

# Korea Customs and Trade Update

July 2023

## UPDATES

- **Amendments: Notice on Customs Dispute Appeals and Handling**
  - **Designation of frontline customs offices requiring the establishment of a Customs Appeal Committee**  
Frontline customs offices are designated to establish a Customs Appeal Committee as delegated by the Commissioner of the Korea Customs Service in accordance with the amendment to the Enforcement Decree of the Customs Act.
  - **Clarification of the subjects of corrective actions by the authority**  
By clearly defining the targets subject to corrective action by the authority of disposition, taxpayers' rights are expected to be enhanced.
  - **Establishing a pre-evaluation procedure in accordance with the "Act on the Prevention of Conflict of Interest of Public Officials"**  
A pre-evaluation procedure is established to avoid cases in which a member of the Customs Appeal Committee has personal interests or relationships with the appellant and their representatives during the decision-making process of the customs dispute.
  
- **Prior Announcement of Amendments: Enforcement Rules of The Foreign Exchange Transactions Act**
  - **Relaxation of documentation procedures for overseas remittances/receipts and eased criteria/scope for prior reporting procedures**  
The threshold amount for document submission obligation and for exemption of prior reporting process of capital transactions is increased from \$50,000 to \$100,000 per year.  
Prior to changing into negative system, transactions with little impact on fair foreign exchange transaction environment will be subject to post-reporting system from the existing prior-reporting system.
  - **Eased regulation on companies' foreign exchange management and foreign investments**  
The reporting threshold for large-scale foreign currency borrowing is increased from an annual cumulative total of \$30 million to an annual cumulative total of \$50 million, aiming to facilitate transaction procedures and enhance convenience in foreign currency procurement.  
The local financial regulations will be abolished to integrate with money lending and guarantees, and the restrictions on domestic deposits for local financial borrowings will be relaxed, aiming to expand the autonomy of companies in their foreign currency fund management.  
The system for reporting overseas direct investment will be consolidated into an annual regular reporting, and the content of the report will be significantly simplified.
  - **Establishment of the "Foreign Exchange System Development Deliberation Committee."**

- **Amendments: Notice on the Operation of Customs Valuation**

- **Amendment of the dutiable freight rate table and its application for consignments**

Dutiable freight rate table for consignments is revised, taking into account international express cargo rates and other relevant factors.

- **Stipulating examples of circumstances to which the 4<sup>th</sup> valuation method cannot be applied**

Including the reasons stated in relevant laws and regulations, specific cases to which the 4<sup>th</sup> customs valuation method (i.e. deductive value method) are added to the relevant provision. (e.g. when it is not possible to calculate the profit and general expense comparable ratio, etc.)

- **Detailed regulations for determining comparable items and industry code for the 4<sup>th</sup> valuation method**

- **Improvements in the process of selecting comparable companies**

Comparable item codes and industry codes will be simultaneously applied.

Limitation on the number of comparable companies is removed.

Considering the business volume of a taxpayer, new criteria states that companies with similar revenues shall be selected as comparable companies.

- **Establishing separate provisions for the calculation and notification method of the comparable rate**

Taxpayers will have opportunities to appeal against the notified comparable rate.

When notifying the comparable rate, the authority must indicate the taxpayer's rate as well.

- **Specifying the method of calculating the taxpayers' rates**

The formula for calculating the taxpayer's ratio is now explicitly stipulated in Article 36.

Cases where financial statements of the previous fiscal year can be applied is clearly defined.

- **Stipulating the scope of applying the 6<sup>th</sup> valuation method with specific examples**

Under the 6<sup>th</sup> valuation method (i.e. fall-back method), the criteria for interpreting the 4<sup>th</sup> valuation method with a reasonable degree of flexibility is specified in Article 39.

## AMENDMENTS

- **Notice on Special Measures for Trade in Support of Obligations to Maintain International Peace** (Partial amendment)
- **Notice on Customs Dispute Appeals and Handling** (Partial amendment)
- **Guidelines for the Operation of Trade Agreement Utilization Support Program** (Partial amendment)
- **Enforcement Rules of The Foreign Exchange Transactions Act** (Prior announcement of amendments)
- **Enforcement Rules of the Corporate Tax Act** (Partial amendment)
- **Enforcement Rules of the Value Added Tax Act** (Partial amendment)
- **Special Notice on Procedures for Handling Transshipment Cargo** (Partial amendment)
- **Enforcement Decree of the Individual Consumption Tax Act** (Partial amendment)
- **Notice on the Operation of the Classification Ruling** (Partial amendment)
- **Ordinance on the Handling of Item Classification Procedures** (Partial amendment)
- **Enforcement Rules of Anti-dumping Duties on Ferro-silico-manganese from Vietnam and India** (Enactment)
- **Enforcement Rules of the Customs Act** (Partial amendment)
- **Notice on the Operation of Customs Valuation** (Partial amendment)
- **Ordinance on the Operation of the Dispute Management and Review Committee of the Korea Customs Service** (Partial amendment)
- **Enforcement Decree Of The Licensed Customs Broker Act** (Partial amendment)

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