

Korea Customs and Trade Update

January, 2024

UPDATES

- **Amendment Proposal: 『Ordinance on Operation of Customs Investigation』**
 - Amendments:
 - Clarification on the definitions of ‘customs investigations’ (formerly called as ‘customs audit’).
 - Specification of roles of customs officials involved in customs investigations.
 - Stipulating guidelines on customs investigations under the Ordinance.
 - Extension of the customs investigation period for multinational companies experiencing prolonged document submission time.
- **Amendment Proposal: 『Enforcement Decree Of The Individual Consumption Tax Act』**
 - Amendments:
 - Extension of temporary tariff reduction (elastic tariff rate) on butane gas from December 12, 2023 to February 29, 2024, natural gas for power generation to June 30, 2024, and bituminous coal from to June 30, 2024.
- **Amendment Notice: 『Import and Export of Strategic Materials』**
 - Amendments:
 - Expansion of items subject to conditional permission from 798 to 1,159 in order to control exports to Russia and Belarus through cooperation with the international society.
 - Warship design technology exportation added to the items subject to export permission, in addition to individual exportations, comprehensive exportation, and nuclear plant technology exportation.
 - Strengthened post management obligation for items exported with comprehensive industrial permission.
 - Application of permission exemption to overseas emergency relief products for humanitarian purposes.
- **Amendment Notice: Protocol concerning the Definition of ‘Originating Products’ and Methods of Administrative Cooperation under the Korea-UK FTA**
 - Cumulation of Origin: products shall be considered as originating in a Party if such products are obtained there, incorporating materials originating in the other Party or in the EU. Working or processing carried out in the EU shall be considered as having been carried out in a Party.
 - Product Specific Rule (PSR): If EU materials are used in the production of goods imported from the UK to Korea or exported from Korea to the UK, the materials must meet the product specific rule of origin under the Korea-UK FTA to be recognized as originating products.
 - Direct Transport: The preferential treatment provided for under this Agreement applies only to products

transported directly between the Parties or through the EU.

- Customs Approved Registered Exporter Number System of the UK: Country code (2)/ Approved number (5)/ Approved year(2) (e.g. GB 12345/21)

- **Amendment Notice: 『Enforcement Rule Of The Value-added Tax Act』**

- Amendments:

- Extension of value-added tax exemption for imported unprocessed food products to December 31, 2025:

HS Heading	Subject Items
0409	a. Natural honey
0410	b. Other edible products of animal origin, not elsewhere specified or included
1212	c. Among the items classified under HS heading 1212, fruit stones and kernels and other vegetable products of a kind used primarily for human consumption, not elsewhere specified or included
2501	d. Salt, of the items classified under HS heading 2501
1209	e. Blanched vegetables, kimchi, pickled radish, pickled vegetables, salted sea-food, marinated raw crab, tofu, soybean paste, soy sauce, bean paste and red pepper paste f. Vegetable seeds, of items under HS heading 1209 g. Among rice added or coated with food additives, such as phosphoric acid extracts and amino acids, or rice cultured with mushroom fungus, etc., those maintaining the original shape of rice, containing 90% or more of rice

- **Amendment Proposal: 『Enforcement Decree Of The Electrical Appliances And Consumer Products Safety Control Act』 and 『Enforcement Rules Of The Electrical Appliances And Consumer Products Safety Control Act』**

- Amendments:

- Eased requirements to be designated as a safety certification testing agency; profit making entities can be designated as testing agencies. Accordingly, public services of testing agencies, such as administrative dispositions and safety confirmation reports, will be transferred to Korean Institute of Product Safety.
- The task of safety confirmation reports, supplier compliance assessment, and administrative dispositions operated by safety certification agencies will be transferred to the Korea Institute of Product Safety, and additional technical review procedures will be omitted during safety confirmation declaration.

