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# ZOOM IN TRADE

SHINHAN Customs Service Inc.



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# People Are Hope\*

**Grace Chang**

CEO/Customs consultant

“  
I am your hope.  
You are our hope.  
We are the hope.  
”



「Sustainability report 'People are Hope」 has arrived from a customer. This is the 18th report that started in 2006 and has been continuing till now.

With the motto of 'People are Hope', the company puts people at the center and strives to enhance the company's sustainability and competitiveness. The company's vision is 'We act for daily life, health, and the global environment'.

*Ideal and Reality for this month is 'Tax Legalism', Analysis on Recent Customs Judicial Precedent covers 'Should Glass Products with Prism Pattern Processing Combined with Photovoltaic Modules be Classified as 'Parts of Photovoltaic Modules' (No. 8541) or 'Other Safety Tempered Glass' (No. 7007)?', and HS case solved by logic reports 'Item classification of nasal catheter (cannula)' and Global Customs Insight is 'SHINHAN Customs Corporation Vietnam & Code Systems, Data Analysis/RPA[1] Vietnam FTA Origin and Customs Risk Management Plan Briefing Session Using Technology', and FTA and import/export practical business guide is 'Information on Vitality Support Program for Small and Medium-Sized Import and Export Business', Contents and Opinion of Customs Trade amendment Covers 'Partial Amendment of 'Foreign Exchange Transaction Regulations」*



The vision of Shinhan Family including Shinhan Customs Corporation is 'Experts work together for the growth of our customers and provide the best service with sincerity'. In other words, 'We Make the Difference for Your Successful Business' People can help other people. When people work together, people can achieve good. This is the world many people dream of.

There is a saying "It takes a whole village to raise a child". The whole village cooperates not only in raising my own children, but also in raising the children of other families in the village. Children who were raised with the help of good adults besides their own parents grow up to be adults who can help and cooperate with each other among their peers.

The company's dream is also to help people. Many companies try to help people by making good products or providing good services. In the midst of companies' efforts, side effects may occur. Some business owners become too greedy. Even so, the entire enterprise should not be criticized because of the immorality of some companies.

The fear of 'motiveless crimes' is spreading. Experts discuss why these crimes happen and what to do to prevent them. Even in the past, crimes in dark alleys and remote places have occurred. But recent crimes that occur in fits and starts in broad daylight in crowded places are new to us. In the dark, personal grievances grow into anger. Uncontrolled anger that did not find a helping hand is expressed toward the random target.

Many criminals are mentally ill. The sick can be relieved by the development of medicine and the improvement of medical policy. Another crime comes from loners who are isolated from society. People living in seclusion with dissatisfaction with society are at the heart of this issue. The man who committed the crime said "I have been living a miserable life, so I wanted to make others miserable too."

I hope to shed a light of hope on these people. Before looking for a target to blame, we must first seek and hope for a solution because 'The only point at which a new world becomes impossible is when we stop hoping'\*\*

Fiercely competitive society, extreme polarization, economic recession, etc...It is not a problem that one individual can change. However, it is a problem that one individual must start to change. A warm world in which people cooperate and help each other is a dream that cannot be reached if we wait for others to change first. This can be done only when I lay a new path first and our company first acts as a good company.

I am your hope. You are our hope. We are the hope.

*'Love your neighbor as yourself'* -Matthew 22:39

Thank you.

### 꽃피는 말\*\*\*

박노해

우리 시대에  
가장 암울한 말이 있다면

“남 하는 대로”  
“나 하나쯤이야”  
“세상이 그런데”

우리 시대에  
남은 희망의 말이 있다면

“나 하나만이라도”  
“내가 있음으로”  
“내가 먼저”

\*Yuhan-Kimberly, People are Hope: 2023 Yuhan-Kimberly Sustainability Report (Seoul: Yuhan-Kimberly, 2023)

\*\*Zygmunt Bauman, Hope, Duty of the Living: Interview with Zygmunt Bauman (Seoul: Gungri, 2014), 532.

\*\*\*Park Nohae, Only a Person is Hope (Seoul: Slow Steps, 1997), 60. 61.





