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ZOOM IN TRADE

SHINHAN Customs Service Inc.



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"Art is not about being able to do it, but about doing it." -Schoenberg*

I visited my family who resides in the United States. Due to Covid-19, many people were concerned that we were traveling overseas. So I searched for what I could do in order to meet the people I love. In preparation, I studied and followed the Covid-19 prevention precautions of the WHO and the Centers for Disease Control (CDC)**. Prior to my departure, I went to get tested for Covid-19 and thankfully tested negative.

I securely packed my baggage that needed to be checked in and dressed casually. Like a soldier going to war, I prepared my heart, retied my shoelaces, and headed for Incheon Airport. Even though I was aware of the situation through the media coverage, the actual scene of the airport terminal created a sense of tension. The departure hall, which would normally be filled by the sound of thousands of people gathering, was extremely quiet. *It were as if I was a cowboy walking through empty streets of dust and dirt*, constantly on the lookout for the coronavirus that could be lurking around any corner.

I stayed in my seat wearing a mask during the entire 13 hour flight. Other than mealtimes, I rarely saw the crew members. San Francisco Airport was also very empty. The customs counter, which I used to stand in line for almost an hour with hundreds and thousands of travelers from all over the world, was almost empty. After completing all the customs processes in a very short time, I was able to leave the airport with my luggage.

This month's Cover Story is 'Disputes on HS Classification'. Voice From the Field covers 'Support for Inspection Cost for Small and Medium-Sized Enterprises Begins'. Inside Vietnam discusses 'EV FTA, effective August 1 & Vietnam's two types of Form X'. Customs Trade Related Law Changes is seen in 'Revisions of Notifications regarding Operation of Bonded Shops and Bonded Factories'. Customs Case is 'Whether the request for adjudication filed without amendment request after filing revised report and the payment is legal.'

After returning to Korea, **I was tested once more for Covid 19.** Despite once again testing negative, I was required to self-quarantine for two weeks. I was asked to install an application on my phone that would monitor my health and notify officials of my location at all times. Even with such measures in place, the official in charge frequently made non announced visits.

After my mandatory 2 weeks of self-quarantine, I was again tested for Covid-19. Despite the process being uncomfortable, it was a necessary obligation.

Recently, in neighboring countries, the motto 'Let's do what we can now' appears often in the newspaper.*** It is necessary that we do what we can without losing enthusiasm or blaming others. However, we shouldn't settle for doing only what we can do. In order to solve problems, we need to be proactive in searching for what we can do. If the testing speed does not catch up with the infection rate, the volume of testing needs to be increased. Our primary motivation should not be "not to be tested".

In a situation where crisis comes and the environment changes, doing your best in the ways you are currently familiar which is not a solution to the problem. [Life changes must be made in line with the new environment.](#)

[Where the world is going now, and in that what we need to keep.](#)****

Our lives and values have been greatly affected by the environmental changes caused by Covid-19. This crisis is not going to pass through sheer endurance. We have to change our way of life. The dearth of face to face contact between people is our new norm. As the environment changes, our lives and our values must also change.

We need to be flexible and willing to redefine the values we used to hold firmly. Some values are worth changing. And some values are worth keeping and fighting for. **Loving and bringing others joy, preserving nature, taking on new challenges with courage**, resisting wildly fluctuating emotions, practicing abstinence, positioning a posture to learn, taking care of our health, listening rather than speaking, tending to our inner selves, cherishing relationships over possessions, seeking gentleness, peace, and self-control...

Even if you're not an artist, there are things that you can do. Meeting your loved ones and making them happy is a value worth keeping and practicing, even when that means taking several Covid-19 tests, and enduring an 11 hour flight. *It is said that thought is not the action of the mind, but the gazing of the soul.* A thought is produced by the orientation and gazing of the soul. When our soul takes a step forward towards an unshakable value, our thoughts will actively and willingly accept new our thoughts will actively and willingly accept new challenges in order to be in alignment with that which is valuable.

I hope that our soul's eyes will not be shaken or overwhelmed by confusion, but will assertively move forward with courage, calm, and balance. This crisis will one day pass. But a new crisis will soon come again.

