reflect such measures in the small and medium enterprise aid programs.

Article 21 (Survey on State of Small and Medium Enterprises)

(1) The Government shall conduct an annual survey to understand the current status of small and medium enterprises, in terms of their activities, funds, human resources, and management, and shall publicly announce the results thereof. In such cases, the Government shall, if necessary to deal with an issue which is similar or related to the status survey in question, carry out an integrated survey by combining each of the following surveys: <Amended by Act No. 13086, Jan. 28, 2015>

1. Survey on the current state of human resources at small and medium enterprises under Article 7 of the Special Act on Support for Human Resources of Small and Medium Enterprises;

2. Status survey under Article 7 of the Act on Support for Female-Owned Businesses;
3. Status state survey under Article 7 of the Promotion of Disabled Persons' Enterprise Activities Act;
4. Status survey under Article 7 of the Act on the Protection of and Support for Micro Enterprises;
5. Other status surveys prescribed by Presidential Decree.

(2) The Government may entrust the Korea Federation of SMEs, or any organization or institution related to small and medium enterprises, with the task of conducting such status surveys referred to in paragraph (1).

(3) The Government may, if necessary for the status survey under paragraph (1), request small and medium entrepreneurs or related organizations to cooperate by submitting data or state their opinions, etc. In such cases, small and medium entrepreneurs or related organizations so requested shall comply therewith, unless any special ground exists otherwise.

(4) Matters regarding the methods and procedures of the status surveys under paragraph (1) shall be prescribed by Presidential Decree.

Article 22 (Establishment of Ombudsman Program for Small and Medium Enterprises)

(1) The Ombudsman program for small and medium enterprises shall be established under the Administrator of the Small and Medium Business Administration to improve existing regulations that affect the management of small and medium enterprises and to address the difficulties facing small and medium enterprises. *<Amended by Act No. 12007, Aug. 6, 2013>*

(2) The Ombudsman for small and medium enterprises shall independently carry out each of the following: *<Newly Inserted by Act No. 12007, Aug. 6, 2013>*

1. Discovering and improving regulations that affect small and medium enterprises;
2. Resolving difficulties arising in connection with the central and local governments, public institutes as prescribed in Article 4 of the Act on the Management of Public Institutions, and the policy funds management institutes for small and medium enterprises (hereinafter referred to as "administrative institute");
3. Other affairs prescribed by Presidential Decree which are required to improve related regulations and resolve the difficulties facing small and medium enterprises.

(3) The Ombudsman for small and medium enterprises shall be commissioned by the Prime Minister, upon recommendation of the Administrator of the Small and Medium Business Administration from among persons with extensive knowledge and experience in the fields of small and medium enterprises and regulations and deliberation by the Regulatory Reform Committee under Article 23 of the Framework Act on Administrative Regulations (hereinafter referred to as "Regulatory Reform Committee").

(4) The Ombudsman for small and medium enterprises shall prepare a report on his/her activities as an ombudsman and present it to the Regulatory Reform Committee, the State Council, and the National Assembly, by the end of every January. *<Amended by Act No. 12007, Aug. 6, 2013>*

(5) The provisions of Articles 30 and 32 of the Framework Act on Administrative Regulations shall apply mutatis mutandis to investigations related to the execution of duties by the Ombudsman for small and

medium enterprises, opinion hearings, legal status, etc. In such cases, "committee" or "committee members" shall be respectively construed as "Ombudsman for small and medium enterprises."

(6) Where it is found necessary after carrying out the affairs under paragraph (2), the Ombudsman for small and medium enterprises may recommend that the head of the relevant administrative institute improve the matters at issue. *<Newly Inserted by Act No. 12007, Aug. 6, 2013>*

(7) The Ombudsman for small and medium enterprises may review the execution status of the improvements following the recommendation made under paragraph (6), and where an administrative institute fails to implement the recommendation without good cause, the Ombudsman may publicly announce the details, etc. of such non-compliance. *<Newly Inserted by Act No. 12007, Aug. 6, 2013>*

(8) To assist the Ombudsman for small and medium enterprises in handling his/her duties and performing activities, a secretariat office shall be established within the Small and Medium Business Administration. *<Newly Inserted by Act No. 12007, Aug. 6, 2013>*

(9) Matters necessary for the establishment and operation of the Ombudsman program shall be prescribed by Presidential Decree.

Article 23 (Presentation of Opinions, etc.)

(1) Small and medium entrepreneurs, interested parties, or the heads of any relevant organizations may present their opinions to the Ombudsman for small and medium enterprises regarding the affairs referred to in Article 22 (2). In such cases, Article 17 of the Framework Act on Administrative Regulations and Article 44 of the Administrative Procedures Act shall apply mutatis mutandis to the methods of presenting opinions and procedures for dealing therewith. *<Amended by Act No. 10952, Jul. 25, 2011; Act No. 12007, Aug. 6, 2013>*

(2) Administrative agencies related to the presentation of opinions under paragraph (1) shall not put a person who has presented his/her opinions regarding the improvement of regulations at a disadvantage or discriminate against him/her. *<Amended by Act No. 10952, Jul. 25, 2011>*

(3) If a person who presented opinions under paragraph (1) files a petition, complaining that he/she has suffered a disadvantage or discrimination by the relevant administrative agencies due to the fact that he/she presented opinions, the Ombudsmen for small and medium enterprises may raise a grievance to Anti-Corruption and Civil Rights Commission on his/her behalf. *<Newly Inserted by Act No. 10952, Jul. 25, 2011>*.