## *Ideal and Reality* **Tax Legalism**

Article 38 of the Constitution of the Republic of Korea stipulates that “all citizens shall bear the duty to pay taxes as prescribed by law,” and Article 59 stipulates that “types of tax and tax rates shall be determined by law.” Tax legalism, along with tax egalitarianism, is a basic principle of national tax law that the state cannot impose taxes without legal grounds and the people are not required to pay taxes.

The core of tax legalism is the statutory principle of taxation requirements and clarification of taxation requirements. The statutory principle of taxation requirements means that tax requirements such as taxpayer, taxable object, tax base, tax period and tax rate, and tax imposition, collection, and procedures must be determined by the National Assembly by law. The clarification of taxation requirements refers to the principle that the contents of the regulations should be clear and univocal, since an unclear abstraction may lead to arbitrary interpretation and execution by the tax authority.



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The ideology of tax legalism aims to guarantee the people's property rights by stipulating tax requirements by law, and to ensure the legal stability and predictability of people's lives by clarifying taxable items.

#### **Rigorism**

As a standard for interpreting the tax law, strict interpretation can be said to be a literary interpretation in general terms, and the strict interpretation standard cannot be applied in the case of unintended legislation by the legislator or when there is a legislative error. Applying strict interpretation means interpreting according to the text of the law 'unless there are special circumstances' and not allowing extended or inferential interpretation 'without a reasonable cause'.

#### **Substantial Taxation**

The article 11, Paragraph 1 of the Constitution of the Republic of Korea stipulates, 'all citizens are equal before the law. No one shall be discriminated against in all areas of political, economic, social and cultural life based on gender, religion or social status. Taxation egalitarianism is the tax legal expression of the constitutional principle of equality or non-discrimination. One of the legal systems to practice with tax egalitarianism is the principle of substantial taxation in Article 14 of the Framework Act on National Taxes. However, the Customs Act does not specifically stipulate the principle of substantial taxation.

#### **Tax Legalism and Substantial Taxation**

There is a contradiction between the principle of tax legalism that must be based on the tax law and the substantial taxation that impedes fairness among taxpayers in terms of economic substance even if there is no specific tax basis in the tax law. Substantial taxation, a practical plan for the principle of tax fairness, is a useful concept that enables realization of the realm of fairness that tax legalism cannot achieve, and ultimately strengthens tax legalism. In redefining the concept of tax legalism and substantial taxation and setting the boundaries for harmonious interpretation, substantial taxation should be used as a useful tool to respond to the rapidly changing tax environment. Tax legalism should

have a precedence and be used with restriction in the range of not undermining the trust of tax authorities.

### **Application of Customs Law**

When summarizing the interpretation of customs duties, tax trials, examinations, and court decisions, the priority of tax legalism and the principle of substantial taxation is often confused, and moreover, there are many cases in which interpretations are overly arbitrary or authoritative. After all, this part is a disagreement between the tax office and the taxpayer, but it appears there are more cases these days.

In order to prevent errors in interpretation or application of the law by the person in charge at the tax office, the taxpayer protection committee, review committee, product classification committee and council, and tax adjudication committee are operated. There is also an approval line from the person in charge, team manager, department head and to the head of the institution. However, it has been reported that taxpayers experience many cases in which if the person in charge of the case does not approve the case, the case gets stuck and the problem does not get resolved. Not only the taxpayers but also many executives of the tax office are aware of this.

If a taxpayer is treated unfairly due to someone's misinterpretation or misjudgment, a superior or committee of the tax authority should take an active role in resolving the problem. However there are many cases in which the superior or the committee sides with the person in charge or leads to a lawsuit, which results in the heavy expense to the taxpayer, and eventually causes the taxpayer to give up. Wrong interpretation or application will be corrected by someone someday, but in the meantime, many ignorant and weak minded taxpayers give up without being able to resist the pressure of the tax office.

