

Korea Customs and Trade Update

May 2023

UPDATES

- **Amendments: Notice on goods subject to customs verification of clearance requirement and the verification procedure according to Article 226 of the Customs Act**
 - **Specified and improved procedure on designating goods subject to customs verification of clearance requirements**
 - * Established regulation for a regular demand survey (Performed every November, but in urgent cases, it can be requested even in other period)
 - * Created designation request form for goods subject to customs verification of clearance requirement (currently it is submitted in an official document form during the demand survey)

Improved the procedure for the Head of the Customs office to provide the relevant Institute with information on items deemed for amendment due to new regulations or changes on HS classification.
 - **Changes made for actualization of scope and requirements for the goods subject to customs verification of clearance requirements**

Actualized the scope of the imported good subject to customs verification of clearance requirements

 - * Added advance biomedicines under the 「Pharmaceutical Affairs Act」

Actualized the requirements required to be equipped for the imported good subject to customs verification of clearance requirements

 - * Clarified the requirements under the 「Act on the Control of Manufacturing Specific Substances to Protect the Ozone Layer」 as an import confirmation document issued by the head of Korea Petrochemical Industry Association.
 - **Changes on import/export goods subject to customs verification of clearance requirements**

Added items which were not reflected after the 2022 HSK amendment and items requested by relevant institutes.

 - * (Export) Added 5 items from 6 laws, amended 353 items, and deleted 18 items
 - * (Import) Added 29 items from 16 laws, amended 442 items, and deleted 65 items
 - **Added items which can use UNIPASS (KCS Portal) for the application of import/export requirements**

Items related to 「Act on the Control of Manufacturing Specific Substances to Protect the Ozone Layer」 and 「Ambient Radiation Safety Management Act」 can apply for customs requirements via UNIPASS.

- **Prior announcement of Amendments: Enforcement Decree of the Foreign Exchange Transactions Act**

- **Adjustment on the amount of penalty imposed for violations on transaction procedure and eased regulations on penalties under 「Foreign Exchange Transactions Act」**

Increased the threshold amount of violation of capital transaction reporting obligation which can be substituted by warning (from within USD 20K to USD 50K)

Increased the threshold amount of violation of procedural compliance

- * Capital transaction: KRW 1B to KRW 2B

- * Declaration for atypical payments: KRW 25B to KRW 50B

Eased the threshold amount of violation of follow-up reporting obligation to KRW 2M.

- **Establishment of ‘Foreign Exchange System Development & Deliberation Committee’ to collect feedbacks regarding the operation, interpretation, and application of foreign exchange system**

Established ‘Foreign Exchange systems development & Deliberation committee’ for the related institutes and professionals to officially participate in the discussion on application/interpretation of Foreign Exchange Transaction Act and to improve the foreign exchange system.

- **Allowing securities and financial firms to participate in the swap market, considering the need to ease supply and demand imbalances in the foreign exchange swap market and expand the liquidity supply channels of securities firms**

Under the 「Capital Markets and Financial Investment Business Act」, securities and financial firms are defined as counterparts of foreign exchange brokers to allow them to participate in the foreign exchange swap market.

- **RCEP with the Philippines to be Entered into Force from June 2, 2023**

- **Implementation of yearly tariff reduction**

In accordance with RCEP Article 20.7(Entry into Force) (2) and Annex I (Schedules of Tariff Commitments), General Notes (3) to (5) as shown in the table below will be applied.

Export (KR – PH)		Import (PH – KR)	
3rd Year	4th Year	2nd Year	3rd Year
'23 Jun 2 - '24 Mar 31	'24 Apr 1 - '25 Mar 31	'23 Jun 2 - '23 Dec 31	'24 Jan 1 - '24 Dec 31

※ After above period, the 4th Year(Export)’s or the 3rd Year(Import)’s will be applied.

- **Regulation on retroactive applications**

For goods which were shipped or stored in the bonded area before the Enforcement date ('23 June 2), preferential tariff rate can be applied within 180 days from the enforcement date (until '23 Nov 28).

- **Amendments: Notice on Import/Export of Strategic Materials**

- **Japan, back on the White List from April 24, 2023**

By changing Japan as “A region”(White List) from “A-2 Region”, when exporting strategic materials(Korea to Japan), it is expected that the processing period for approval and review will be shortened (from 15 days to 5 days) and required documents will also be simplified (from 5 kinds to 3 kinds of document – for individual export approval).

