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Grace Chang

CEO/Customs consultant

The cumulative number of confirmed COVID-19 cases has exceeded 15 million. 1/3 of the South Korean population has been infected. Despite two years of turbulent and strict government regulations, the reins of the infection have been unleashed. Nothing can stop the bolts from getting loosened as if we are helplessly looking at a balloon flying into the sky.

Last March, a face-to-face BTS concert "Permission to Dance" was held. They came back with the song that speaks of 'hope' in the pandemic era. Many fans filled the concert stadium held at Jamsil Stadium. A limited number of people were allowed in the concert and every person was required to wear masks. Fans' shouts and chants were prohibited. Nevertheless, BTS danced and sang on the stage and had fun with their fans.

Finally concerts are held and tours are permitted. Many of the meetings that used to be done virtually are now being conducted face-to-face. Many doors that have banned us from meeting each other to prevent the spread of the virus are opening little by little and very cautiously.

Then, suddenly, war broke out. The intruders kicked the forbidden door with their boots and hurriedly crossed the border into another country. Are they allowed to start the war? What are we allowed to do? What permission did we get from whom to live in this world?



The New Customs Study for this month is 'If You Import Iron Man in Parts, What Would Be the Most Efficient Customs Clearance Method?'. FTA News covers 'Key Check Points for effective use of RCEP', and Inside Vietnam reports 'New Guidelines on Operating Conditions for EPE Companies' In addition, Customs Trade Related Law Changes is 'Partial Revision of 『Enforcement Rules of the Customs Act』', and the Customs Case is 'The Disposition of Disposal Agency that Collected the Tax Refunds for the Claiming Corporation Has Received Excessive Tax Payment Certificate on Raw Materials(2020, 0095)'.

In a time when there was no king, people acted according to their own beliefs. Primitive people who wandered in family units acted according to their thoughts and desires. However, as the herd grew, the conflicts among people increased. Actions based on one's thoughts and desires were gradually prioritized according to the principle of power. The life in the community was shaped according to the thoughts and desires of strong people. The harm done to the powerless was not of concern.

And a king was born. The strongest of the crowd became king. The king's thoughts became the principle, and the king's instructions became the law. Under the rule of the king, conflicts were settled and order was created within the bounds of the law. It seemed the damage people inflicted on each other was getting reduced. But, a king was born by region. The kings again began to fight according to the thoughts and desires of each country, and the quarrels between individuals escalated into racial conflicts and wars between countries.

The late Nelson Mandela served 27 years in prison. He was sentenced to life in prison for treason for his campaign against Apartheid in South Africa. He was released from prison, and formed the Truth and Reconciliation Committee (TRC) to clear the oppressive past history with the emphasis of forgiveness and reconciliation. He showed the importance of getting united to the people whose minds were divided by the separation policy. There was no retaliation to the people who gave him the pain and suffering even after he became a King(President) and held power. He tried to forgive the people who repented their wrong doings.

There are laws to keep in each country and laws to keep worldwide. There are laws that need strictly to be abided as well as the orders implicitly to be followed. Promise and forgiveness that come after righteousness and justice are allowed as the laws and orders are kept following the principle of power. And there is courtesy and consideration for others.

敬天愛人(Honor God and love people). There are great people who honor God and love people. Recently I attended the memorial service for Daeduck Electronics chairman, Kim Jeong-sik. He was the pioneer and a godfather of Korea's electronics industry, and was called a donation angel. The scent of his good deeds are still prevalent in many places in the society even after 3 years from his passing. He is remembered as a person who served quietly and cared even for the small branches not to be broken. I took a deep breath of his fragrance, who made the world beautiful.

I check myself if I properly carry on the thoughts and actions that are allowed to me. I take a careful look at myself if I exercise courtesy and consideration for others at least a little. I ask myself if I try to put my hand into something that is not mine, or am I eyeing on something that is someone else's, which I am not even capable of handling? Or am I judging others' performance? Do I love God and my neighbors as I love myself?.. lower my head as I come to realize my shortcomings.

I hope and pray that at least I would not be a greedy person who desires things that are not allowed to me. I promise to myself that I would not trample on others to fill my greed and I would not turn my head from the pain and suffering of others.

Furthermore, I fervently pray for this brutal war which causes the sacrifice of too many innocent lives to be stopped.

I hope you enjoy the spring while looking at the beautiful spring flowers that have been granted to us.

Thank you.





The New Customs Study

If You Import Iron Man in Parts, What Would Be the Most Efficient Customs Clearance Method?

