

An Introduction to the ACVA consulting service of SEIN “for the preliminary review of pricing methods and reduction of risks of multinational Corporations”

Since the introduction of the ACVA system in 2008, the Korea Customs Service(KCS) has made efforts to supplement and promote the system, but the issues with the transfer price of multinational companies during Customs Audit has continued, and the proportion of multinational companies that have been collected from Customs Audit in the past five years has accounted for about 46%.

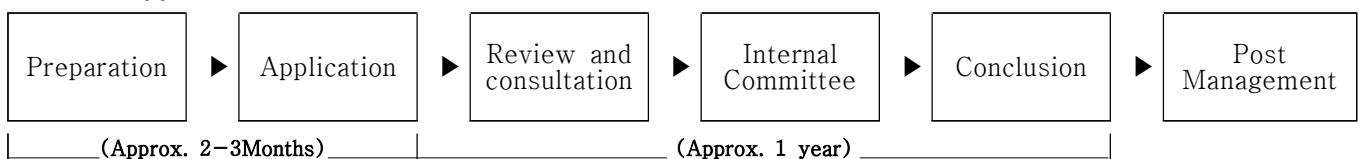
* ACVA : Advance Customs Valuation Arrangement for transactions between related parties.

SEIN Customs & Auditing Corp. provides consulting services throughout the ACVA application process, which is aimed at developing logic that ultimately enables the company's import pricing methods to be recognized and passing them through the taxation authorities.

I. ACVA?

ACVA is a system that determines the taxable value of imported goods between related parties in advance through an arrangement between taxation authorities and taxpayers based on the application of taxpayers. Through this ACVA system, the taxpayers can secure management stability by enhancing the predictability of import costs, including tariffs, and eliminating concerns about post-examination and penalties.

※ ACVA Application Process



II. Needs & Expected effects of ACVA Application

The price determined by the importer/taxpayer for the purpose of the domestic tax taxation or in accordance with transfer pricing policy in the transactions between the related parties may not be recognized as the taxable price of imported goods in view of the customs authority, which requires consideration of the adequacy of the taxable price for each item. If such disagreement or argument occurs during the post audit, not only does the taxpayer not have enough time to prepare for the response, but in many cases the differences are not narrowed, leading to the dispute process. However, if a multinational company applies for the ACVA and the pricing is accepted, it has the advantage of a three-year deferment in the customs audit, including the following detailed benefits.

1. Customs Audit Deferralment

Regular audit on the adequacy of the customs value - about the goods for which the customs value has been determined by ACVA - can be deferred for three years from the delivery date of the result.

2. Exemption of Additional Taxes

- From ACVA application date, provisional value declaration is available. Hence, when declaring final value, additional taxes can be exempted.
- For import declarations done before the ACVA application, tax penalty can be exempted when an amendment to the declarations is made.

3. Issuance of Amended Import Tax Invoice

According to ACVA results, tax paid and declared before the ACVA application can be corrected and amended import tax invoice can be issued on VAT.

4. Fulfillment of Provisional Value Declaration Requirements (partially) of Post Adjustment

For transactions that are expected to be adjusted to normal value, according to Adjustment of International Taxes Act, a provisional value declaration is available when the legal requirements are met. (2017)

5. Improving Corporate Reliability and Securing Management Stability

Consumers and tax authorities can trust import prices of goods; it can remove concerns about post-examination or objection.

III. ACVA Consulting Service of SEIN Customs & Auditing Corp.

- ✓ Experiences in various audits dealing with transfer pricing issues of multi-national companies (45+ companies)
- ✓ Effective approach with the customs' perspective considering domestic taxes as well
- ✓ Strategic logic development through data base and response history for various industries
- ✓ Detailed analysis to comparable companies, including test value reviews by item group
- ✓ Minimizing risks through CPS analysis system (self-developed analysis system by SEIN) by developing separate response strategies for each import case and even non-regular goods (cases declared not following the T/P, prototype, import items for TEST purposes, etc.)

| Contact



Haeyoung Son
Certified Customs Broker
02-6929-3456
hyson@esein.co.kr



Jiyeon Park
Certified Customs Broker
070-4353-5154
jypark2@esein.co.kr



| 세인 홈페이지 | Newsletter 더보기 | 구독신청 |

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