I wish you health and peace. I hope you can go through the crisis wisely...

*Jeon Sang-Jik (2020), the difference between being able and should, JoongAng Ilbo.

Schoenberg (1874-1951), a composer representing the early 20th century. Also called the founder of modern music.

**CDC: Centers for Disaster Control.

***Yoon Seol-young (2020), Why the New York Times did not go to Tokyo, JoongAng Ilbo.

****Robert Hugh Benson (1871-1914), 「Lord of the World」, Digireads.com Publishing.



Cover Story

Disputes on HS Classification

Concepts and standards of HS classification

All materials that are transported internationally are given a unique numeric code, each consisting of Arabic numerals. This is called the HS code. This coding system consists of 6-digits and is commonly used among contracted countries in accordance with the International Convention on the Harmonized Commodity Description and Coding System (HS Convention). However, starting from 7th digit or further, the digits or subdivisions of HS codes are delegated to the discretion of the partner countries, and each country operates its own HS code subdivision system in consideration of each country's industrial structure, trade volume, and culture. The process of assigning HS codes to imports and exports according to the system of each country is called 'HS classification'.



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Officials in charge of the trade strongly agree about the importance of HS classification because the tariff rate, FTA utilization, and safeguard/ anti-dumping subjects are determined by the HS code. Accordingly, the HS Convention does not simply provide a HS code system, but also provides a standard for HS classification so that it can be classified according to a unified standard; the General Rules of Interpretation (GRI).

Causes of HS classification dispute

HS classification problems arise from the limitations of the HS code system. There are a myriad of materials in the world, and it is not possible to prescribe three classification systems for all these items, or to set the classification criteria for each item in detail. The parties performing the HS classification classify HS codes based on the General Rules of Interpretation(GRI) of the HS classification as much as possible, but it is inevitable that personal interpretation might be involved.

Suppose that three people: A, B, and C are classifying a drone equipped with a camera. Person A claims that it should be classified as No. 8525 since it is a camera. B claims it should be classified as No. 8802 since it is viewed as a propeller aircraft, while C argues that it should be classified as No. 9553 because it is considered an amusement toy.

Their classification is based on their own logic and grounds (according to the rules). It is possible to make different judgments according to subjective factors such as the degree of understanding of each object and its expected utility. Protagoras' proposition, "Human is a measure of all things," becomes significant in HS classification because each person performs HS classification within the framework of his thoughts and understanding.

Types of HS classification disputes

Generally, disputes over the classification of these items mainly occur between (1) person to person (between exporters and importers), (2) person to authorities (between exporters/importers and customs authorities of the country where the importers and exporters are located, between exporters/importers and customs authorities of other countries), and (3) authorities to authorities (between customs authorities of the exporting and importing countries).

In cases of HS classification disputes between person to person, the issue of which HS code to use is the most prominent when issuing a certificate of origin of preference. The main significance of the HS Code in the application of FTAs is the determination if an actual profit is made by a FTA application from the difference between: the MFN tax rate and the FTA agreement tax rate, the country of origin, determination criteria, and the issuance of the certificate of origin based on the HS code of the traded goods. In this case, if the item of one side is mis-classified, it can be classified with a more reasonable HS code as agreed between the importers and exporters, but there are many cases where the disagreement cannot be narrowed. The Korea Customs Service has established a "Guidelines for Processing and Handling Differences in HS Classification Interpretation" so that FTAs can be used as smoothly as possible even when different HS codes are used between importers and exporters.

Disputes between persons to authorities in HS classification are largely divided into disputes between the importers/exporters and the customs authority of the country where the importers/exporters are located, and between the importers/exporters and the customs authority of the other country. In the former case, the most prominent type is the dispute between the taxpayer and the customs authority regarding the classification of imported goods. The taxpayer insists the HS classification be subject to a lower tariff rate and the customs authorities claim a classification on a higher tariff rate. If you look up the customs cases on the homepage of the Tax Judge and such, you can see how frequently such disputes actually occur.