One. Each country is now in a geopolitical realism of survival of the fittest.

In order to respond to the corona pandemic, the whole world has been treating Covid 19 patients and applied quarantine measures using masks, vaccines and some treatment medicines. However, some developing and underdeveloped countries located in Africa, Latin America, Asia, and Eastern Europe could not get the quarantine products as well as the testing kits, so they have been exposed to the virus defenselessly for more than two years.

Russia's invasion of Ukraine is causing oil and natural gas prices to skyrocket. This causes the increase of not only transportation costs for all routes, including sea, land, and air but also greatly increases the cost of power generation, petroleum product prices, and the price of coal as a substitute.

In a situation where small and medium-sized export companies are reducing all kinds of costs and spending



Seo, Young Jin

Executive Director/
Customs Officer
Wedin8@shcs.kr

[PROFILE]

- Shinhan Customs
- Company Evaluation
- Forex Consulting
- FTA Advisory

The price of all resources such as gold, copper, nickel, lithium, and agricultural products, from corn, wheat, sugar, cotton, and coffee, are rising to the point that the people in the entire world are worrying about the side effects of prolonged inflation.

It is difficult to predict how many countries and the general public will experience the side effects

Regarding interest rate cuts and expansionary monetary policy, Inflation caused by increases in raw material prices and transportation costs is not a matter of the future. It is a reality facing us now, and it is difficult to estimate how big it will be.

According to the geopolitical realism of the country, it is more keenly felt that we are living in a world where there is no principle between countries and only interests exist in the international community.

The situation in which the whole world is trembling in fear due to the Covid-19 is not over yet, but someone started a war. We are living in a world where we live with the person who started a war, which is really difficult to understand. Efforts should be made to ensure that resources and products are provided at a stable supply and price, but also the import of advanced weapons should be prepared step by step for security.

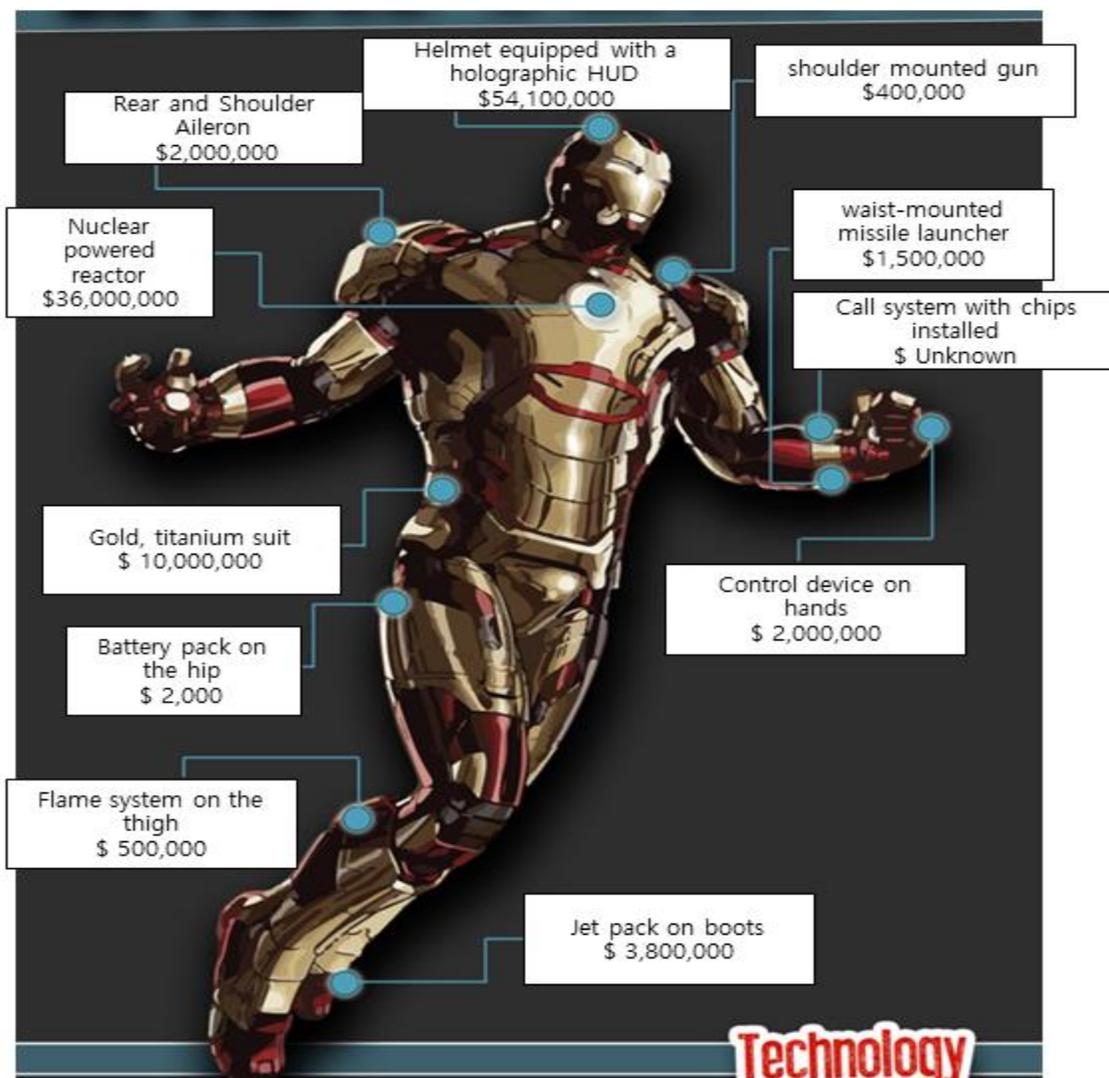
The development and introduction of advanced weapons are necessary to prevent neighboring powers or North Korea from even dreaming of aggression. For this I would like to think about efficient import customs clearance methods with the example of the import of Iron Man in the movie Avengers, which does not exist in reality.

