

# Korea Customs and Trade Update

## September 2023

### UPDATES

- **Key Changes in Customs Administration for the Second Half of 2023**

| Amendment                                                                                                | Details / Expected Effect                                                                                                                                                                                                                                                            | Enforcement Date                                                              |
|----------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------|
| <b>Expansion of the electronic Certificate of Origin exchange system</b>                                 | <ul style="list-style-type: none"> <li>• Simplified procedures for preferential tariff</li> <li>• Reduced logistics and customs processing time</li> <li>• Prevention of overseas customs delay</li> <li>• Enhanced convenience for import/export companies utilizing FTA</li> </ul> | KR-VN FTA & KR-ASEAN FTA : July 15, 2023<br>KR-ID CEPA & KR-IN CEPA : 2023 H2 |
| <b>Simplified origin confirmation for excellent recyclable products</b>                                  | <ul style="list-style-type: none"> <li>• Simplified origin confirmation process for excellent recyclable products</li> <li>• Certificate of excellent recyclability products can be recognized as a (comprehensive) origin confirmation form</li> </ul>                              | 2023 H2                                                                       |
| <b>Establishing criteria for recognizing direct consignment rule for US goods transshipped in Panama</b> | <ul style="list-style-type: none"> <li>• Improved convenience for enterprises by establishing criteria for recognizing direct consignment rule of US-origin liquid (crude oil, gas) cargos transshipped in Panama</li> </ul>                                                         | July 19, 2023                                                                 |
| <b>Establishment of e-commerce 'smart clearance' program</b>                                             | <ul style="list-style-type: none"> <li>• Rapid customs clearance for e-commerce companies designated as priority clearance companies via 'smart clearance' program</li> <li>• Alleviated clearance delays and enhanced convenience for overseas online shoppers</li> </ul>           | July 1, 2023                                                                  |
| <b>Declaration of bonded transportation by Master BL level</b>                                           | <ul style="list-style-type: none"> <li>• Simplified bonded transportation declaration</li> <li>• Streamlined logistics procedures and cost reduction to enhance logistics competitiveness</li> </ul>                                                                                 | July 18, 2023                                                                 |
| <b>Implementation of mobile declaration for travelers' personal belongings</b>                           | <ul style="list-style-type: none"> <li>• Improved convenience of faithful travelers by expanding customs offices to which mobile declaration can be submitted, and simplifying tax payment procedure via mobile application</li> </ul>                                               | August 1, 2023                                                                |
| <b>Introduction of classification ruling in tariff subheading level</b>                                  | <ul style="list-style-type: none"> <li>• Classification ruling can be issued in tariff subheading (6-digit) for imported goods as well (applicant can choose to receive result in either 6-digit subheading or 10-digit HSK level)</li> </ul>                                        | July 14, 2023                                                                 |
| <b>Improvements in post-management system to alleviate the burden of subject companies</b>               | <ul style="list-style-type: none"> <li>• Reduction of post-management period for items imported by AEO companies</li> <li>• Exemption of post-management obligation for ultra-pure supply devices for semiconductor manufacturing</li> </ul>                                         | July 11, 2023                                                                 |

|                                                                           |                                                                                                                                                                                                                                                                                                       |                   |
|---------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| <b>Extension of period to submit opinions against fine for negligence</b> | <ul style="list-style-type: none"> <li>Extended opinion submission deadline to protect citizen's rights and interests</li> </ul>                                                                                                                                                                      | October 1, 2023   |
| <b>Revision of taxable freight rates for express cargos</b>               | <ul style="list-style-type: none"> <li>Clarification of taxable freight rate application criteria for imported convenience for taxpayers</li> </ul>                                                                                                                                                   | September 1, 2023 |
| <b>Improvements in foreign currency exchange business regulations</b>     | <ul style="list-style-type: none"> <li>Improved convenience for foreigner customers by requiring businesses to show foreign language business registrations</li> <li>Prevention of possible damages of customers by requiring the businesses to post notice of business suspension at site</li> </ul> | Aug, 2023         |
| <b>Addition of postal items subject to import/export declaration</b>      | <ul style="list-style-type: none"> <li>Strengthening customs clearance regulation of hazardous goods for the protection of public health</li> <li>Health functional foods and medicines imported via postal parcels are now required to file import declaration forms</li> </ul>                      | July 1, 2023      |

## OPINION



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### **Review of the Tax Tribunal Decision Case (Tax Tribunal 2016-0112): Whether excessive refunds were received due to improper calculation of the yield ratio after producing and exporting precious metal products**

Company A, a firm in nonferrous metal industry, has imported Anode Slime which is a residue from copper refining process, re-exported precious metal extracted from it, and claimed for tax refund for the re-exported precious metal. After some time, customs office made assessment on the excessively refunded duty, claiming that there was inconsistency on the method applied by the company and duty was refunded excessively as a result. Company A filed an appeal against such disposition of the customs office.

The tax tribunal has judged the case in two perspectives: whether an excessive refund was claimed with improper calculation and whether there was a retroactive taxation in breach of the principle of good faith.

First, given that the exported goods are not joint products, the tax tribunal judged that Company A did not claim the refund based on a proper calculation of the yield ratio. The tax tribunal advised that the company should use 'fiscal year unit yield ratio calculation method' and adjust the differences considering the characteristics of the Anode Slime to calculate an accurate duty refund amount.

Second, regarding the principle of good faith, Company A claimed that the customs office breached the principle of good faith as the customs office did not make any comment on the calculation method before. However, the tax tribunal judged that the claim cannot be accepted considering the fault of the company reporting the yield ratio calculation as if it were using the fiscal year unit yield ratio method, contrary to the facts.

When there are two or more items produced using imported raw materials for export, the yield ratio calculation as well as duty refund amount differs whether an item is perceived as a joint product or as a by-product. This case is an important example showing that companies must apply a correct yield ratio calculation method, and calculate the duty refund amount accordingly for a compliant duty refund process.

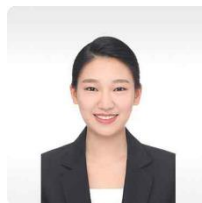
## AMENDMENTS

- **Notice on the Handling Duty Refund for Export Raw Materials** (partial amendment)
- **Notice on the Operation of Import Clearance for Household Goods** (partial amendment)
- **Notice on the Management of Ship's Stores** (partial amendment)
- **Regulations On Special Cases Concerning Value-added Taxes And Individual Consumption Taxes For Foreign Tourists** (draft planned)
- **Enforcement Decree Of The Value-added Tax Act** (draft planned)
- **Notice on the Operation of Customs Valuation** (partial amendment)
- **Enforcement Decree Of The Individual Consumption Tax Act** (draft planned)
- **Special Act On Imported Food Safety Control** (partial amendment)
- **Enforcement Rule Of The Special Act On Imported Food Safety Control** (partial amendment)
- **Notice on Changed Classification of Import/Export goods** (partial amendment)

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