Before		After
“A-1 region”	“A-2 region”	Combined to “A region”
USA, UK, France, etc. (28 countries)	Japan	USA, UK, France, Japan etc. (29 countries)

Items	Types	Before	After
Reviewing period	Individual Export Approval	15 days	5 days
	Consolidated Export Approval		
Required documents for submission	Individual Export Approval	5 kinds of document	3 kinds of document
	Consolidated Export Approval	3 kinds of document	Only approval application form is required

- Strengthened Export Control for Russia-Belarus

By expanding Catch-all control* items (from 57 items to 798 items) for Russia-Belarus, exportation of these items to Russia or Belarus is prohibited in principle, effective from 27th of April.

* *Catch-all control: control of goods or technology which are not specified in the strategic goods control order, but are intended or likely to be used for purposes of nuclear, chemical or biological weapons.*

Before	After
<ul style="list-style-type: none"> Total of 57 items of electronics, shipbuilding etc. 	<ul style="list-style-type: none"> Including the existing 57 item; 741 items were added (industrial & construction machinery, metal & chemicals, automobiles & parts (for finished vehicles, only those exceeding \$50,000), semiconductor & quantum computers, etc.

Even if the item is not regulated under the strategic material control or the catch-all control, application for permission under catch-all control is required if there is a reasonable doubt that it may be used as a weapon. In addition, it is necessary to closely monitor whether the export of US-made strategic materials does not violate the US export control regulations applicable outside the US.

AMENDMENTS

- **Notice on the Operation of Import Clearance** (partial amendment)
- **Guidelines on Issuing Certificate of Origin for Goods Stored in Free Trade Zones** (enactment)
- **Provisions on the Application of Quota Tariff pursuant to Article 71 of the Customs Act** (partial amendment)
- **Notice on Goods Subjected to Customs Verification of Clearance Requirement and the Verification Procedure according to Article 226 of Customs Act** (partial amendment)
- **Enforcement Rules of the Customs Act** (partial amendment proposed)
- **Notice on Customs Clearance of Personal Effects for Travelers and Crew Members** (partial amendment)
- **Enforcement Rules of Anti-dumping Duties on PET Film from China and India** (enactment)
- **Notice on the Operation of Exporters with a Certificate of Origin under the Free Trade Agreement** (partial amendment)
- **Notice on the operation of Act On Special Cases Of The Customs Act For The Implementation of Free Trade Agreements** (partial amendment)
- **Enforcement Decree Of The Foreign Exchange Transactions Act** (partial amendment)
- **Notice on the Amount of and Method to Charge for Specific Substances** (partial amendment)
- **Guidelines on The Standard Interpretation for Classification of Semiconductor Items (HS Code)** (enactment)
- **Notice on Special Measures for Trade in Support of Obligations to Maintain International Peace and Security**

(partial amendment proposed)

- **Notice on Regulations on Export and Import of Strategic Goods** (partial amendment)
- **Enforcement Rules of Increasing Market Access Quota** (partial amendment proposed)

OPINION



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Customs Inspection Cost Refund Program

As part of the import/export clearance process, Customs randomly select goods for physical inspection to verify the compliance with regulations and to detect potential discrepancies between the documents and the physical goods. During the inspection process, a shipper may have to bear unnecessary cost of transportation and sometimes loss or damage of the goods. To support these unintended loss from the administrative procedure, Korea Customs Service implemented a program that allows a refund of unnecessary cost caused by customs inspection.

1. Inspection Cost Support

Established on July 1 2020, this system is designed to support inspection cost for containerized cargos. It aims to reduce costs for small and medium-sized enterprises, securing public interests and promoting active customs inspection. When certain conditions are met, companies can apply for a support for the inspection cost within 60 days from the inspection date.

2. Inspection Loss Compensation

In addition to the cost incurred as a result of inspection, there is also compensation system in place for loss of goods unavoidably occurred during the inspection process. To receive compensation for loss, it is necessary to meet the specific requirements, and a certain procedure should be followed to make a claim within the required period.

There are several support systems in Korean Customs Act, but most of them require the declarant to apply for support rather than automatically providing it. Through this opinion, it is hoped that the awareness of this support system is raised and it can serve as an opportunity to find the taxpayers' rights that may have been missed.

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