In order to prevent such unnecessary disputes and increase the legal stability for taxpayers, the Customs Act has a 'Preliminary Screening of HS Classification' system, in which customs authorities inform the public about the HS classification with legally valid items. Therefore, it is preferred for importers and exporters to use the same Preliminary Screening System before importing or exporting goods with HS classification issues. However, since there are many factors to consider when applying for a Preliminary Screening of HS classification for items that have already undergone import and export declarations, consulting with experts

such as customs brokers is strongly recommended.

The other conflict between the importer/exporter and the customs authority of the other country is that the exporter claims the HS classification that is subject to lower tariff rates and the customs authority of the other country claims the classification of items that is subject to higher customs rates. Since the dispute between the individual or corporate exporter is located in the exporting country and the customs authority is located in the importing country, the exporter holds less dominant position. Therefore, the Korea Customs Service has established the HS International Classification Dispute Settlement Center in the Korea Customs Service Assessment and Classification Division to protect Korean exporters and to have an equal footing with the other country's customs authorities. When an exporter reports a dispute on the HS classification to the center, it becomes a dispute on the HS classification between the authorities because the customs office responds to the dispute with the exporter. Since 2007, 42 disputes from 29 companies have been resolved through the HS International Classification Dispute Settlement Center.

The attitude of officials in charge to deal with HS classification disputes

In the international trade of goods, the importer/exporter is not free from the weight of HS classification. In the trend of global trade, where the protectionist stance is gradually strengthening, the HS classification is more important because it is directly related to both the tariff barrier and the non-tariff barrier. Therefore, the front-line officials in charge of the trade always pay attention to the HS classification of the items traded, and if there is any dispute in the HS classification of the items in any form, it is imperative to proactively and actively resolve them with the help of experts such as customs brokers or customs assessment and the classification division.



Voice From the Field

Start of Support for Small and Medium sized Enterprises(SME) inspection cost

Customs inspection cost support

Starting July 1, customs inspection costs for SMEs' import and export container cargo transported by ship will be supported up to 90%. The Korea Customs Service has done customs inspections by selecting import and export cargo to detect drugs, dangerous and harmful goods for the public, and counterfeit goods. The inspection cost has been paid by the importing/exporting companies regardless of company size. However, on June 17, the Korea Customs Service announced that starting July 1, KCS would support the SMEs in regards to the cost of customs inspections of import/export container cargo to enhance the vitality of SMEs that are financially burdened by such inspections.

However, it is necessary to take precautionary measures so that the people who have failed to pay taxes are excluded from support, as it is coming out of the national budget.



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Application for inspection fee support

1. Date of application

Starting from the imported and exported goods that were inspected on July 1, 2020, the application for the inspection cost support will be accepted. The application will be accepted from the next day of the inspection and within 30 days of the inspection.

2. Target

Since it is targeted for SMEs, SMEs that import and export their cargoes can become applicants for the inspection cost support. However, a customs broker, customs corporation, or customs clearance corporation that has been entrusted may also apply.

3. Ground Laws and regulations

Legal grounds were prepared in accordance with Article 173 (3) of the 「Customs Act」 amended on December 31 of last year and Article 187-4 of the 「Enforcement Decree of the Customs Act」 amended on February 11. Details and procedures will be implemented. based on the "Notice on Export and Import Cargo Inspection Support" scheduled for enactment on July 1st.

4. Violations

In case of a violation of the import and export laws and regulations, the support for inspection costs will not be granted. Violations are cases in which unlawful acts are found after the investigation such as complaints, noticed dispositions, disclosure of harmful goods for public health and safety, non-origin, and misrepresentation of origin.

5. Documents required for payment

- ① Application for payment of inspection fee
- ② Small and medium-sized company confirmation (within the valid period from the inspection date)
- ③ Business registration certificate (must be valid as of the application date)
- ④ A copy of the bank account for the payment of the inspection fee in the name of a corporation or individual business

5 Payment of inspection cost for each item incurred. Must include transaction statement and tax invoice (For documents to be submitted separately depending on the issuing agent of the transaction statement and tax invoice for the inspection fee, see the website of the Korea Customs Service: www.customs.go.kr)

6. Payment application processing deadline

The processing period is 21 business days from the date of application, excluding periods for gathering opinions, supplementary documents, holidays, Saturdays, and Labor Day.