Assuming that only 100 Ironmans are enough to defend, what would be the most efficient way to import them?

2. The way to import Iron Man in parts is to use the system of releasing prior to the acceptance.

If Stark, a multinational corporation, makes and imports Iron Man with the ability to fly, move quickly and subdue enemies, what is the cheapest way to import it?

Iron Man consists of a suit, helmet, boots and gloves made of gold and titanium, as well as a shoulder-mounted gun, waist-mounted missile launcher, a flame system on the thigh, and a battery pack on the hip.





In particular, it is equipped with a nuclear powered reactor on its chest, which allows it to fly for years without fuel shortage, a helmet equipped with a holographic HUD that can see great distances, and has access to all computer systems, which is the heart of Iron Man.

At the Stark headquarters in the United States, nuclear power reactors are manufactured exclusively because the United States has manufacturing know-how that the United States never shares with other countries, and the hologram HUD helmet is also manufactured directly because of its ability to connect to a computer. The rest of the titanium suits, boots, and gloves are manufactured by the division in Germany and France, which have excellent processing technology for special metal.

The volume and weight are too large to import 100 Iron Man at the same time, so it will be divided about 10 times and transported in containers by separate ships. The products that are manufactured in Germany and France will be shipped from Hamburg Port. Helmets and reactors can be manufactured and departed from L.A. Long Beach Port.

In Korea, there are companies with skilled technicians who can assemble Iron Man. Koreans just need to assemble parts and there is no need to manufacture parts.

In other words, the core and helmet with main technology among the parts of Iron Man are directly manufactured by the US headquarters and imported from them, and the rest of the suits, boots, gloves, and batteries manufactured in Germany and France are imported in parts from the German port. After that, assembling imported parts from different countries in Korea would be most efficient.

However, customs clearance can be done with one item number that must be imported to Korea and constitute the finished Iron Man product. Otherwise, customs clearance must be made with the item number of each part, which complicates the item number and tariff rate.

In Korea, in order to be recognized as a finished product, Iron Man, a product that is intended to be imported by parts, can use the release prior to the acceptance system for divided imported products under the Customs Act. The release prior to the acceptance system has been made available only when the

exporting country checks if the products have the specification of finished products for 10 years and all parts are exported from one port.

In other words, when parts are manufactured in two or more countries and shipped from two or more ports, guidelines have been in place to prevent the use of the release prior to the acceptance system..

In other words, only when parts are sent to one of the shipping ports of the US, Germany, or France, and the parts are collected and checked to make sure they are finished products, the release prior to the acceptance system can be used.

Moving from LA Long Beach Port to Hamburg Port and vice versa is not easy.

Moving directly to Korea saves money, but moving from the United States to Germany or vice versa costs a lot. Even without the cost and the time that it takes to find a ship or land transportation, 100 vehicles will cost about 11 billion dollars. If you calculate only 1% of the cost, it costs 100 million dollars.

In a situation where international transportation costs have risen due to sharp rises in oil and natural gas prices, and it is difficult to find ships and flights due to the Covid-19, the question arises if it is absolutely necessary to ship from one port to use the release prior to the acceptance system.