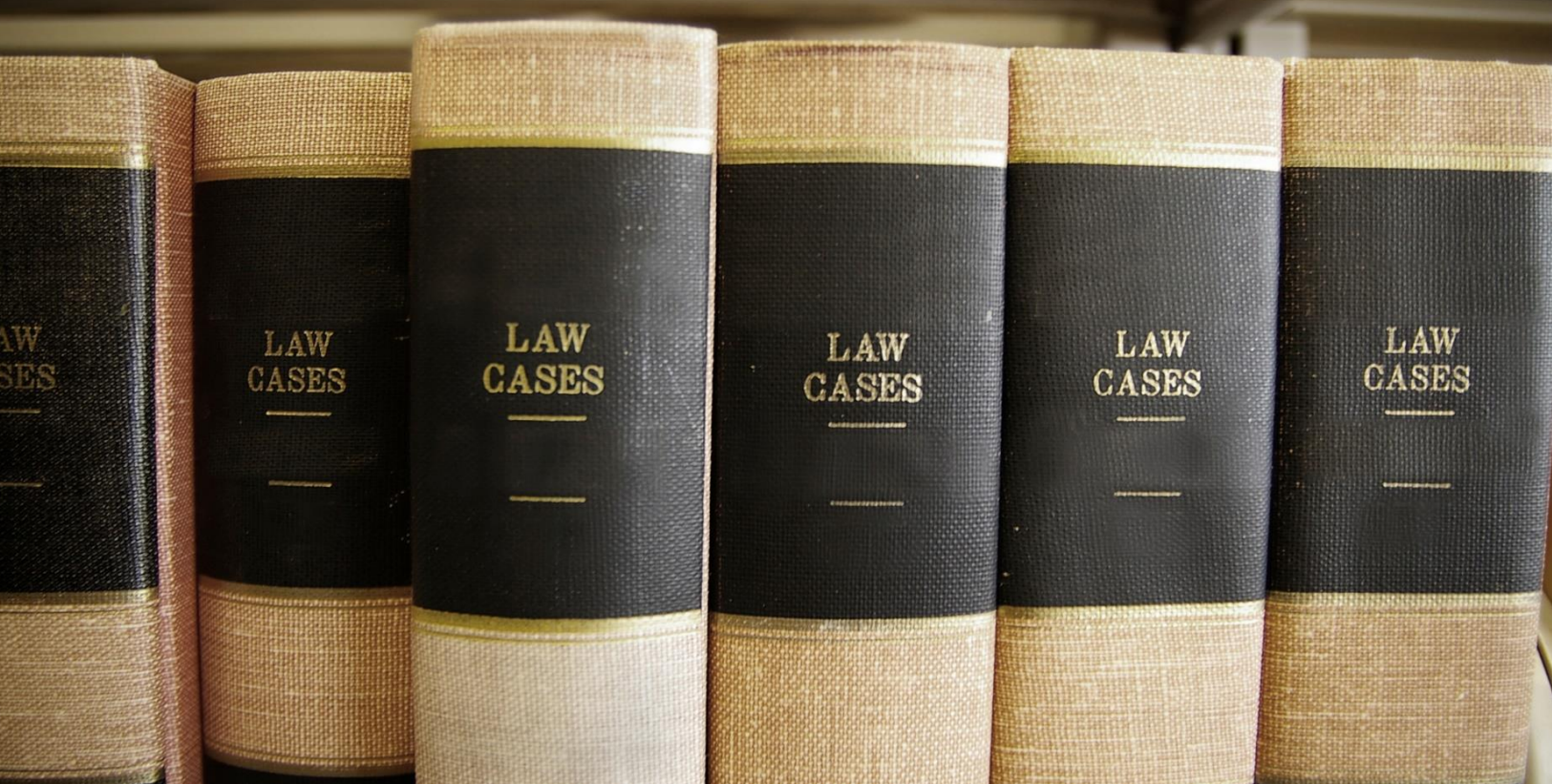
The tax authority should be aware that tax legalism is superior to substantial taxation, and should always check and correct any application of authoritative interpretation, arbitrary interpretation, or expedient bylaws. It is not right to make a new shortcut or take a detour without correcting the wrong decision as if one's decision is changed once, it will leave a big stain on the organization. In the process of finding the right path and working together with the tax authority and the taxpayer, members who judge that the tax authority's decision is right without reservation should be excluded from various committees as soon as possible. In order to appoint a person who has great practicality and theory in the relevant field, does not care about the appointee's evaluation, and expresses his or her own opinion according to his or her conviction as a member or executive, the recommendation process must be further improved. It is





important to keep in mind that the damage to taxpayers who suffer from misjudgment by the person in charge is indescribably great.