7. Qualifications

In order to qualify, there should be a container cargo of small and medium-sized enterprises and be transported by ship. Therefore, bulk cargo or cargo transported by plane are not supported. The scope of the inspection fee is actually generated during the customs inspection process for cargoes subject to management*, pier customs clearance cargo**, and export loading cargo ***. In addition, it must correspond to the container loading and unloading charges, transportation charges, and loading and exit charges paid by the shipper. In addition, from the result of customs inspection, it must be a product that does not have any violations according to import and export laws and regulations. Those who have failed to pay taxes, such as customs duties, and those that have been notified of their tax delinquency pursuant to Article 30-2 of the National Tax Collection Act are excluded from the support.

8. Support amount

90% of the expenses incurred in the customs inspection process will be paid. However, in consideration of the same inspection type, container standard, and inspection method, the support amount will not exceed the amount determined by the Commissioner of the Korean Customs Service. In addition, depending on the budget range, the payment rate for the inspection cost and the maximum payment amount may be adjusted or suspended.



[Glossary]

* Cargoes subject to management: Goods selected for inspection by the customs inspector after checking of the import goods list by the customs officer

** Pier customs clearance cargo: Goods selected for inspection for import customs clearance from the pier without passing through the bonded area

*** Export loading cargo: Goods selected for inspection of loading site on the pier after acceptance of export declaration



Inside Vietnam

EV FTA, effective August 1 & Vietnam's two types of Form X

EU-Vietnam FTA, effective August 1, 2020

The EU-Vietnam FTA ("EV FTA") will take effect on August 1, 2020.

The EU parliament ratified the EV FTA in February 2020 and officially informed the Vietnamese government, following the Vietnamese parliament's ratification that had been completed in June. Both parties are ready for the EV FTA to take effect.

In the EU, self-issuance of proof of origin has been adopted. But in Vietnam, when the value of the goods exceeds 6,000 euros, agency issuance is required, and for the goods less than 6000 euros, it is possible to choose between self-issuance and agency issuance. It is necessary to be aware of the issuance method of proof of origin depending on the value of goods.

When dealing with the UK, EV FTAs can be applied from the effective date of the EV FTA to December 31, 2020. (EK grace period for EV FTA application can be extended to 24 months in accordance with the Brexit negotiation plan.)



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1. Proof of origin

Exporting from the EU to Vietnam	Exporting from Vietnam to the EU
<p>- Statement of Origin</p>	<p>- When the value of the goods exceeds 6,000 euros: Certificate of Origin (C/O Form EUR1)</p> <p>- When the value of the goods is less than 6,000 euros: Choose Origin declaration or Certificate of origin (C/O Form EUR1)</p>
<p>- Enter the country of origin phrases on the invoices, the delivery notes, etc.</p> <p>- In commercial documents When the value of the goods is 6,000 Euros or less all exporters can complete the form.</p> <p>- For the goods exceeding 6,000 Euros, only the Registered Exporter can complete the statement of origin.</p> <p>- Registered Exporter: REX, Exporters registered on the system</p>	<p>1) C/O Form EUR1</p> <p>- Agency issuance method: The exporter needs to apply to the Vietnam Ministry of Industry and Trade (MOIT) for the C/O and the Form EUR1 needs to be used.</p> <p>- Only the ORIGINAL is available and there are no duplicates or triplicates, so the exporter should keep a copy of the ORIGINAL.</p> <p>- Agency Issuance through MOIT is necessary regardless of the value of goods or whether the exporter is authorized.</p> <p>2) Origin declaration</p> <p>- Include the stipulated country of origin phrases on the Invoices, the delivery notes, etc. in the commercial document.</p> <p>- Registration of origin declaration</p>

	and verifying documents to ECOSYS is required within 3 working days after the issuance.
<p>Country of origin phrases</p> <p>The exporter of the products covered by this document (customs authorization No ...(1)) declares that, except where otherwise clearly indicated, these products are of ...(2) preferential origin.</p> <p>1) Authorization number (blank if not applicable)</p> <p>2) Country of Origin</p>	

2. Recognition of Korean made fabrics as regional products

In the EV FTA, when exporting the clothing (classes 61th and 62nd) that is manufactured in Vietnam using Korean-made fabrics according to the Korea-EU FTA, there is a regulation that allows Korean fabrics to be recognized as Vietnamese local products.

