

Korea Customs and Trade Update

February 2024

UPDATES

- **Announcement of Special Application Period for Import/Export Cargo Inspection Fee Support**

For small and medium size enterprises (SMEs), government provides support for inspection costs to promote public welfare, and facilitate active customs inspections for import/export goods. (In principle, general costs associated with customs clearance are borne by the owner of the cargo).

In 2023, the government temporarily suspended the inspection fee support program from 17th of October due to budget exhaustion. However, to promote the activation of support for customs inspection costs for import/export cargo, a special application period is currently being operated for cases that did not apply for support for inspections between 18th of August to 31st of December, or for those who received a suspension notice after the budget exhaustion.

- Application Period: January 22, 2024 ~ February 29, 2024
- Subject item: Container cargo - goods that have undergone inspection by moving to a location designated by the customs officer, which meet specified criteria and have no violation of laws related to import and export.
- Subject cost: Container transportation fees, container loading and unloading fee, and fees for extracting and returning the items.

- **Amendment Bill: Rules on the Imposition of Anti-Dumping Tariffs on Sodium Hydroxide Aluminum from China and Australia**

Under Article 51 of the Customs Act, anti-dumping tariffs are imposed on Sodium Hydroxide Aluminum from China and Australia. However, for synthetic aluminum hydroxide used in manufacturing artificial marble, which are not substantively causing negative effect to the domestic industry, the anti-dumping tariff rate will be adjusted to 0%. This is intended to minimize the scope of imposition of anti-dumping tariffs by allowing the application of Article 83(Tariff for Specific Use) of the same law.

- **Announcement of the Tax Law Amendment Bill – Changes in Customs Sector**

- **Increase in Tax Penalty Reduction Rate**

For post-clearance entry corrections (i.e declaration amendment), tax penalty reduction rate is increased through the amendment. After the amendment, the reduction rates of the tax penalties for under-values declarations (10% of the deficient duties and taxes) are:

- 30% reduction when entries are corrected after 6 months but within 1 year from the tax payment date;
- 20% reduction when entries are corrected after 1 year but within 1 year and 6 months from the tax payment date; and
- 10% reduction when entries are corrected after 1 year and 6 months but within 2 years from the tax payment date.

- **Expansion of Compensation Coverage and Amount for Inspection-related Losses**

In the process of inspecting goods, if products are damaged, the amount of damage compensation that can be

claimed is to be increased. For items subjected for inspection, claim can be made for an amount equivalent to the taxed value of the goods. Not only for the goods, but packaging containers and transportation means can be also subject to loss compensation.

- Specification of the Method for Preparing and Keeping Ledgers and Documentary Evidences

In order to rationalize tax administration and enhance tax fairness, the amended law stipulates that ledgers and documentary evidences should also be retained for 5 years, in addition to documents submitted to the customs office.

- The amendment also specifies types of ledgers and documentary evidences that cannot be prepared or kept in electronic format:
 - Documents that must be preserved in their original form according to other laws;
 - Contract signed or sealed for the acquisition or transfer of assets;
 - Copies of documents submitted or received in relation to litigation or judgement; and
 - Documents submitted or received in relation to authorization or permission (licenses and permits).

- Clarification on the Definition of ‘Goods Sold for Export’ Subject to the 1st Valuation Method

The definition of ‘Goods Sold for Export’, as stipulated in Article 17 of the Customs Act Enforcement Decree, has been supplemented. According to the Enforcement Decree, goods sold for export refer to commodities sold with the intention of being exported to Korea, and these goods are sold through a transaction that directly leads to their arrival in Korea for the purpose of export.

- Establishment of Rules to Prevent Anti-dumping Circumvention

Circumvention of anti-dumping tariffs are to be controlled. The same anti-dumping tariff will be imposed on goods circumventing the anti-dumping tariffs. Through the amendment of the Enforcement Decree of the Customs Act, regulations for anti-dumping circumvention will be stipulated.

- Changes on the Application Process for Specific Usage Tariff

In cases where approval has been obtained in advance from the customs office to use the item only for the designated purpose – ‘dedicated items subject to specific usage tariff’, as stipulated by enforcement ordinances – the application process for specific usage tariff can be skipped.

- Updated Criteria for Public Disclosure of People Evading Customs Taxes

Previously, only taxpayers whose delinquent customs duties and domestic taxes exceed KRW 200 million for more than 1 year were disclosed, but after the update, customs tax evasion criminals who evaded customs duties amounted to more than KRW 200 million are added to the list for public disclosure.

- Expansion of People Subject to Travel Restriction

Violators with high-value payable customs duty whose names have been disclosed publicly are added to the list of people who are restricted to travel overseas.