If parts imported separately from foreign countries can be assembled into the finished product, Iron Man, in Korea, why do we need to check the specification of the finished product at one shipping port?

The Customs Act confirms the taxable items depending on the characteristics and the quantity at the time of import declaration. The question arises whether it is an efficient way to confirm that the goods are finished products in the exporting country, and move them to a single port of shipment for export.

What are the benefits of using one port of shipment?

If the paradigm of the customs policy is to block illegal goods while maintaining expedited customs clearance so that companies can save money and time in a situation where the companies cannot find a

ship due to soaring raw material prices and skyrocketing freight rates, then it is necessary to check to see if the operation of the releasing prior to the acceptance system also fulfills that policy.

The releasing prior to the acceptance system is just an import clearance system that is not often used since it is mostly used in the case of large bulky or heavy cargo, but it is inefficient that companies need to extend the transportation route further by requiring only one port of shipment. Allowing imports directly from ports of manufacturing countries to Korean ports is considered to be in line with the paradigm of customs policy.

3. The private sector and customs share the customs paradigm as the non-face-to-face meeting quickly ends.

As non-face-to-face communication became commonplace due to the Covid-19, many conversations between customs and companies have been cut off for more than two years. Since the customs and companies are used to thinking in their own ways, it is expected that there will be considerable distances in having a common ground.

There may be many cases that have been determined by pre-corona experience, by discovery of past cases, or by one's own personal knowledge.

First of all, the cases are increasing that the customs paradigm within Korea is shared so that companies, customs brokers, and members of customs can agree. Also China, Vietnam or Mexico can no longer function as a factory that supplies low cost products, and as sanctions and cost burdens are increasing, the number of cases in which reshoring is considered domestically is increasing

However, although the conditions to actively induce reshoring are insufficient, efforts should be made to establish a customs system that meets global standards in order to attract investment from high-tech companies and to stimulate return to Korea.

It is discovered that Korea, which has introduced customs administration in developing countries and OECD countries with the vision of first-class customs and advanced customs administration since 2000, has its own unique system that deviates from global standards in some areas.



Even unreasonable things become common at some point after a lot of time has passed because it is human nature to endure such things. However, if those unreasonable things repeat, it is difficult to leap into a developed country and it is not easy to recognize that there is a problem in the system.

Finding and improving inefficiencies and irrationality in detail is a step toward advanced countries, and the role of private experts and public officials is absolutely necessary in this process.

Russia, China, Japan or the USA may have policies that prioritize their own country's interests first. However, for us, it would be more beneficial to leap into the developed country by preparing and implementing a tariff system that meets global standards faithful to the WTO and Kyoto Conventions.

If you don't move forward, you end up moving backwards.

Severe logistics delays are occurring again as China says that clothing entering Shanghai is also tested for Covid-19 virus and personnel involved in international transportation are also restricted from moving. China should be persuaded by major countries, including Korea since China is making unreasonable demands without any basis. In the case of the mask shortage in 2020, Korea also did not lift the mask export restrictions for several months even if production increased during the mask shortage crisis.

In the end, everything will be resolved and a balance will appear over the years, but it is not right to tolerate now because it achieves a long-term balance. In the long run, we all die. A typhoon is coming, but after the typhoon passes, peace comes again.

However, in a moment of crisis, it is necessary to find the best and put it into practice quickly. If the operation of release prior to the acceptance system is found to be unreasonable, it needs to be fixed as soon as possible.



FTA News

Key Check Points for effective use of RCEP

RCEP with 15 countries participating, the world's largest MEGA FTA

The Regional Comprehensive Economic Partnership (RCEP) is the world's largest MEGA FTA, spanning about 8 years from launching to signature. It has the significance in that this makes it easier to receive tariff benefits by unifying regional rules among member countries and allowing accumulation of origins. As of January 1, 2022, this RCEP took effect initially in 10 countries, including some ASEAN countries and China and Japan. In Korea, the RCEP officially took effect on February 1st followed by Malaysia on March 18th. This RCEP is being put into effect sequentially by most participating countries



Lee Woo-Seul
Customs Officer
wslee@shcs.kr

[PROFILE]

- Shinhan Customs
- FTA Consulting
- Customs Refund
- customs clearance

RCEP uses the same criteria for determining origin among member countries for the same item and allows the accumulation of origin, so that the recognition of regional origin can be done more than other existing agreements. However, since each member country differently stipulates the criteria for recognition of the RCEP certificate of origin and the concession tax rate for each item, and also the RCEP entry period is different for each member country, it is necessary to accurately understand the specifics of the country that intends to use the RCEP and Korea's RCEP operation guidelines. In the following, the main points to consider when using RCEP in Korea will be introduced.