In the Korea-EU FTA, when exporting goods exceeding 6,000 euros, it is stipulated that only the certified exporter of the country of origin can fill out the origin declaration form. The textile companies that export fabrics to Vietnam need to obtain the certification of the certified exporter in Korea in order to utilize the accumulated regulations of origin according to EV FTA.

When using this regulation, the proof of origin must contain the following words:

“Application of Article 3(7) of Protocol 1 to the Vietnam-EU FTA”

3. EU GSP deferred for Vietnamese goods

- Within 2 years after the EV FTA takes into effect: Either GSP or EV FTA can be selected as advantageous
- After 2 years and within 7 years after the EV FTA takes into effect: The EV FTA regulations and the product specific rules of origin need to be followed. However, GSP is applicable only when the GSP tax rate of goods imported into the EU is lower than that of the EV FTA tax rate.

Vietnam's two types Form X

In Vietnam, there are two types of Form X. One is issued by the Vietnam Chamber of Commerce and Industry (VCCI) and the other is issued by the Ministry of Industry and Trade (MOIT)

Form X, issued by VCCI, is usually issued for the purpose of confirming the origin of a traded item in domestic transactions. However, Form X, issued by MOIT, is issued for the purpose of receiving preferential treatment under the Agreement on the Enhancement of Bilateral Trade between Vietnam and Cambodia.

1. Form X (VCCI)

Form X (VCCI) is mainly used for the purpose of confirming the origin of the traded goods in domestic transactions, and it is similar to the origin confirmation system in Korea. Form X (VCCI) can be issued in various situations. Accordingly, the declaration by exporter of Form X may differ as follows.

Example 1) Exporting goods that are imported from overseas to Vietnam as in the original form, and confirming the first exporting country

"We declare that goods mentioned above are imported from (the name of country) into Vietnam and then re-exported to (the name of country)."

Example 2) Goods are imported into Vietnam from overseas and specific processes are performed in Vietnam, and then re-exported goods to other countries confirming the processes performed in Vietnam

"We declare that goods mentioned above are imported from (the name of country) into Vietnam and carried out the following stages in Vietnam: ..., and then exported to (the name of country)."

Example 3) Goods that are exported to EU and sold to the exporters that want to receive GSP benefits while confirming the product specific rules of origin of traded goods

"We declare that goods mentioned above are qualified for EU's GSP requirements of C/O Form A."

2. Form X (Cambodia)

Form X (Cambodia) is the C/O for preferential tariffs treatment under the Agreement on the Enhancement of Bilateral Trade between Cambodia and Vietnam.

When exporting from Vietnam to Cambodia, the term is Form X, and when exporting from Cambodia to Vietnam, it is called Form S. The name is different depending on the import and export country.

In order to receive preferential tariff treatment under this bilateral agreement, the country of origin must be determined as a regional product. C/O Form X can be issued by submitting the proof of origin to MOIT.

Since Cambodia and Vietnam both are members of ASEAN, when trading between the two countries, Form X and Form D (C/O Form under the ASEAN Agreement) can be used while comparing the benefits of the two.

	Form X (VCCI)	Form X (MOIT)
Main purpose	Confirmation of the origin of the goods for domestic transactions	Preferential tariffs when trading between Vietnam and Cambodia
Issuing Organization	Vietnam Chamber of Commerce (VCCI)	Vietnam Ministry of Industry and Trade (MOIT)
Required documents	Vary depending on the content that need to be confirmed on the Form X	Application form, export declaration form, invoice, BL, Documents verifying the country of origin
Related regulations	No specified regulations	Preferential Treatment Given Under the Arrangement on Bilateral Trade Enhancement of Vietnam and Cambodia
Issuance Period	1 day from the filing date	Export by Air transportation: 4 hours from the time of application Other exports: 8 hours from the time of application



Customs Trade Related Law Changes

Revision of Notice on Bonded Sales and Bonded Factories

Notice on the operation of bonded shops (Korea Customs Service Notice No. 2019-54, '19.12.5.)

