

# Korea Customs and Trade Update

February 2023

## UPDATES

- **Ease of the requirements for issuing corrected import value-added tax invoices**

The corrected import VAT invoice (“corrected import tax invoice”) was limitedly allowed to be issued only in cases where the tax invoice was initially under-reported due to mistake or minor negligence, but **this revision allows the corrected import tax invoice to be issued in principle**, excluding cases of illegal/improper or repeated declaration errors, so that the corrected import tax invoice can be issued for not only voluntarily amended declarations, but also amended declarations filed by the importers knowing in advance about customs audits/investigations, etc., or even when the head of the customs office determines or rectifies the tax base or the amount of tax..

**- Value-added Tax Act Revision**

: Expansion of reasons for issuance of corrected import tax invoice

Existing	Revision
<p><b>Reasons for issuance of corrected import tax invoice</b></p> <ul style="list-style-type: none"> <li>- In case where the importer files a corrected declaration, etc. before the head of the customs office determines or rectifies the tax base or the amount of tax.</li> <li>- In case where the head of the customs office determines or rectifies the tax base or the amount of tax, or the importer files a corrected declaration knowing in advance that the tax base or the amount of tax will be determined or rectified following customs investigations, in the following circumstances: <ul style="list-style-type: none"> <li>■ Where an error in the entry is found to be caused by a mistake or a slight negligence on the part of the importer, or where the importer proves that such error is not attributable to himself or herself</li> </ul> </li> </ul>	<p><b>Expansion of reasons for issuance</b></p> <ul style="list-style-type: none"> <li>- (Same)</li> <li>- In case where the head of the customs office determines or rectifies the tax base or the amount of tax, or the importer files a corrected declaration knowing in advance that the tax base or the amount of tax will be determined or rectified following customs investigations, etc. <ul style="list-style-type: none"> <li>■ <b>Corrected tax invoice shall be issued except for the following circumstances:</b> <ul style="list-style-type: none"> <li>- Cases subject to penalties under the Customs Act;</li> <li>- Cases of under-reporting by improper means; or</li> <li>- <u>Cases prescribed by Presidential Decree</u>, such as repeated declaration errors</li> </ul> </li> </ul> </li> </ul>

**- Enforcement Decree of the Value-added Tax Act Revision**

: Specified those fall under the ‘cases prescribed by the Presidential Decree’, such as repeating a declaration error already notified through customs investigations, etc. in the next declarations”.

- ① Where an error already notified through customs investigation, etc. is repeated in the next declaration.
- ② Where a taxpayer is requested for a submission of tax related data in relation to related parties’ transaction but fails to submit the data within the deadline or submits false data.
- ③ Where a corrective action is not taken after receiving a notification of the under-declared tax from the head of the customs office.
- ④ Where there is a serious error in the declaration such as cases where documents related to import transaction and customs valuation are clearly different from the objective facts, etc.

## AMENDMENTS

- **Enforcement Decree of the Value Added Tax Act** (partial amendment)
- **Order on the Operation of Advanced Rulings on Method for Determining the Customs Value of Goods Being Traded Between Related Parties** (partial amendment)
- **Notice on the License of Duty Free Stores** (partial amendment)
- **Notice on the Operation of Duty Free Stores** (partial amendment)
- **Notice on the Permission of E-Commerce Sales by Duty Free Stores in Departure and Arrival Halls** (enactment)

## 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)

### **Tax Tribunal's Decision that the customs value of original surplus goods declared for use in bonded factories, should be made based on the domestic successful bid price, not the price initially declared for use in bonded factories**

In the case of imported goods declared for use in bonded factories, they are deferred from taxation at the time of physical importation, and will be imposed of tax at the time of import declaration based on their price declared for use in bonded factory if the goods' conditions are the same as their original state.

When imported goods are brought into the country (declared for import) after being stored in bonded factories for a considerable period of time, there has been questions on how to declare their customs values on their import declaration forms. There are criteria for calculating the reduction in value for used and damaged goods but there is no criteria for calculating the reduction in the values of expired goods, out-of-fashioned items, and long-term stored goods in bonded areas.

After this decision, if it is objectively confirmed that manufacturing of the goods in question is discontinued and the goods cannot be used for its original purpose, it is expected that the customs value can be determined based on the final bid price, provided that the goods were sold through a competitive bidding and the bidder carries the goods into Korea (declares for import), as the final bid price in this case is *the price sold for export*.

## | Contact



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



**Lee, Suzy**  
Certified Customs Attorney  
T 02-6011-3065  
E [szlee@esein.co.kr](mailto:szlee@esein.co.kr)



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



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