Just because a tax notice has been issued once and an objection is filed, it is not necessary to go to the end. It would be nice if both parties admit their mistakes and acknowledge each other's point. In this process, the role of committee members and middle managers is the greatest, and the role of customs brokers representing taxpayers is also very significant. Tax equality and advanced customs administration can be achieved only when there are more people who flexibly study and self-correct until the day they quit their jobs.



*Analysis on Recent Customs Judicial Precedent*

**Should Glass Products with Prism Pattern Processing Combined with Photovoltaic Modules be Classified as 'Parts of Photovoltaic Modules' (No. 8541) or 'Other Safety Tempered Glass' (No. 7007)?**

**[Decision summary]**

The item at issue is a product with double AR coating that lowers the reflectance of light and prism pattern processing that refracts light in addition to the thermal strengthening process. This processing appears to be beyond the scope of tempered glass and specifically designed and processed for photovoltaic modules. Classification under 8541.90-9000 is appropriate.

**[Facts]**

The claiming corporation imported the item at issue from April 2017 to February 2022, and considered the item at issue as 'other safety-tempered glass'. It was reported as Statistical Integrated Classification Table (hereinafter referred to as "HSK") No. 7007.19-1000, and the disposition agency accepted it.



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In April 2022, the claiming corporation filed a rectification request with the disposition office to seek a refund of customs duties and VAT, saying that the item at issue falls under HSK No. 8541.90-9000 (0% concession tariff rate) 'parts of a photovoltaic module'. The disposition office rejected this request.

The item at issue is a low-iron reinforced glass cover with optical coating and prism pattern formed on general glass to be attached to the front of the photovoltaic module and used exclusively for solar power generation that converts sunlight into direct current electricity to generate electricity.

The item at issue was coated with AR (Anti-Reflective) and the iron content was lowered to below OOO to increase the transmittance of light, and was manufactured to form a prism pattern that refracts light to increase the degree of light condensation. The item at issue not only transmits light by being attached to the photovoltaic module, but also protects the module from external shocks or foreign substances. The claiming corporation argues that when general tempered glass is attached to a photovoltaic module, light loss happens, which leads to the shortage of the minimum power generation efficiency. This could cause malfunction of the module and it could not perform its normal functions,

**[Judgment]**

The disposition agency said that the degree of processing of the item at issue was not processing beyond the scope of tempered glass in the tariff rate table No. 7007, and was not presented together with other items (solar cell modules) at the time of import, and was a rectangular plate-shaped glass that cannot be regarded as an item with a shape that can only be used as a part of a specific product.

The item at issue is a product that has undergone double AR coating to lower the reflectance of light and prism pattern processing to refract light in addition to the heat strengthening process. This appears to be the processing beyond the scope of tempered glass in the tariff rate table No. 7007, which is when

broken by the shock, the broken pieces are not sharp and are broken into small pieces, reducing the risk of injury due to fragments. The item at issue is cut, chamfered, double AR coated, prism pattern processed with specific measurements, shapes, and thickness to be used as parts for photovoltaic modules only, and it has been specially designed and processed according to the amount of power generation designated from the time of design. It seems difficult to perform the normal function of the photovoltaic module without the item at issue, and no case has been confirmed that the item at issue has been used for other purposes such as construction and interior materials. In view of the fact that it is difficult to see that the item at issue, which is expensive compared to general tempered glass, has general versatility. The item at issue is strengthened by additional processing of an item made of tempered safety glass to be dedicated to a specific photovoltaic module in addition to the thermal strengthening process for safety. Since it can be seen that the characteristics of glass have been lost, it seems reasonable to classify it under HSK No. 8541.90-9000 according to Rules No. 1 and No. 6. This disposition of denying the request for correction considering the item at issue as general tempered glass appears to be in error.

### **[Opinion]**

This is a case in which general materials and parts of a specific product compete for item classification, and it is a case of judgment on the degree of processing and “only or mainly” to classify as a part of a specific product.