Purpose of revision

Lifting of restrictions and revision of operational regulations to promote duty-free industry and increase the sales limits for Koreans

Main Content

o Introduction of the delivery system in arrival terminals

- Add the location for bonded sales and delivery halls where you can sell goods delivered in arrival terminals (Article 2)
- Add contents of the purchase limit of the goods delivered to the arrival terminal and items that can be brought into Korea to the public information provided by the operator (Article 3)
- Regulations on the limit of sales of goods delivered at the arrival terminal (Article 5)



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- Provision of delivery method and procedure at the delivery site of the arrival terminal (Articles 12 and 14)
- Provision of requirements for those who intend to install and operate the delivery hall at the arrival terminal (Article 13)
- Added items in accordance with the allowance of tobacco sales at duty-free shops in the Arrival terminals (Article 5)

○ **Increased sales limit for Koreans in the bonded shops**

- Changes to the sales limit for domestic residents in bonded shops* (Articles 5 and 14)

* \$3,000 → \$5,000

○ **Efficient business processing by alleviating regulations related to the operation of bonded shops**

- In order to increase the efficiency of bonded shops, expand on the voucher or pick up form system done by electronic signature, applied only to the online duty-free shops to offline stores (Articles 12 and 14)
- Deletion of approval procedure* from customs officers for delivery assistant and simplify the delivery process to improve delivery efficiency (Article 14)
- * Reflecting the needs for improvement details from the general audit of the Korea Customs Service (Office Audit Officer -942, '20.2.28.)
- Diversification of delivery methods for undelivered goods that are limited to international mail and offering more choices to buyers (Article 18)

Effective date

2020.07.01

「Notice on the operation of bonded factories」(Korea Customs Service Notice No. 2019-72, '19.12.20)

Purpose of revision

- 1) To overcome the crisis caused by Covid-19 and to promote economic vitality, enhance the timely production support and competitiveness of export companies through logistics process innovation
- 2) By making an improvement in regulations to increase productivity at bonded factories, strengthen industrial export competitiveness for Korea's main export, such as shipbuilding and heavy industry, and support new industries such as bio.
- 3) Simplify patent requirements and report procedures for SMEs by establishing a "Small and Medium Enterprise Self-Managed Bonded Factory System" and support SMEs' manufacturing activities and strengthen export competitiveness

Main Content

o Timely production support through innovation of the bonded factory logistics system

- Make an improvement of work procedure so that the use report can be given to the customs office at the bonded factory jurisdiction when the cargo management number is given at the port of entry (18, 7 new)
- Allow the pre-arrival use reports, which was limited to companies with excellent import and export safety management, to be used by companies with excellent performance evaluation in law governing. (§19②)
- By allowing the direct import of goods between over-the-counter workshops and other bonded factories, we support just-in-time production through logistics costs reduction and smooth supply of raw materials. (§22, §24)
- For transportation of bonded factory goods, vehicles owned by bonded factories (including over-the-counter workshops and other bonded factories) are also permitted so logistics delays can be prevented. (§24⑨, §38⑤)
- When applying for temporary device permission outside the bonded factory to weigh surplus items, the process will be handled electronically to promote rapid customs clearance (§33⑩)
- Prevention of production delays due to logistical delays can be achieved by allowing pre-use and pose-reporting of goods brought into the OTC workshop directly (§37①)
- When the operator applies for withdrawal of an export declaration with the reason(s) such as cancellation of an order or a change in the loading schedule, he is allowed re-entry into the original bonded factory even before the expiration of the loading period. (§39)
- Promote exports by preparing measures to support manufacturing in major industries

- **In the bio-industry, because the raw material test is essential and frequently occurs in the production process, we must recognize the quality inspection of raw materials as bonded work to support smooth production .(\$4)**
 - Considering that additional work, such as a finishing process, is necessary for large structures such as offshore plants after being taken out of the factory, allow the import of bonded raw materials into the bonded factory for the manufacturing of goods expected to be put into the finishing process, etc. (§12①10 new establishment)
 - There is a possibility that the demand for repairs to reduce pollutants in ships will increase significantly, provide the support for the necessary items so that they can be transported (including ship-loaded fuel oil to be brought in for repair, so Korean companies can preempt the demand. (§12①11 newly established)

