

# Korea Customs and Trade Update

March 2023

## UPDATES

- **Amendment notice: Instructions on the Operation of ACVA**

- **Changes in ACVA pre-consultation and application process**

A form for an ACVA pre-consultation application is created and the overall in charge for ACVA pre-consultation application and application distribution is unified to the Head of CVCI(Customs Valuation and Classification Institute).

ACVA application form shall be submitted to the Head of CVCI and the assigned customs office will review the ACVA application form and the submitted documents.

- **Changes on the in charge customs office of ACVA applications**

ACVA will be handled mainly by the main customs offices in Incheon, Seoul and Busan.

Main customs offices will be handling the examination but it may be reassigned to the customs office where the customs clearance is mainly handled to distribute the work evenly among customs offices.

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

- **Provision of a clear definition on “arrival at the port of import”**

The “timing when cargos are ready to be unloaded” in Voyage Charter Contracts will be clarified as the “time when notice for completion of cargo unloading preparation is sent” according to the Commercial Act.

Taxation standard for demurrage, pilotage, tuggage, line handling charge is clarified.

\* Demurrage, pilotage, tuggage, line handling charge can be excluded from the customs value when it can be clearly split from the total freight charge.

- **Changes on ACVA pre-consultation and application process**

ACVA submission and application distribution in charge is unified to the Head of CVCI and pre-consultation will be assigned to main customs offices and handled by the head of customs offices as it is.

For those who want to apply for ACVA can file an application for pre-consultation to the head of CVCI. The head of CVCI will appoint the in charge customs office to review the application. When the in charge customs office is appointed, the actual pre-consultation will be proceeded within a month from the date when the application is filed.

- **Establishment of an amendment, withdrawal, cancellation procedure after ACVA result notification**

In a case when the ACVA result is to be changed, the same procedure as a new application process should be applied.

In cases where the ACVA result is changed, withdrawn or canceled, a notification stating as such must be provided immediately to the applicant, to the head of the customs office where the ACVA was reviewed and to the head of the customs office where customs clearance will actually be performed.

## AMENDMENTS

- **Notice on the Operation of Export Clearance** (partial amendment)
- **Provisions on the Application of Quota Tariff pursuant to Article 71 of the Customs Act** (partial amendment)
- **Enforcement Decree Of The Customs Act** (partial amendment)
- **Notice on Prevention of Customs Clearance Errors** (partial amendment)
- **Enforcement Rules of the Act On Special Cases Concerning The Refund Of Customs Duties Levied On Raw Materials For Export** (partial amendment proposed)
- **Enforcement Rules of the Act On Special Cases Of The Customs Act For The Implementation Of Free Trade Agreements** (partial amendment proposed)
- **Enforcement Rules of the Value-added Tax Act** (partial amendment proposed)
- **Enforcement Rules of the Individual Consumption Tax Act** (partial amendment proposed)
- **Enforcement Rules of the Liquor Tax Act** (partial amendment proposed)
- **Enforcement Rules of the Customs Act** (partial amendment proposed)

## OPINION



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### Easy way to understand the subjects of reporting obligations of current transactions, under the Foreign Exchange Transactions Act

International transactions can be largely divided into current transactions and capital transactions. A current transaction refers to a transaction of goods or services, or a one-sided transaction such as gifts and recompenses, and a capital transaction refers to sales, purchases or other transfer of capitals. From the perspective of import and export companies, a payment or receipt of foreign exchange, in relation to import/export goods is referred to as a **current transaction**.

There are four current transactions subject to reporting under the Foreign Exchange Transaction Act. Companies that undergo a customs audit for the first time have often missed filing reports due to lack of awareness of the Foreign Exchange Transaction Act. The **four subjects of current transactions that are required to be reported** are a) offsetting, b) settlement after the period set by the Minister of Economy and Finance, c) third-party payment and d) payment without going through a foreign exchange agency.

While companies find the reporting of capital transactions relatively easier as the banks that handles payment or receipt of the companies' foreign exchange usually provide guidance of such, companies often find it hard to file the report for current transactions as it is difficult for the banks to capture whether certain payment or receipt of foreign exchange is a current transaction that is subject to file reports. Therefore, for those current transactions subject to reporting obligations, it is necessary to **understand the subjects of report and consult with the customs broker to perform the obligations in compliance** with relevant regulations.

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