### **[Reference]**

Ordinance review 2022- 0112 (04.18.2023)





*HS case solved by logic*  
**Item classification of nasal catheter (cannula)**

### **1. Overview**

Class 90 covers medical devices and similar devices used in medical practice. Among them, items such as catheters and cannulas are included in Class 90, which means thin tubes inserted into body cavities, trachea, etc. That is, the corresponding item is a tube made of rubber, plastic, or metal used to extract the contents of the digestive tract, bladder, or blood vessel, or to inject drugs, etc., and is widely used in medical practice. One of the items registered in the Notice of Change in Item Classification, heading 2023-46, is a nasal catheter used to supply oxygen, and the nasal catheter will be addressed in this article.





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## 2. Item Classification Review

(1) HS CODE to be considered

HS CODE	heading 9018.39-2000	heading 9019.20-2000	heading 9019.20-9000
<b>tariff</b>	Basic tax rate 8% 8% WTO agreed tariff	Basic tax rate 8% 0%WTO agreed tariff	Basic tax rate 8% 0%WTO agreed tariff
<b>import requirements</b>	Medical Device Act	Medical Device Act	Medical Device Act

(2) issue

Heading 9018 classifies medical devices such as medical, surgical and dental devices. Heading 9018-2000 especially specifies a catheter.

Heading 9019 covers other therapeutic respirators, such as ventilators and oxygen inhalers, other than those of heading 9018. Subheading 9019.20-2000 covers oxygen inhalers, and subheading 9019.20-9000 covers parts and accessories for therapeutic respirators.

That is, catheters are specified in heading 9018.39-2000, but medical-related devices that affect breathing and inhalation are stipulated to be classified under heading 9019. Also even within the heading 9019, the breathing devices and the parts and the attachments have specific HS codes. Therefore, the classification of nasal catheters must be specific.

(3) Classification of item at issue

Items with changed HS codes in Item Classification heading 47281-589 (Customs Service, determined 03-06-13) are nasal cannulas and oxygen catheters that are connected or inserted into the patient's nostrils to help supply oxygen and breathe. Even though nasal treatment devices and catheters are included in heading 9018, the change was notified to heading 9019 because the relevant items have essential characteristics and roles to supply oxygen and assist breathing to patients. That is, the catheter and cannula of heading 9018 are items for the purpose of injecting or discharging contents by inserting them into internal organs. In this case, items are catheters and cannulas for assisting breathing, and are classified under heading 9019.20-2000, which is for an oxygen respirator.

However, heading 9019.20-2000 is classified as a respiratory device that generates oxygen independently and allows the patient to breathe oxygen. So it is hard to classify the catheters or cannulas that are connected to the respiratory devices under the same heading as the devices/machines. According to the explanation of heading 9019, inhaling oxygen through a mask or supplying oxygen to a breathing chamber is defined as an oxygen inhaler in a strict sense, so only devices/machines that directly generate oxygen can be classified as heading 9019.20-2000. Taking Item Classification 3 Division-heading 7155 as an example, only machines/apparatuses equipped with a breathing trigger sensor, main board, pressure sensor that can directly supply oxygen can be classified as heading 9019.20-2000.

According to the Encyclopedia of Nursing, the nasal catheter (cannula) method is one of the oxygen methods, and it is used for patients who have difficulty applying the oxygen mask method or oxygen tent method. The description of heading 9019 gives examples of tents and tent attachments for oxygen inhalers. Accordingly, similar to the use of oxygen tents, nasal catheters used in connection with oxygen respirators need to be classified as heading 9019, and should be classified as heading 9019.20-9000, which is not the respirator itself, but its parts and accessories.

### **3. Closing**

Since heading 9019 is subject to a 0% tariff rate under the WTO agreement, attention should be paid to item classification. In addition, since disposable or reusable oxygen tubes and catheters must obtain certification under the Medical Devices Act, import requirements must be recognized in advance so that import clearance can proceed.



