

Korea Customs and Trade Update

April 2023

UPDATES

- **Announcement of tax support policy for SMEs by the Korea Customs Service**

- The Korea Customs Service implemented a tax support program from March 6, 2023 to promote exports and vitality of small and medium-sized enterprises.

[Subjects of the support]: Intensive support for export, innovation, and job creating SMEs in cooperation with related organizations such as the National Tax Service to enhance export vitality of companies.

[Details of the support]: (a) Deferment of customs investigation, (b) Extension of customs duty payment deadline and installment payment for imported goods, (c) Omission of security, and (d) Expedited payment of export refunds, etc.

- **Amendment notice: Consolidated Public Notice**

「High-Pressure Gas Safety Control Act and Enforcement Rule」

- ‘Specific equipment that is not domestically manufactured for installation and use at hydrogen vehicle charging stations’ is added to the reasons for exemption from manufacturing registration of high-pressure gas containers.

「Enforcement Rules of the Aquatic Organism Disease Control Act」

- Amphibians are included in aquatic animals that must be quarantined by the head of the National Fisheries Quality Management Service.
- From the reasons for exemption from the ‘quarantine certificate of the exporting country, ‘in case of the traveler carried it for self-consumption’ and ‘designated quarantine items that are not farmed’ have been deleted.

「Enforcement Rule of the Special Act on Imported Food Safety Control」

- The requirements and types of documents that must be attached when filing an import declaration for livestock products, health functional foods, etc. are now stipulated in the Rule.

- **Omission of post-management obligation for ultrapure water supply devices for semiconductor manufacturing**

- Ultrapure water is high-purity (organic content less than 0.01ppm) essential industrial water used to clean various by-products and contaminants on the surface of semiconductors, and ultrapure water supply equipment refers to plant facilities that supply ultrapure water essential to the semiconductor manufacturing process.
- The Korea Customs Service determined that the ultrapure water supply device, which is classified under the HSK of 8421.21-9020, is not a product that could be used for other purposes, and decided to not put post-management obligations starting from March 20.

- **Amendment notice: Directive on the operation of country of origin investigations**

Improving the country of origin investigation procedure to protect the rights and interests of the taxpayers

- Established regulations on reinvestigation definition, period and scope so that the taxpayer subject to investigation can predict the subsequent processes when a reinvestigation is decided during the appeal stage.
- New procedures established for the Customs to notify the expiration of suspended preferential tariff application to taxpayers.

Reorganization of related systems and regulations for an effective country of origin investigation

- Regarding the period of domestic document investigation of an importer, the period required for the approval procedure by the Commissioner of the KCS is also included as the investigation period. (§15, §67)
- In the case of an international indirect investigation, the time when the origin investigation result is reported from the head of the customs office to the Commissioner of the KCS is clearly stipulated as ‘from the date when the country of origin of the item at issue is confirmed’ (§64)

AMENDMENTS

- **Enforcement Decree of the Customs Act** (partial amendment)
- **Enforcement Rule of the Customs Act** (partial amendment)
- **Enforcement Decree of the Act on Special Cases of the Customs Act for the Implementation of Free Trade Agreement** (partial amendment)
- **Enforcement Rule of the Act on Special Cases of the Customs Act for the Implementation of Free Trade Agreement** (partial amendment)
- **Act on Special Cases Concerning the Refund of Customs Duties Levied on Raw Materials for Export** (partial amendment)
- **Enforcement Decree of the Act on Special Cases Concerning the Refund of Customs Duties Levied on Raw Materials for Export** (partial amendment)
- **Enforcement Rule of the Act on Special Cases Concerning the Refund of Customs Duties Levied on Raw Materials for Export** (partial amendment)

OPINION



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Expansion and Reinforcement of KCS’ Origin Marking Control with the amended Foreign Trade Act

Recently, a ‘solar module’ that was simply assembled in Korea after importing a ‘solar cell’ from China was disguised as a Korean product and distributed in Korea. Not only for this case, but there are many cases where products that do not meet the rule of origin but disguised as Korean-originating are distributed in Korea.

In order to prevent domestic distribution of these misleading origin markings, the amended Foreign Trade Act expanded the scope of KCS’ origin marking crackdown to not only imported and exported products (as previously), but products locally produced using imported materials (amended, effective from Dec 11 2022). As violation of this origin marking regulations may lead to fines and penalties (imprisonment for not more than 5 years or punishment of not more than 100million won), businesses related to origin marking regulations should pay a close attention to the origin markings.

To comply with strengthened regulation, companies engaged with local production/manufacturing

using imported raw materials should (a) review the correct HS code of the products, (b) check and manage the BOMs of the finished products properly, and (c) review the costs for an accurate origin determination.

The implication of this reinforced origin marking control is that companies engaged not only with import/export goods but locally produced/distributed goods using imported raw materials should also pay attention to origin marking regulations with caution. It is recommended to implement necessary procedures to manage origin determination process appropriately.

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