(4) Where a public official-in-charge, etc. is subject to any disciplinary action for any violation committed in the course of performing his/her duties to improve regulations, the Ombudsmen for small and medium enterprises may propose that the disciplinary authority mitigate, or grant immunity from, the disciplinary actions. *<Newly Inserted by Act No. 12007, Aug. 6, 2013>*

Article 24 (Administrative Assistance, etc.)

(1) The Administrator of the Small and Medium Business Administration may, if deemed necessary to support the operation of the Ombudsman for small and medium enterprises, request the State agencies, local governments, public institutions under Article 4 of the Act on the Management of Public Institutions

or related corporations or organizations to dispatch public officials or staff under their jurisdiction.

(2) The Administrator of the Small and Medium Business Administration may provide administrative or financial assistance necessary for the operation of the Ombudsman programs for small and medium enterprises under paragraph (1).

Article 25 (Designation of Specialized Research Institutes)

(1) The Administrator of the Small and Medium Business Administration may designate and operate a research institute specializing in research and investigation necessary to formulate, etc. policies for small and medium enterprises (hereinafter referred to as “specialized research institute”).

(2) The Administrator of the Small and Medium Business Administration may contribute to or subsidize the specialized research institute, within budgetary limits, so as to help the institute to cover expenses incurred in conducting the research and investigation.

(3) Details regarding standards and procedures for designating specialized research institutes, and the operation, etc. thereof shall be prescribed by Presidential Decree.

Article 26 (Small and Medium Enterprises Week)

For the purpose of encouraging pride among small and medium entrepreneurs and increasing national awareness of their role and importance for the national economy, one week each year shall be designated as a week for small and medium enterprises.

Article 27 (Presentation of Verification Documents)

(1) A small and medium business entrepreneur who intends to benefit from the policy for small and medium enterprises shall present a document verifying his/her qualifications to central administrative agencies or local governments which implement such policy (hereinafter referred to as “Administration of the Policy for Small and Medium Enterprises”).

(2) The Administrator of the Small and Medium Business Administration may, where deemed necessary to ascertain whether the intended beneficiary of the policy qualifies as the small and medium entrepreneur under Article 2 of this Act, request relevant central administrative agencies, such as the Financial Services Commission and the National Tax Service, or local governments or public organizations to present documents for verification.

(3) Where the Administrator of the Small and Medium Business Administration requests submission of a tax report from the Commissioner of the National Tax Service, the Administrator shall specify the following in writing:

1. The number of regular workers;
2. Sales amount;
3. Paid-in capital, capital surplus;
4. Equity capital (total assets - total debt);
5. Total assets;
6. Current shareholder status and current status of investments in other corporations.

(4) A person requested to submit materials under paragraph (2) or (3) shall comply with such requests, except under extenuating circumstances.

Article 28 (Administrative Fines)

(1) A person who is not a small and medium entrepreneur prescribed in Article 2 but benefitted from the policy for small and medium enterprises by submitting false documents under Article 27 (1) shall be punished by an administrative fine of up to five million won.

(2) The administrative fine under paragraph (1) shall be imposed and collected by the head of the Administration of the Policy for Small and Medium Businesses, as prescribed by the Presidential Decree.

ADDENDA

(1) (Enforcement Date) This Act shall enter into force on the date of its promulgation.

(2) (Relations with other Statutes) Any citation of the former Framework Act on Small and Medium Enterprises or any provision thereof by any other statutes at the time this Act enters into force, if any, shall be deemed to be a citation of this Act or a corresponding provision hereof in lieu of the former provision, if such a corresponding provision exists herein.

ADDENDA <Act No. 8852, Feb. 29, 2008>

Article 1 (Enforcement Date)

This Act shall enter into force on the date of its promulgation. (Proviso Omitted.)

Articles 2 through 7 Omitted.

ADDENDUM <Act No. 9184, Dec. 26, 2008>

This Act shall enter into force three months after the date of its promulgation.

ADDENDUM <Act No. 10952, Jul. 25, 2011>

This Act shall enter into force six months after the date of its promulgation.

ADDENDUM <Act No. 12007, Aug. 6, 2013>

This Act shall enter into force six months after the date of its promulgation.

ADDENDUM <Act No. 12240, Jan. 14, 2014>

This Act shall enter into force three months after the date of its promulgation.

ADDENDA <Act No. 13086, Jan. 28, 2015>

Article 1 (Enforcement Date)

This Act shall enter into force on May 28, 2015. (Proviso Omitted.)

Articles 2 through 8 Omitted.

ADDENDA <Act No. 13157, Feb. 3, 2015>

Article 1 (Enforcement Date)

This Act shall enter into force on the date of its promulgation.

Article 2 (Transitional Measures regarding Scope of Small and Medium Enterprises)

Where a small and medium enterprise under the former provisions as at the time this Act enters into force becomes no more a small and medium enterprise under the amended provisions of Article 2 (1) 1 (a), it shall be deemed a small and medium enterprise until March 31, 2018, notwithstanding the same amended provisions.

ADDENDUM <Act No. 13865, Jan. 27, 2016>

This Act shall enter into force three months after the date of its promulgation.