## *Global Customs Insight*

# **SHINHAN Customs Corporation Vietnam & Code Systems, Data Analysis/RPA[1] Vietnam FTA Origin and Customs Risk Management Plan Briefing Session Using Technology**

On August 11, 2023, Shinhan Customs Corporation Vietnam and Code Systems co-hosted a briefing session for “Vietnam FTA Country of Origin and Customs Risk Management Plan using Data Analysis and RPA Technology” at the Lotte Hotel in Hanoi, Vietnam.

The briefing session, which was held online and offline simultaneously, was conducted in Korean and Vietnamese, with simultaneous interpretation provided, and it was a great success with about 100 people attending.

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[1] RPA(Robotic Process Automation)



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This briefing session not only explained the types of errors that Vietnamese companies often encounter in FTA origin management and trends in customs investigations, but also consisted of presentations on "import and export customs clearance data analysis and report generation", "FTA origin management", "automation of application for issuance of certificate of origin using RPA technology" and "account management and report generation" using computer systems.

The participating companies gave the feedback that it was a good opportunity to learn about the latest trends in FTA and what to pay attention to when working, and to learn about more convenient and safe work methods using computers.

No.	lecture topic	speaker
<b>Session 1</b>	Vietnam FTA Origin Management Problems and Recent Customs Investigation Trends	Jong Ho Shin, Branch President
<b>Session 2</b>	FTA origin management and risk analysis/monitoring using the system	Choi Dae-gyu,CEO
<b>Session 3</b>	Automated application for issuance of certificate of origin in Vietnam using RPA technology,	Choi Dae-gyu,CEO
<b>Session 4</b>	Import and export customs clearance automatic data analysis and reporting system	TA LY LY, manager

We express sincere appreciation and gratitude to everyone who helped and attended the briefing session. SHINHAN Customs Corporation and Code Systems will continue to develop and update the system to provide high quality services for Vietnam's manufacturing and import/export companies to utilize FTA origins, issue C/O, manage accounts and manage customs clearance more efficiently and safely.

If you have any questions regarding the use of our systems [KORD FTA (Country of Origin Management System), KORD LIQ (Account Management System), RPA



(Automatic Certificate of Origin Application System), RMS (Customs Clearance Analysis and Report System)) or other related inquiries, please feel free to contact us at any time.

\*\* Contact person

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*FTA and import/export practical business guide*  
**Information on Vitality Support Program for Small and  
Medium-Sized Import and Export Business**

**1. program purpose**

In the face of complex crises such as the global economic downturn, it is necessary to provide tax support to stabilize business management and enhance export vitality. Accordingly, the Korea Customs Service is conducting the following programs to quickly overcome damage and secure external competitiveness by actively providing tax support to import and export companies in a business crisis.



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## 2. Suspension of customs investigation

### 1) purpose

Support for stable management by temporarily suspending or postponing customs investigations for small and medium-sized import and export companies

### 2) Target

Companies subject to tax support that have less than \$100 million in imports (as of 2022) and do not fall under the following exclusion conditions

Category	Exclusion Conditions
<b>Companies</b>	<ul style="list-style-type: none"> <li>① Companies that have incurred customs violations (including notices) in the past 4 years</li> <li>② companies that have defaulted on customs duties for the past two years (Excluded when payment is made within 30 days)</li> <li>③ Companies registered in the list of defaulters by the Ministry of Employment and Labor</li> <li>④ Companies suspected of tax evasion</li> <li>⑤ Companies selected for general investigation</li> <li>⑥ Companies eligible for tax support □-③</li> </ul>
<b>goods</b>	Goods for which import declaration falls under subparagraph 5 of Article 8 of the 「Customs Act」 Enforcement Rule (subject to prior tax amount review)

### 3) Support contents

- (Suspension of investigation) Suspension of customs investigation for one year from July 1, 2023 to June 30, 2024
- (Postponement/Suspension of Investigation) Among the companies that a customs investigation is notified or in progress, the case that received/confirmed as a "□ victim company", the customs investigation will be postponed or the customs investigation will be suspended for a certain period of time.