I. CHECKPOINT for Certificate of Origin Determination

RCEP agreement related to the rules of origin stipulates the criteria for determining the origin for a total of 5,205 HS CODEs. In addition to the criteria for determining the origin of each item, it also stipulates special regulations such as accumulation and micro-standards. The criteria for determining the country of origin for each item are similar to those stipulated in other agreements, but the following special matters need to be considered.

1. HS Version of Origin Determination Criteria for Each Item

- Due to the difference between the negotiation period and the effective date of the FTA agreement, the HS version in the agreement and the current HS version may differ. RCEP uses the HS 2012 version of the country of origin determination criteria for each item, and will be revised to the current HS 2022 through negotiations between member countries. So when checking the origin determination criteria for each item, it is necessary to check them based on the HS 2012 version.

2. Exceptions to the cumulative standard

- In the case of RCEP, material accumulation takes effect immediately after the agreement enters into force, and complete accumulation (accumulation of process and added value) will be reviewed from the date the agreement enters into force by all member countries. In the case of using accumulation, there has been no agreement made on the method of verifying the origin of the

accumulated material and supporting documents up until this point. According to the 'Guidelines for customs administration following the entry into force of RCEP' announced by the Korea Customs Service in January of this year, it is recommended to secure RCEP certificate of origin for products that are to be accumulated for stable application of preferential treatment.

- In addition, when calculating 'whether 20% or more of the total value of the exported goods has been added to the exporting country', which is an additional requirement for sensitive goods (goods subject to tariff discrimination) according to Annex I of the Agreement, it should be noted that only the material of the exporting country, not the material from another country, are considered in calculating for the added value.

3. Whether direct transport is satisfied

- As with other agreements, RCEP does not acknowledge the origin status for goods that are not transported directly from the exporting country to the importing country. When determining whether direct transport is satisfied, it is important to note that other RCEP members other than the exporting and importing parties are treated the same as non-parties.
- However, if the transit cargo meets all of the following requirements, it is recognized as an exception and is considered as direct transport. However, in order to be recognized that the following requirements are met, the importer must submit the documents required by the customs authority of the importing country (air waybill, bill of lading, non-manipulation certificate, etc.).

- 1) No process other than unloading, reloading, storage or any other process necessary for the preservation of the goods in good condition or transport to the importing Party is carried out in passing through transit Parties or non-Parties;
- 2) Goods must be under the control of the customs authority in passing through Parties or non-Parties.

- Also, according to Article 3.19 of the Agreement (Back to Back Certificate of Origin), the issuing agency or certified exporter of the passing through country may issue a Back to Back certificate of origin. However, in this case, all of the following requirements must be satisfied, and the verification procedure of Article 3.24 of the Agreement is applied equally to the Back to Back certificate of origin.

- ① Present the valid original certificate of origin
- ② The validity period of the Back to Back certificate of origin is within the validity period of the original certificate of origin
- ③ The Back to Back certificate of origin includes information on the original certificate of origin in accordance with Annex 3-B of the Agreement
- ④ Except for repackaging or unloading, reloading, storage, logistics activities such as separation of consignments or labeling limited to cases required by the laws, regulations, procedures, administrative decisions and policies of the Party of import or any other process necessary to preserve the goods in good condition or to transport them to the Party of import, consignments to be re-exported using a Back to Back Certificate of Origin shall not undergo further processing in the passing through transit Party.
- ⑤ In case of partial export shipment, the divided export quantity shall be presented in place of the total quantity of the original certificate of origin, and the total quantity re-exported according to the partial shipment shall not exceed the total quantity of the original certificate of origin.
- ⑥ Include the date of issue and issuance number of the Certificate of Origin in the Back to Back certificate of origin.

II. CHECK POINTs related to Tariff discrimination

RCEP related to tariff discrimination is an agreement between 15 member countries. But since each party prepares a tariff schedule for each member country individually, the tariff rate may vary depending on the exporting country even for the same item. For this reason, tariff discrimination requirements are stipulated to prevent detour exports through countries with favorable tax rates.

1. Customs Discriminated General Items

- Items for which the importing party has designated different tariff rates for imported goods for each exporting country are called customs discriminated general items. The exporting country needs to conduct the additional process other than the minimum process to be recognized as the origin.