- Establishment of Taxpayers’ Rights to Request Taxation Data

Through the amendment, taxpayers can now request the customs office to share their own taxation data. The Enforcement Decree of the Customs Act stipulates the scope of taxpayers who can request such data and the scope of data to be shared.

- Other Amendments

- Supplementation of procedures for rulings interpreting the Customs Act

- Establishment of regulations on temporary suspension of import/export clearance
 - Detailing the scope of information about people with high risk of smuggling drugs
 - Expansion of taxation documents subject to submission
 - Establishment of regulations on administrative fines for untruthful bonded transportation declaration
 - Updates in regulations concerning the operation of customs information system
- **Prior announcement of Amendments: Enforcement Decree of the Act on Special Cases of the Customs Act for the Implementation of Free Trade Agreements**

Established rules on interest exemption to establish regulation for exempting interest on adjustment for goods subjected to preferential tariff rate (aimed to alleviate the burden on taxpayers).

No interest on adjustment shall be levied, in cases where importers receive notification from the customs authorities regarding errors in the content of origin certification documents and submit requests for tax adjustments before receiving notification of origin investigation, provided there is no fault on the part of the importer.

AMENDMENTS

- **Customs Act** (partial amendment)
- **Enforcement Decree of the Customs Act** (amendment)
- **Regulations for the Enforcement of the Customs Act** (partial amendment)
- **Regulations on Special Emergency Tariff Imposition under Article 68 of the Customs Act** (partial amendment)
- **Act on Special Cases of the Customs Act for the Implementation of Free Trade Agreements** (partial amendment)
- **Notice on Customs Clearance of Personal Effects for Travelers and Crew Members** (partial amendment)
- **Notification on Safety Standards for Products Subject to Safety Certification for Children** (amendment)
- **Standards and Specifications for Health Functional Foods** (partial amendment)
- **Guidelines for Setting Residue Tolerance Standards for Pesticides and Veterinary Drugs in Food** (amendment)
- **Standards and Specifications for Food** (amendment)
- **Regulations on the Reassessment of Functional Ingredients and Others** (partial amendment)
- **Enforcement Rules of the Electrical Appliances and Household Goods Safety Management Act** (amendment)
- **Notice on the Operation of the Security System for Customs Duties and Related Matters** (amendment)
- **Directive on the Operation of Customs Investigation** (amendment)
- **Notification on Commission Fees for Payment of Customs Duties, Fines, and Notification Disposals through Credit Cards and Others** (amendment)
- **Directive on the Imposition and Collection of Fines under the Customs Act and Related Laws** (amendment)
- **Notice on the Collection, Suspension of Collection, and Refund of Import and Sales Levies on Petroleum and Petroleum Substitute Fuels** (partial amendment)
- **Rules on Imposing Anti-Dumping Duties on Hydroxyl-Aluminum from China and Australia** (partial amendment)
- **Notice of Changes in Classification of Exported and Imported Goods** (amendment)
- **Notice Regarding the Operation of Duty-Free Shops** (partial amendment proposal)
- **Regulations on the Application of Allocated Tariffs under Article 71 of the Customs Act** (partial amendment)
- **Notice on Customs Clearance Procedures for Exports** (amendment)
- **Enforcement Decree of the Act on Special Cases of the Customs Act for the Implementation of Free Trade Agreements** (amendment proposal)
- **Provisions on Tariff Concessions under Agreements such as the World Trade Organization Agreement** (amendment)
- **Regulations on Granting Preferential Tariffs to Least Developed Countries** (amendment)

- **Enforcement Decree of the Act on Submission and Management of Taxation Data** (amendment)
- **Enforcement Decree of the Law on International Tax Adjustment** (amendment)
- **Enforcement Decree of the Local Tax Act** (amendment)

OPINION



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Measures to Address the Spread of Drugs and Prevention of Drug Importation

Since the 2000s, along with economic growth and liberalization of overseas travel, domestic drug users are becoming a serious social problem as drug use has been spreading to ordinary office workers, homemakers, and teenagers.

Since illegal drugs have been traditionally smuggled from overseas rather than manufactured domestically, the role of the Korea Customs Service (“KCS”), which oversees the customs clearance of people and goods in Korea through ports and airports, is critical.

The KCS plans to identify and resolve issues requiring improvement and supplementation based on the drug crackdown details, in addition to the existing special control measures for drug smuggling. Since declaring the “war on drugs” last year, the KCS has been focusing on drug crackdowns at the border, including the establishment of a task force. It is constantly deliberating on new strategies to adapt to changing environments and smuggling methods. It is committed to deploying various new equipment and policies from customs and border control to prevent the smuggling of narcotics into Korea.

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