### 4) procedure

- (Investigation suspension) The headquarter selects the investigation suspension target
- (Investigation postponement/suspension) Confirmation of the victim company (customs) → Report on the confirmation list (customs → headquarters)

→ Decision to postpone (suspend) the investigation (headquarters)

### 3. Delivery date extension, installment payment, omission of collateral

1) purpose

Support for alleviating the financial burden of companies by extending the payment deadline for taxes such as customs duties to be paid when importing foreign goods (installment payment allowed)

2) Target

Companies subject to tax support and not subject to the exclusion requirements

Division	Exclusion Conditions	
<b>Companies</b>	<b>Delivery date extension</b>	<ul style="list-style-type: none"> <li>Companies that have incurred customs violations (including notices) in the past 2 years.</li> <li>Companies with customs arrears in the past 2 years (except when payment is made within 30 days of occurrence)</li> <li>Companies with no import performance in the last 2 years</li> </ul>
	<b>omission of collateral</b>	<ul style="list-style-type: none"> <li>Companies that fall under Article 3 (1) of 「Announcement on Operation of Security System for Customs, etc.」</li> </ul>
<b>goods</b>	<ul style="list-style-type: none"> <li>Article 8 of the 「Customs Act」 Enforcement Rule (Subject to Prior Tax Amount Review) Subparagraph 5 applicable goods</li> </ul>	

3) detail

Extension of payment deadline (installment payment allowed) and omission of collateral

① Extension of payment (payment in installments) is permitted for tax to be paid, large amount of correction of tax (50 million won or more) and fines (penalty surcharges) to be paid at the time of import customs clearance

Division	Extension of Payment Deadline	Installment Payment
· Tax to be paid upon import customs clearance	up to 1 year	up to 6 times
· Tax amount to be paid post-tax correction (correction, report of correction, correction)	up to 1 year	up to 6 times
· Penalty and fines paid	up to 1 year	Up to 6 times (3 penalties)

② Omission of collateral for companies that extend the payment date (payment in installments)

4) procedure

Extension of payment, application for installment payment\* and follow-up management (cancellation, etc.) are handled in accordance with Articles 2 ③ through ⑦ of the 「Enforcement Decree of the Customs Act」

**4. Export refund support**

1) purpose

Provides refund information and procedure simplification services to small and medium-sized exporters who are unable to utilize export refunds due to lack of manpower and information

2) Target

Companies eligible for simplified flat-rate refund that meet all of the following requirements:

Division	conditions
<b>Companies</b>	① Small and medium enterprises fall under Article 2 Paragraph 1 of the Framework Act on Small and Medium Enterprises」 ② 600 hundred million won or less in annual refunds for the two years immediately preceding the year in which the date of the application for refunds belongs January 1st of the year in which the date of application for refunds belongs ~Refund performance of the date of application for refund is less than 600 million won
<b>goods</b>	① Domestic manufactured/exported goods ② Items to which the simple flat-rate refund rate table applies

3) detail

Discover companies that have not refunded, focusing on new exporting small and medium-sized enterprises and companies with export history but no refunds, and provide information on how to apply for refunds

- (Guidance on refund) Upon export declaration, the status of refund for the last two years is checked, and refund information is automatically provided to the exporter (or customs broker) in real time.
- (Expedited payment) When small and medium-sized exporters apply for a refund, the refund is paid in advance on the day of the refund decision, and a subsequent review (except for unavoidable cases) is conducted
- (Simplified procedure) If an automatic refund is indicated on the export declaration form without a separate refund application procedure, it is regarded as having applied for a refund.
- (Expansion of items) Expand items subject to simple flat-rate refund\* that can be refunded in a simple way without calculating the amount required (2023, 10 new items)

\* ('20) 4,496 → ('21) 4,513 → ('22) 4,520 → ('23) 4,530

4) Procedure

Process the business in accordance with the 「Special Act on Refunds」 and 「Announcement on Refund of Customs Duty on Raw Materials for Export」

**5. Import VAT payment deferment**

1) purpose

The payment of import value-added tax imposed when importing foreign goods is deferred until settlement after customs clearance and relieving financial burden.

