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The government to offer three types of financial aid and support to expand sales channels, in addition to assistance for finding employment in the event of business closure for struggling micro-enterprises

The repayment period for policy funds will be expanded for struggling micro-enterprises up to 5 years.

Burdens for delivery platforms' commission charged to small restaurants will be eased, and micro-enterprises' eligibility to receive financial support for electricity bills will be expanded.

If micro-enterprises grow to become small enterprises, the government will provide policy funds of up to KRW 700 million.

The New Start Fund will be increased to KRW 40 trillion, financial support will be provided for costs incurred for business closure, and reemployment training will be enhanced.

Sejong, July 5, 2024 – President Yoon Suk Yeol presided over the briefing on the Economic Policy Directions for the Second Half of 2024 on July 3. The comprehensive plan for micro-businesses and the self-employed was also discussed during the briefing.

Recently, micro businesses have been encountering increased difficulties due to the financial strain caused by long periods of high interest rates, slow economic recovery, and debts accrued during the COVID-19 pandemic. In response, the government has introduced a plan to offer specific assistance to micro businesses based on the following three principles: 1) Prioritizing support for vulnerable groups, 2) Providing adequate assistance, and 3) Implementing simultaneous structural responses.

The government is planning to provide three types of financial aid to help micro-enterprises deal with their debt concerns. Starting from August 24, more struggling micro-enterprises will be eligible to receive an extension on their repayment deadline for policy funds. Their repayment period will also be extended to up to 5 years. Additionally, the government plans to create a new KRW 5 trillion convertible bond starting in July 2024. This will allow those using

loans guaranteed by the Regional Credit Guarantee Foundation to extend their repayment period up to five years. Additionally, it will simplify the criteria for programs to refinance high-interest loans (7% or more) from both banking and non-banking financial institutions to low-interest loans (4.5% fixed interest rate, 10-year term) from the Small Business and Market Service (effective August 2024).

The government also aims to expand support to alleviate the burden of fixed costs such as delivery platform commissions, rent, and electricity bills. In July 2024, a consultative group will be established, consisting of a variety of stakeholders, including delivery platform operators and representatives from the restaurant industry. The goal of this consultative group will be to develop cooperation plans within the year and offer assistance for the delivery platform's commission starting in 2025, with the aim of alleviating the financial burden on micro businesses, particularly restaurants. Additionally, there will be a "Good Landlord Tax Credit" program that will provide support to landlords who reduce rent for micro-enterprises, which will be extended until the end of 2025. The criteria for eligible micro businesses who will get financial support of KRW 200,000 for electricity bills will be expanded to those with annual sales of KRW 60 million or less from July 2024 from previously KRW 30 million or less. This will provide additional electricity bill support to up to 500,000 people.

Furthermore, the government will also assist micro-enterprises in advancing to small enterprise status by facilitating digital transformation, including the distribution of software-as-a-service (SaaS) and supporting their transition to online sales channels. A new "Milestone Support Program" will be established to provide up to KRW 700 million from policy funds through the Small Enterprise and Market Service (up to KRW 200 million) and the Korea SMEs and Startups Agency (up to KRW 500 million) for promising micro-enterprises that grow into small enterprises. The government will also help small businesses to compete in international markets. This includes expanding their sales channels and supporting their entry into overseas shopping malls.

In addition, the government will provide measures to support struggling micro-enterprises through debt restructuring, as well as opportunities to find jobs or restart new businesses. The government will increase the number of micro-enterprises eligible for debt restructuring and expand the "New Start Fund" to KRW 40 trillion + α (from KRW 30 trillion). The government will promote the "Hope for a New Start Project" to help people find jobs or restart new businesses in conjunction with the National Employment Support System and the Hope Return Package. In particular, through operating the "Program Dedicated to Support the Employment of Small Business Owners," the government will provide training participation allowances (up to 6 months, KRW 500,000 to 1.1 million per month) and pay employers who hire micro business owners who shut down their ventures an employment promotion incentive of KRW

300,000-600,000 (per person) per month for one year. The government plans to provide support of up to KRW 20 million for re-startups and commercialization, focusing on growing industries. The government also plans to expand the amount of support for retail demolition costs (up to KRW 2.5 → 4 million).

Finally, the government plans to launch a one-stop platform to educate micro-enterprises about the announced measures. This platform will enable micro-enterprises to access the services they need conveniently. Starting in July 2024, the government will provide integrated policy information through 77 Small Business Development Centers nationwide. Beginning this August, it will also provide services through the 1357 Integrated SME Call Center. Finally, starting in January 2025, the government plans to operate a comprehensive support system for micro-enterprises that includes a dedicated channel within the 1357 Integrated SME Call Center.