2. Customs Discriminated Sensitive Items

- Items stipulated in Annex I Appendix of the agreement by importing party are called customs discrimination sensitive items. For HS CODE stipulated in Annex I Appendix, added value of 20% or more of the total value of exported goods must occur in the exporting country. Currently, only Korea,

Indonesia, Malaysia, the Philippines, Thailand, Vietnam, China, and Japan are operating sensitive items. When exporting/importing to/from those countries, the verification procedure is needed to check if the handling items are sensitive items.

III. CHECK POINTs related to the Certificate of Origin

1. RCEP Certificate of Origin Issuance Method

- The RCEP Certificate of Origin is divided into ① an institution issuance, ② Self-certification by certified exporters, and ③ Self-certification of exporters and producers (completely voluntary certification). Only institutional issuance and self-certification methods by certified exporters are recognized in Korea. Thus, in the case of a self-certified certificate of origin, it is necessary to check whether the certificate of origin is written by a certified exporter.
- Also, according to the 'Guidelines for Customs Administration Following Enforcement of the RCEP', considering that the standard format for self-certification has not yet been agreed upon among member countries, the temporary use of an institution-issued certificate of origin is recommended. The standard form will be announced through the FTA portal site of the Korea Customs Service in the future.

2. Timing of application of agreed tariffs

- The effective timing of RCEP differs for each member country, and in Korea, RCEP tariffs can be applied to goods declared for import from February 1, 22, when the agreement enters into force. However, for goods subject to the transitional regulations below, the application for the tariff agreement application must be made by July 30, 22, and the certificate of origin must be prepared after February 1, 22 (the effective date of the agreement in Korea).

<Items subject to transitional regulations>

At the time the agreement with Korea enters into force,

- ① goods in transit,
- ② goods stored in a bonded warehouse, or
- ③ goods in the Free Trade Zone under subparagraph 1 of Article 2 of the 「Act on Designation and Management of Free Trade Zones」



RCEP is a mega FTA that accounts for one-third of the population, trade scale, and gross domestic product (GDP) of countries around the world. Korea's exports to RCEP member countries account for about half of its total exports. While understanding the precautions related to the use of RCEP and responding systematically to the verification of origin in the future, if RCEP, the MEGA FTA is used strategically at the same time, it is expected that the tariff benefits of Korean import and export companies will be maximized.

*Reference: The text of the Regional Comprehensive Economic Partnership (RCEP) Agreement, the Customs Administration Operational Guidelines following the Enforcement of the Regional Comprehensive Economic Partnership (RCEP) (202.01)



Inside Vietnam

New Guidelines on Operating Conditions for EPE Companies

After the Decree 18/2021/ND-CP that includes the conditions required for companies preparing for EPE or existing EPE companies was announced in March last year, additional guidance on related conditions and procedures has been announced several times. But there are still many questions and uncertainties that confuse companies and front-line customs.

According to Article 28a(1) of Decree 18/2021/ND-CP, the three conditions that an EPE must meet are as follows:



Jong Ho Shin

Head of ShinHan Vietnam

Customs Broker

jhshin@schcs.kr

[PROFILE]

- Shinhan Vietnam Customs
- Import/export customs clearance
- FTA Consulting
- Customs Refund
- company review

① The EPE and the outside must be separated through a Hard Fence and the entrance of the cargo should be made only through the designated entrance.

② A camera system (CCTV) must be installed at all places, warehouses, and exits where tax-free cargo is stored, and the camera must be connected to the information network of the customs authority.

③ Software suitable for managing tax free products must be introduced and used. These conditions for a hard fence or camera have caused many questions for ambiguity in practical application. In particular, when several EPE companies are located in the same area, or when an EPE company shares a factory or manufacturing facility with other companies, issues such as how a hard fence should be built or where the camera should be installed have been continuously raised. In this regard, GDC provides detailed guidelines once again through Official Letter 135/TCHQ-CNTT and Official Letter 697/TCHQ-GSQL.

1. Conditions related to hard fence (external bulkhead)

If only EPE companies exist in a specific EPZ (export processing zone) or EP zone inside an industrial complex or economic zone, it is stated that the external bulkhead is not required for each company but is required for the entire EPZ or its compartment. If a company other than EPE is operating in the compartment, the external bulkhead is required for each EPE company.

In a more complicated case, it stipulates when an EPE shares an entrance or factory with another EPE, the "external bulkhead" must include the shared space or goods. When an EPE shares a factory with non EPE companies, the external bulkhead must exist outside of the EPE companies.