2) Target

companies that meet all of the following requirements

<b>Export Scale</b>	· Small and medium-sized manufacturing companies that account for more than 30% of exports or more than 5 billion won in exports
<b>Requirements</b>	<p>① No Customs duties and national taxes are in arrears for the last two years (except for tax arrears paid within 15 days*)</p> <p>* Conditions are eased so that benefits can be received exceptionally even in the case of short-term arrears.</p> <p>② No violations of the Customs Act and the Punishment of Tax Offenders Act for the past 3 years</p> <p>③ Company is continuously in business for the last 3 years</p> <p>④ No cancellation of payment deferment for the last 2 years</p>

3) detail

Support for easing the financial burden by deferring the payment of VAT on imported goods for one year from the date of approval

4) procedure

Process the business in accordance with Article 91-2 of the Enforcement Decree of the 「Value-Added Tax Act」 and 「Guidelines for Deferring Payment of VAT on Imports of Goods」



## **【Application and approval procedure for deferment of VAT payment on imported goods】**



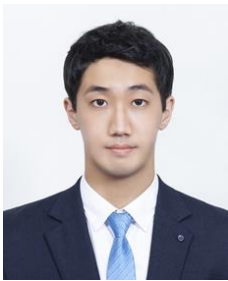
\* Confirmation of violation of customs law (3 years), delinquency (2 years), payment deferment cancellation (2 years)



## *Contents and Opinion of Customs Trade Amendment* **Partial Amendment of 「Foreign Exchange Transaction Regulations」**

### **1. Reason for Amendment**

- 1) Significantly alleviate overseas remittance and collection document verification procedures and pre-report criteria and targets
  - The limit on overseas remittances that did not require confirmation of documents of proof was set at 50,000 USD per year at the time of the enactment of the Foreign Exchange Transactions Act ('99), and this has been maintained until now.



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- In order to repeatedly check whether the notification procedure under the Foreign Exchange Act has been fulfilled in advance, the bank requests the customer to provide proof of transaction-related documents at the actual remittance and collection stage.

- Considering the expansion of the economy and the increase in foreign exchange transactions over the past 20 years, it is necessary to alleviate the criteria for no evidence to ease the burden on daily foreign exchange transactions.

2) Alleviate borrowing report standards, abolish separate regulations on local finance, and relieve inconvenience in overseas direct investment

- Increase of inconvenience in business activities and foreign exchange transaction due to the criteria of the amount that the expansion of the economy not reflected, and the dualization of reporting (Ministry of Economy and Finance/Bank of Korea) and trading institutions (banks)

- There is no cross-border capital movement, so there are reporting obligations that are not directly related to maintaining external soundness, and follow-up management procedures are complicated.

## 2. Major Amendment

1) Significantly alleviate overseas remittance and collection document verification procedures and pre-report criteria and targets

- For overseas remittance and collection, increase the amount for the mandatory submission of documents of proof and the exemption criteria for pre-reporting of capital transaction from USD 50,000 to USD 100,000 per year

- Before converting to 「Freedom in principle/Exemption regulation (negative system)」 through the promotion of law revision, select and abolish types of bank pre-reporting that have little impact on foreign exchange soundness, and convert to post-reporting system

2) Alleviate borrowing report standards, abolish separate regulations on local finance, and relieve inconvenience in overseas direct investment

- The criteria for reporting large-scale foreign currency borrowings has been raised from \$30 million per year to \$50 million per year to ease transaction procedures and improve procurement convenience in procurement of foreign currency.

- Abolish local financial regulations and integrate cash loans/guarantees, and expand foreign currency fund management autonomy by easing restrictions on domestic deposits of local financial borrowed funds.
- Integrate the overseas direct investment reporting system into a regular report once a year and greatly simplify the contents

### **3. Comments on the Amendment**

Overseas remittance limits that do not require verification of proof of documents have been raised from USD 50,000 to USD 100,000 per year, and foreign exchange regulations have been eased in general, with the criteria for reporting large-scale foreign currency borrowings raised from USD 30 million to USD 50 million per year. In addition, related regulations have been amended, such as allowing general currency exchange for customers of comprehensive financial investment service providers (large securities companies), allowing third-party foreign exchange transactions without opening additional accounts for foreign investors, participation in the foreign exchange swap market by securities finance companies, and the establishment of the Foreign Exchange System Development Committee. Alleviation of regulations is expected to further stimulate the foreign exchange market.

### **4. Effective Date**

Effective on July 4, 2023

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