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Cover Story

South Korea Dropping Developing Country Status



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[PROFILE]

- SHINHAN Customs Service Inc.
- Item Classification
- Customs Clearance for Import and Export
- FTA Consulting

Pros and Cons on Decisions

South Korea self-designated developing country status to drop as U.S. President Trump put pressure on the World Trade Organization (WTO) to change how it designates developing countries mainly targeting China, who is currently engaged in a trade war. Its status has been maintained since 1995, mainly to guard the agriculture industry, thus more policies to protect the industry is crucial before the end of the transition time. Meanwhile, South Korea is also anticipating the decision to benefit future negotiations at WTO, as it allows countries who claim the status to enjoy longer transition periods for implementing trade deals and protection against emergency import restrictions by developed countries.

For details and more information, please contact ysyoon@shcs.kr



FTA News

Regional Comprehensive Economic Partnership(RCEP) Agreed with 15 Countries Including South Korea

RCEP Could be World's Biggest Trade Pact



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On November 4th in Bangkok, Regional Comprehensive Economic Partnership (RCEP) is agreed to be signed among 15 countries, 10 ASEAN countries with Korea, China, Japan, Australia, New Zealand, and India will be encouraged to join the deal. The RCEP negotiations were launched in May 2013 and expected to be completed by 2020. The trade deal will span 48% of the global population, and 32% of global GDP.

The RCEP will also serve to supplement the South Korea-ASEAN FTA, including e-commerce, intellectual property (IP) rights, and chapter for small and medium sized enterprises (SMEs). The deal will also supplement FTA origin determination standard and reflect FTA accumulation, as well as investment and building long-term partnership among countries to enable to launch New Southern Policy South Korea President Moon Jae In has championed since taking office.

For details and more information, please contact nhcho@shcs.kr



Voice From the Field

How to be Successful in Fin-Tech Industry



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➤ World First Asia Ltd.

Learning from World First

Fin-Tech, the abbreviation for financial technology, is a broad category that refers design and delivery of financial services and products. WorldFirst is a leading international payments business, providing a range of international banking services to SMEs trading overseas who find it difficult to access through traditional banks. It has been 15 years that WorldFirst has been providing successful services and more than 100 Trillion KRW has been transitioned in the system, and looking forward to growing and leading more in Korea as well.

From the model of WorldFirst, keys for successful business in Fin-Tech could be following;

- 1) Fin-Tech companies must be engineered, planned in mechanistic detail to improvise existing frame.
- 2) Understand the regulation that was set for existing finance industry, and build strategy monitoring cases from overseas.
- 3) Build a model that helps as many participants as possible to grow the capability of market.
- 4) Detail matters, as the market handles money and financial industry that is crucial information for everyone. For more information please contact hl.choi@worldfirst.com



Updated Customs Trading Regulation
**Pre-Announcement of Partial Customs Act
Notice Revision Legislation**



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- Refund Consulting

Revision of Customs Notice on Legislation Progress

Related Customs Act is on Article 95, Reduction or Exemption of Customs Duties for Goods, etc. Used to Prevent Environmental Pollution, 1-3 and 1-1.

- Change of reduction goods subject for duty exempt.
- Extension or the reduction rate for small and medium sized businesses (SMEs).

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Customs Case Study

To Tax or Not to Tax? Unpaid Royalty **[Tax Tribunal Case 2019 Customs 0033(2019.08.13)]**



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- SHINHAN Customs Service Inc.
- Customs Audit
- FTA Education
- FTA Origin Verification

Background

Company A agreed to pay licensor 1% of net sales as royalty but only made actual payment from 2013 to 2015, then accounted as cost of goods sold or account payable from 2016, where they did not report to Customs as paid royalty. Customs still imposed duty on this unpaid royalty as well as accounted related tax for late payment.

Court Decision

Court agreed on Customs side that royalty is dutiable regardless of its actual payment was made or payable. WTO agreement also states that "in case they must be paid directly or indirectly but are not included in the actual pay price" should be also dutiable. Company A also noted such unpaid royalty payment as account payable, to be paid in future. Additionally, court found no evidence that Company A is no longer responsible for license fee to pay licensor since 2016.

For more information, please contact grkang@shcs.kr.



Inside Vietnam

Vietnam Updates in October

Prohibited & Restricted Imports on Used Information Technology Product

Vietnam Customs regulates imports to prohibit or restrict according to 69/2018/ND-CP, which includes import ban of information technology product. From October 9, 2019, newly updated list, 31/2019/QD-TTg, has been released giving exception on import ban on IT products.

Country of Origin Certificate Missing Import Country (Vietnam)

Vietnam Customs announced Letter No. 6762/TCHQ-GSQL to reassure to fill out import country in Certificate of Origin when importing into Vietnam. Otherwise, benefit of preferential tariff might be reviewed by Customs to apply.



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- SHINHAN Customs Service Inc.
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- FTA Origin Verification
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ASEAN-Hong Kong FTA (AHKFTA)

Vietnam government announced letter 21/2019/TT-BCT for details of ASEAN-Hong Kong FTA including origin criteria and how to file country of origin certificate.

*This information is constructed and rearranged by Shinhan Customs Service based on released letter from Vietnam and has no legal effect.

※ This information is organized and reorganized by SHINHAN Customs Service based on the distribution data in Vietnam and is not legally effective.

※ If you have any further inquiries about Vietnam news, please contact us at:

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SHINHAN to be the First Customs Service Firm in Vietnam!



SHINHAN Customs Service Inc., HQ in Gangnam-Gu, Seoul, Korea, established corporation in Hanoi, Vietnam, and officially launched customs consulting service business in Vietnam.

For many years, Korea has been the top leading country investing to Vietnam. As of today, about 6,000 Korean companies are operating business in Vietnam. The trade volume is increasing every year as well. In 2018 the trade volume increased by 7% reaching 68.2 billion USD. Vietnam is Korea's third largest exporter and the seventh largest importing country.

In SHINHAN Vietnam Corporation, our Customs Consultant specialized in Vietnam Customs and Trading provides consultations on Vietnam Customs Audit, Customs Inventory Liquidation, FTA Origin Management, HS Classification, Customs & Trading in Vietnam, and Litigations.

SHINHAN's CEO Grace Chang mentioned, "As the first Korean customs service firm established in Vietnam, and the first one to be providing customs consulting service in Vietnam, we will do our best to provide the best services to companies establishing businesses in Vietnam.

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* Please find details on our website in here.(www.customsservice.co.kr)

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