In other words, if there are only EPEs in a specific area, it is okay to install external bulkheads at the regional level. Otherwise, it is necessary to install and manage external bulkheads for each individual EPE.

2. Installation of the camera system (CCTV)

The camera system should be installed at the storage area of the product and the entrance. Storage areas for items include: Warehouses where raw and subsidiary materials, semi-finished products, equipment, scrap, etc. other tax-free goods are stored, or outside areas. However, for production areas or places for production support such as offices and cafeterias, the installation of the camera is not required.

The camera must be installed at the entrance and exit of the EPE and warehouse, and must be connected to the customs office in charge of management. EPE companies must ensure that the installed cameras record and photograph the registration number plates of all vehicles, including trucks and containers. The camera should be set so it can check the situation when cargo is unloaded and loaded from the vehicle and the overall status of the warehouse.

The EPE must inform the customs authorities about the status of data stored and how to access it. The images stored by the camera must be able to be accessed and connected to the customs office, and the EPE company must keep them for at least 12 months. Customs officials may be provided with image information held by EPE at any time they want. When it comes to security, both parties are responsible. Customs and EPE companies must make an agreement on the security of information, and the customs office must designate and announce the person responsible for monitoring EPE's information.

3. With respect to management responsibilities when there is a subordinate branch of EPE

When there is a subordinate branch of EPE (subsidiary, branch, etc.), EPE incentive may be applied but all EPE conditions must be met. (It must be installed in the EPZ, industrial complex, etc., and all transactions must be managed and recorded in the EPE's accounting management system in an unclassified state.)

If the EPE and the customs office that the subordinate branch to the EPE belongs to are different, with the agreement with the headquarters customs office, the customs office may request a physical inspection from another customs office. Meanwhile, the customs office that made the agreement with the headquarters customs office is responsible for all aspects of the activities and monitoring management of the EPE headquarters and subordinate branches.

I explained the newly announced guidelines for meeting the conditions for establishment of the EPE company. If an EPE company is not well prepared for the conditions mentioned in the Decree announced last year and this Official Dispatch, the company should prepare quickly to meet the conditions. When the



Decree (Enforcement Decree) is announced, the grace period mentioned is one year from the effective date. So according to the provisions of the Enforcement Decree, the grace period is until March of this year (March 2022). From April, the incentives in import/export customs clearance procedure and tax-free policy may be suspended for EPE companies that did not meet the conditions.

We will continue to inform you about the situation in Vietnam in relation to the conditions for EPE companies and customs measures depending on whether they are satisfied.



Customs Trade Related Law Changes
**Partial Revision of 『Enforcement Rules
of the Customs Act』**

[Reason for revision]

The Customs Act and the Enforcement Decree of the same Act are amended with the contents that postal items that are exported as they are imported are subject to a refund of customs duties, and the matters related to reexamination of anti-dumping duties have been raised from the Ordinance of the Ministry of Strategy and Finance to the Presidential Decree. In line with this, the scope of postal items that are exported in their imported state subject to customs refund are revised, and regulations stipulating matters to be investigated for reexamination of anti-dumping duties are revised. The scope of the events for international competitions subject to customs exemption is adjusted. The price calculation method for small-value goods exempt from customs duties is specified. The limit on purchases at bonded stores for Koreans is abolished and rare disease treatment drugs subject to tariff exemption are expanded. It is intended to determine the matters necessary for its implementation of the Enforcement Decree.



Kang Ga Ram

Customs officer

grkang@shcs.kr

[PROFILE]

- Shinhan Customs
- Company review and evaluation
- FTA Consulting
- Item classification

[Major Revisions]

A. Revision of regulations on reexamination of anti-dumping duties (Current Articles 20 (2) and deletion of 31 (2))

As the investigation matters necessary for reexamination of anti-dumping duties have been raised from the Ordinance of the Ministry of Strategy and Finance to the Presidential Decree, the relevant regulations are revised.

B. Adjustment of the scope of events such as international competitions subject to tariff exemption (Article 43 (2) 2, current Article 43 (2) 3 through 6 deleted)

To events such as international competitions subject to tariff exemption, the 2023 Saemangeum World Scout Jamboree will be added, and events that have already been completed, such as the 2018 Pyeongchang Winter Olympic Games will be revised.

C. Specification of product price calculation method (Articles 45 (2) 1 and 79-2 (1))

The method of calculating the price for small price goods that are tax free and the price of consignment goods that can skip the import declaration is clearly determined by making the price minus the freight and insurance premiums.

