

# Korea Customs and Trade Update

October 2023

## UPDATES

- **Notice: Strengthened document(Packing List) screening process for cargos imported through Incheon Port**
  - Packing list screening process will be strengthened due to delays<sup>\*1</sup> caused by inadequate item descriptions on the packing list.
    - <sup>\*1</sup> For LCL cargos in particular, import inspection is often delayed as there are multiple cargos under 1 B/L.
  - Packing list should be reviewed<sup>\*2</sup> by the declarant before filing the import declaration.
    - <sup>\*2</sup> Shipping & box number must be stated, and should include enough information to distinguish in which box the inspection item is packed.
- **Amendment Proposal: 『Enforcement Decree of the Foreign Trade Act』 - clarification on the scope of products for foreign exchange earnings**
  - The purpose of this amendment is to amend certain clauses in order to include various newly emerging forms of services in trade, allowing for smooth export support and other related activities.
    - ① Specified that items purchased domestically and provided for foreign exchange earning without undergoing a production process should also be included in the category of “products for foreign exchange earnings”
    - ② Expanded the scope of “services” in the current regulation, by adopting the definition of “the scope of services” as stipulated in the Enforcement Decree of the Value-Added Tax Act, in order to include various services within the scope of international trade.
- **Amendment Proposal: Guidelines on the Interpretation of Legal Regulations related to National Tax and Customs Tax (Ministry of Economy and Finance Ordinance No. 2023-662) – actualization of the submission process for tax law interpretation requests.**
  - Following amendments are made in order to improve and enhance current operational imperfections.
    - Establishing legal basis for submitting tax law interpretation requests via email
    - The Director of Tax Policy will be responsible for tax law interpretation related tasks
    - In principle, National Tax Rulings Examination Committee must be involved for cases related to objections, however it will not be mandatory for cases in which legal provisions clearly exist or when it is proved that there are no needs for National Tax Ruling Examination Committee to be involved for such cases through similar completed cases.
    - Interpretations on tax laws made by the Ministry of the Economy and Finance will be disclosed publicly (personal information of the taxpayer will be kept confidential).

- **Amendment Proposal: 「Consolidated Public Notice」 - Ministry of Trade, Industry and Energy Notice No.2023-043**

- Amendments:

- 「Radio Waves Act」 - Modifying the import requirements in accordance with the amendments to the Regulations on the Suitability Assessment of Broadcasting and Telecommunication Equipment.
- 「Act on the Sustainable Use of Timbers」 - Specifying the import requirements for human cells and other raw materials.
- 「Enforcement Rules of the Special Act on Import Food Safety Control」 - Incorporating amendments related to the Specification and Quality Standards for Timber Products
- 「Special Act on the Safety Management of Children's products」 - Adding Children's products to the items subjected for supplier's conformity verification, safety certification, and safety confirmation.
- 「Act on In Vitro Diagnostic Medical Devices」 - Adding 「Act on In Vitro Diagnostic Medical Devices」 to the list of laws subjected for inspections in verifying the import requirements, and adding provisions related to customs procedures and certification exemption of in vitro diagnostic medical devices.

- **Amendment Proposal: 「Regulations on Operating Bonded Factories」 - to support national advanced industries' export and to enhance efficiency of bonded factory operation.**

- This Amendments proposal aims to,

- Reduce logistics costs by expanding the scope of bonded cargos subject to self-management and by ensuring fast transfer of goods within the logistics supply chain;
- Improve criteria and procedures for bonded factory licensing by easing entry barriers for new bonded factories and ensuring transparency of the process; and
- Facilitate smooth cargo carry in & out process and strengthen the logistics capabilities of the bonded factories by improving the current process (Extend storage period, allowing in & out of goods on a unit basis without cargo control number for those filed for declaration of use, and more)

- **Amendment Proposal: 「Regulations on the Management of Import and Export Goods in Free Trade Zones」 - simplification of carry-in/out processes for goods in Free Trade Zone**

- Simplification of carry-in/out processes for good in FTZ by following amendments:

- Eliminating redundant declaration process for items that filed for declaration of use in FTZ, when they are transferred to another bonded area;
- Simplifying carry-in/out process and bonded transportation process for companies in manufacturing or compound logistics business within FTZ; and
- Eliminating carry-in/out processes for goods transferred within a same legal entity operating both a company in FTZ and a self-managing bonded factory.

## AMENDMENTS

- **Enforcement Rules for the Customs Service and its Affiliated Agencies** (partial amendment)
- **Notice on Bonded Sales Warehouse Patents** (partial amendment proposed)
- **Notice of Partial Amendment to the Classification of Goods for Exports and Imports** (partial amendment)
- **Notice on Certificate of Origin Recognized by the Commissioner of the Korea Customs Service** (partial amendment)
- **Notice on the Management of Imported Aquatic Product Distribution Records** (partial amendment proposed)
- **Notice on Customs Procedures for the Import of Special Cargo"** (partial amendment)
- **Regulations on the Selection and Operation of Correctional Audit Targets** (proposal for repeal)
- **Decree to the Enforcement Rules of the Foreign Trade Act** (partial amendment proposed)
- **Guidelines for the Interpretation of Tax and Customs-Related Regulations** (partial amendment)
- **Notice on the Operation of Bonded Factories** (partial amendment)
- **Notice on the Management of Import and Export Goods in Free Trade Zones** (partial amendment)

## OPINION



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### Practical Considerations on Customs Clearance of Express Cargos

Express cargo refers to ‘commercial documents, samples, etc., transported and imported in Korea by carriers registered to customs authorities’ and they are granted for simplified customs clearance procedures compared to general imported goods which require formal import clearance process. With the recent increase in the proportion of e-commerce imported goods, there is a growing need to prevent illegal customs clearance of prohibited goods and goods subject to formal import declarations through X-ray and random inspections of express cargos.

#### 1. Customs clearance process for express cargos

- Personal use goods with a commodity value of USD 150 or less (excluding goods prohibited from list clearance) are exempt from customs duty and value-added tax (VAT). There are three customs clearance processes for express cargos: list clearance, simplified clearance, and formal import clearance.
- List clearance is a customs clearance system where clearance is possible with a shipping document that includes the consignor and consignee's details and item information. However, goods exceeding USD 150 (USD 200 for goods from the United States) but not exceeding USD 2,000 can be subject to simplified import declaration. However, certain goods are prohibited from simplified clearance and they must be declared by formal import clearance procedures. Goods exceeding USD 2,000 or those excluded goods from list clearance or simplified import clearance must undergo a formal import clearance process.

#### 2. Key errors in express cargos’ customs clearance uncovered during customs audits

- Goods exceeding USD 2,000 were cleared through simplified import declaration.
- Goods for commercial purpose (for regular sales or repair) were imported with list clearance without undergoing formal import clearance procedures.
- Goods subject to import requirement/certification were cleared through list clearance without fulfilling the requirements by simply judging their clearance method by their values.
- Errors in applying FTA preferential tariffs although the country of export or transit is not a contracting state under any agreement.

The customs clearance process for express cargos necessitates a revision of related regulations and systemic adjustments to ensure legal compliance and regulatory conformity in customs procedures, moving beyond simplified declaration privileges and cooperation system to prevent drug smuggling in the past.

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