

# Korea Customs and Trade Update

June 2023

## UPDATES

- **Prior Announcement of Amendments: 「Ordinance on Refund of Customs Duty, etc. on Raw Materials for Export」**
  - **Clarification of the processing period for cases subject to refund review**

In cases selected for refund post-review, refund applicant will be requested to submit related documents within 15 days from the date of selection by customs, in purpose of preventing long-term pending cases.

By extending the submission period to 15days, the burden of submitting documents for refund applicants will be eased.
  - **Adjustment of Yield Ratio Preliminary Review Committee's jurisdiction**

If the customs office in jurisdiction is either Incheon International Airport Customs or Pyeongtaek Customs, the yield ratio review will be assigned to the Committee in Incheon International Airport Customs.
  
- **Guidance on Deferment of Customs Investigations**
  - **The number of target companies has significantly increased from 5,148 last year to 28,000 this year.**

Considering the difficult domestic and foreign trade environment, such as the recent global economic downturn and global supply chain disruption, Korea Customs Service plans to expand the scope of deferment of customs investigations, to support import/export companies' expansion and stabilization of their businesses.

\* Customs investigation deferment period: July 1, 2023 – June 30, 2024

The companies subject to deferment will be excluded from customs investigation targets for one year, and will have tax benefits such as extension of tax payment deadline, installment payment, and omission of securities.

## AMENDMENTS

- **Amendment of Enforcement Decree of the Transportation, Energy, and Environment Tax Act and Enforcement Decree of the Individual Consumption Tax Act** (partial amendment)
- **Orders for Refund of Customs Duties, etc. on Raw Materials for Export** (draft planned)
- **Article 71 of the Customs Act: Regulations on application of tariff quotas** (partial amendment)
- **Article 69 of the Customs Act: Regulations on the application of adjusted tariffs** (partial amendment)
- **Announcement of tariff quota items subject to penalty tax for delay in import declaration**
- **Regulations on Increase in Market Access Volume** (partial amendment)
- **Ordinance on Refund of Customs Duties on Raw Materials for Export** (partial amendment)
- **Ordinance on Accusation and Notification of Customs Offenders** (partial amendment)

## OPINION



**Cha,  
Joong-Hun**

Certified Customs  
Attorney | Head of  
SEIN Paju Branch

T 070 4353 1584  
E [jhcha@esein.co.kr](mailto:jhcha@esein.co.kr)

### Preferential systems (Benefits) of Bonded Factories

A Bonded Factory refers to a factory permitted as a bonded area according to the Customs Act to manufacture, process, repair, assemble/disassemble, inspect, and package goods to be exported using foreign or domestic goods as raw materials, and also to manufacture and process goods to be imported. Followings are major benefits provided to bonded factories.

- Taxation for raw material used to manufacture good in the bonded factory can be deferred;
- When bonded processed items are exported, tax payment and refund procedures can be skipped;
- Raw materials (foreign goods) can be supplied between bonded factories, without customs declaration process;
- Raw materials and products can be stored in places other than bonded factories;
- Bonded work can be performed in places other than bonded factories;
- Customs duty can be refunded when domestic items are supplied to bonded factories to use them as raw materials for items for export;
- When importing the goods manufactured in the bonded factory, it is possible to impose tax based on the condition and quantity of the imported raw materials (foreign good) at the time when the materials are supplied to bonded factories; and
- The scope of customs verification of clearance requirements are eased compared to regular importation – from approximately 45 laws to only 13 laws – for raw materials supplied to bonded factories.

There are significant benefits companies can receive through this bonded factory program. However, as these benefits are only provided upon application, companies can review the Notice on the Operation of Bonded Factories to see whether any benefit can be applicable to them. SEIN has rich experience in bonded factory related operations, and can provide advisory services upon request.

### | Contact



**Nam, Keun Hye**  
Manager / Consultant  
T 02-6011-3076  
E [khnham@esein.co.kr](mailto:khnham@esein.co.kr)



**Jung, Sung Woo**  
Associate / Consultant  
T 070-4353-5151  
E [swjung1@esein.co.kr](mailto:swjung1@esein.co.kr)



**Kang, Eun Ji**  
Associate / Consultant  
T 02-6011-3056  
E [ejkang@esein.co.kr](mailto:ejkang@esein.co.kr)



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