D. Scope of Postal Items Subject to Customs Refund (New Article 58-2)

Items subject to customs refund as postal items that are exported as they are imported are defined as goods whose declared export value is 2 million won or less.

E. Abolition of purchase limit on purchase at bonded stores by Koreans (Delete the Current Article 69-3)

The price limit for the bonded store operators who can sell to Koreans that are traveling overseas is abolished.



F. Expansion of rare disease treatment products subject to tariff exemption (Appendix 2, Item 2 B)

Treatments for use in patients with generalized myasthenia gravis or neurofibromatosis type 1 have been added as subject to tariff exemption.

[Effective Date]

March 18, 2022



Customs Case

The Disposition of Disposal Agency that Collected the Tax Refunds for the Claiming Corporation Has Received Excessive Tax Payment Certificate on Raw Materials (2020, 0095)

1. Facts

- The claiming corporation imports primary products (hereinafter referred to as 'raw materials at issue'), manufactures finished products through moisture removal and crushing, etc., and then exports or sells them in Korea. Certificate of tax payment on raw material has been issued so the tax refund can be made on the exported items in accordance with the Act on Special Cases for Customs Refund on raw materials for import/export (hereinafter referred to as "Act on Special Cases for Customs Refund), and for the products that have been sold domestically, the company that is supplied with the product can receive customs refund.



Han Seung heon
Customs Officer
shhan@shcs.kr

[PROFILE]

- Shinhan Customs
- Import/export customs clearance
- Customs Refund
- Item classification

- From a customs investigation conducted on the claiming corporation from July 1, 2019 to November 28, 2019, the disposition agency concluded that the claiming company claimed the raw material at issue was used and received the certificate of tax payment on raw materials even though the raw material at issue was not actually used in the manufacture of the item in question. The customs refund and additional dues on excessive tax refund was notified and imposed on the claiming corporation.

2. Judgement

(1) Claimant's argument

- The import price of raw materials and the sales price of finished products are determined according to the content of ingredients and the futures price. The total required amount for each export differs depending on the sales price or recovery rate based on the ingredient percentage. For this reason, a corporation selects the 'method for calculating total requirements for each export case' in accordance with Article 5 of the 「Notice on Calculation, Management and Examination of Requirement」 (hereinafter referred to as "Requirement Notification") to calculate the required amount, and then receive a customs refund.

- The raw materials for the finished products at issue have the identical item number (HS number), customs rate, specifications and characteristics. The claiming corporation does not separate and manage the raw materials in question when receiving them, and puts them into the production of finished products regardless of the content of raw materials. In order to satisfy the content rate of 50-55%, it is necessary to mix the produced products. As a result, the disputed products supplied to OOO were produced by mixing the raw materials at issue with different content of raw materials.

- The claiming corporation insists that, per the import declaration certificate attached by the claiming corporation when applying for customs refund, the raw material in question is 'same raw material' that can be used interchangeably with the raw material actually used in the manufacture of the article in question, and

the raw material in question meets the required quantity of the article in question. Thus even if customs refunds are permitted, there is no reason for the claiming corporation to get the excessive refund unreasonably.

(2) Claims from Disposition Agency

- The claiming corporation has reported to the disposition agency the method of calculating the required amount as the 'method of calculating total requirements for each export case.' However the claiming corporation did not calculate the required amount accurately and applied for a customs refund. Therefore there is no ground for claim that the claiming corporation should be refunded for the export regardless how much of raw materials were used in the exported products.

3. Conclusion

As a result of the trial request, it seems that the raw materials are mixed and processed to meet the content (50~55%) requested by the customer. To apply 'the calculation method for total required amount for each export', there are no separate regulations or guidelines on how to manage the required raw materials, such as that the imported raw materials that are actually used must be specified for each export. With the tax refund principle, in the range of total used amount of raw materials at issue for production, it would be possible to apply for a refund if it is within the export period. But in this case, it does not seem that the total amount of use for the item in question was calculated excessively. In this case, it was judged that the disposition that a certificate of payment has been issued unfairly to the claiming corporation for the item in question was erroneous.

4. Implications

Among the additional collections resulting from the customs investigation by the Korea Customs Service, additional collections in the export refund sector are occurring in a large portion. Companies that import raw materials for export, process them, export them, or supply them domestically can avoid additional collection by using the 'requirement pre-examination application system'.

This system refers to a system in which the amount of raw materials (required) used for the production of export goods is reviewed in advance by the head of the customs office prior to applying for a customs refund. If this is used, there is a benefit that the post-refund collection can be avoided.

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