- **Settlement of Free Trade Agreement between the Republic of Korea and GCC**

- GCC (Gulf Cooperation Council) is an economic cooperation body in the form of a customs union consisting of six countries: Saudi Arabia, the United Arab Emirates, Kuwait, Qatar, Bahrain, and Oman. On December 28, the Korea-GCC Free Trade Agreement (FTA) has been agreed and signed with below agenda:

- Market opening: tariff concession on items such as automobiles parts, machinery, and natural gas etc., services such as film distribution and medical services, and government procurement projects.
- Content of the Agreement: eased rule of origin, invigoration of digital economy, and strict standards on intellectual property rights.
- Economic cooperation: 6 Protocols concerning energy, resources, and bioeconomy.

- **Amendment Notice: 『Customs Act』, 『Enforcement Decree of the Customs Act』 and 『Enforcement Rules of the Customs Act』**
 - Amendments:
 - Expansion of reasons for extending effective period for taxation
 - Increased tax penalty reduction rate for amended declarations
 - Imposition of anti-dumping duties on bypass dumping goods
 - Expansion of the scope of high-amount and habitual delinquents subject to public disclosure
 - Expanded compensation for losses due to physical inspection and abolishment of import and export inspection fees
 - Establishment of new provisions to block narcotics being imported into Korea
 - Expansion of eligible items and extension of deadlines for duty reduction/exemption program for environmental pollution prevention items
 - Establishment of new provisions to exempt customs duties on certain equipment for semiconductor manufacturing that are temporarily imported (i.e. duty exemption for re-exportation)

- **Korea Customs Service Abolishes Product Inspection Fees**
 - Until now, when customs officers directly visited a bonded warehouse owned by an import or export company to inspect goods, the declarant had to pay a basic fee of KRW 2,000 per hour as well as actual expenses as an inspection fee. However, the inspection fees for import and export goods at locations other than customs inspection sites is abolished effective from January 1, 2024.

AMENDMENTS

- **Notice on the Operation of Monthly Payment System** (partial amendment proposed)
- **Enforcement Decree of the Liquor Tax Act** (partial amendment proposed)
- **Notice on the Management of Bonded Construction Sites** (partial amendment proposed)
- **Notice on Changed Classification of Import/Export Goods** (partial amendment)
- **Notice on Customs Clearance of Personal Effects for Travelers and Crew Members** (partial amendment)
- **Ordinance on Operation of Customs Investigation** (partial amendment proposed)
- **Enforcement Decree Of The Individual Consumption Tax Act** (partial amendment proposed)
- **Enforcement Decree Of The Act On Designation And Management of Free Trade Zones** (partial amendment)
- **Notice on Customs Clearance Procedures for International Postal Imports** (partial amendment)
- **Enforcement Decree Of The Traffic, Energy And Environment Tax Act** (partial amendment)
- **Enforcement Decree Of The Foreign Investment Promotion Act** (partial amendment)
- **Enforcement Decree Of The Electrical Appliances And Consumer Products Safety Control Act** (partial amendment proposed)
- **Enforcement Rules Of The Electrical Appliances And Consumer Products Safety Control Act** (partial amendment proposed)
- **Notice on the Import and Export of Strategic Material** (partial amendment)
- **Enforcement Decree Of The Foreign Trade Act** (partial amendment)
- **Enforcement Decree Of The Value-added Tax Act** (partial amendment)

OPINION



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Review on whether discarding items subject to re-exportation without approval is a violation of the Customs Act

A company, who had exported a high-voltage power transformer to the Middle East several years ago, imported the equipment back under re-exportation conditions for tax exemption, intending to repair it domestically and export it back. However, as the equipment could not be repaired, the company and the overseas buyer decided to dispose of the equipment.

During the process of obtaining approval for disposal, it was found out that the equipment was already disposed without obtaining approval from the customs office due to internal miscommunication. Consequently, the customs office assessed duties on the equipment and accused the company of offense of false reporting.

If the equipment were discarded after obtaining the approval, duty would have been assessed on the disposed scrap metal rather than the original equipment imported, resulting in far less duties. Hence, the company had to bear a considerable amount of loss due to violations of procedural requirements.

This case is worth noticing for not only companies that import goods under the re-exportation duty exemption program but customs authorities that grant such programs. While taxpayers should raise attention on duly fulfilling the requirements and procedures of duty exemption programs, customs authorities should also consider the need to implement additional procedures and regulations, such as strengthening pre-clearance inspections, to prevent importers from violating the requirements of such duty exemption programs.

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