- **Temporary devices outside of bonded factories are allowed for large weight products, such as railroad cars manufactured by bonded factories to support smooth operation. (§17-2①)**
 - For faithful companies with low risk of illegal leaks, in-flight meal loading can be applied on a daily basis through a simplified in-flight meal loading procedure (§35 Article ②)

- **Revitalization of bonded factories through alleviating administrative regulations**
 - Allows for the extension of import clearance while the equipment is set up for bonded plant facilities to quickly respond to changes in the trade environment such as Japanese export regulations (§12②)
 - Allows for the transformation of original forms of surplus goods using the bonded factory's own facilities to maintain the company's trade secret or security. (§33②)
 - Establishes new regulations for patents and special new cases for "Small and medium-sized bonded factories of self-imposed management" to support manufacturing, and strengthen export competitiveness (§35-3)
 - Includes companies with excellent legal performance evaluation in the scope of companies with excellent management of bonded cargo that can be omitted from inventory investigation (§40③)

- **System maintenance to strengthen the capacity for self-management for bonded factories.**
 - Among the requirements for the renewal of a bonded factory, change the period to apply for the evaluation result concerning the ability to perform regulations from the 'previous year' to 'the average evaluation rank of the patent period' (§5②)
 - Procedures for handling mistakes when import declaration items are reported as use declaration.



- In the case of goods having the same property at the time of reporting, allow for the withdrawal of the report, creating an environment for autonomous compliance with regulations. Notify imposition In case of changes in product properties. (§18-2)
- Prevent unreported situations due to error by clearly defining the time to report the completion of disposal of surplus items as 30 days after the completion of disposal (§33③)

Effective date

2020.06



Customs Case

Whether the request for adjudication filed without amendment request after filing revised report and the payment is legal

Facts and judgment

- A. On January 1, 2018, when company A imported the OOO, import declaration number OOO (hereinafter referred to as "issued item") from Ukraine, company A reported the item number as a tariff/statistical integrated item classification table (hereinafter referred to as "HSK") No. 1904.90-9000 (basic tariff rate: 8% , And hereinafter referred to as "No. 1904"), and the Disposal Service conducted a post-analysis on the issue items after accepting them.
- B. On December 17, 2018, The Disposition Office told company A that as a result of post-analysis of the issued items, the item number was confirmed to be HSK No. 1104.29-9000 (Concession tariff rate: 800.3%, hereinafter referred to as "No. 1104"). On April 13th, 2020, the company A changed the item number of the issued item to No. 1104 at the Disposal Office, and reported the corrections and paid the total OOO for changed customs duties.



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- C. Company A did not request corrections for the amount of tax paid and yet on 2020.5.13, requested an appeal to receive a cancellation of the amount of tax paid.
- D. Looking at the above-mentioned facts and related laws, company A reported the revision and paid for customs duties on the issued goods, and then requested the cancellation of the amendment and payment of customs duties due to incorrect HS classifications without requesting for the appeal. In light of the fact that the taxpayer made the self-report of the tax amount according to revised tax standards did not correspond to the decision to be objected to, it is considered that the request for appeal is not a claim that is subject to objection pursuant to Article 119 (1) of the 「Customs Act」, so it is considered to be an inappropriate claim

Decision

The company A filed a request for appeal to cancel the amended report and the tax payment without requesting amendment after reporting amended tax and making the payment. In light of the fact that the reported and paid actions do not correspond to the disposition to be objected to, the request for judgment is considered an inappropriate claim.

Conclusion

Since this request is an inappropriate claim, the request for adjudication will be dismissed pursuant to Article 131 of the Customs Act, Article 81 of the Framework Act on National Taxes, and Article 1, Paragraph 1 of Article 65.

Related laws

Customs Law(Article 38-3 [Modification and Correction])

- ① In the event that the tax amount paid by the taxpayer is insufficient, the taxpayer shall report the amendment as prescribed by Presidential Decree (from the day after the correction period expires until the period under Article 21 (1) is over.). In this case, the taxpayer must pay the customs duties by the next day from the date the correction is filed.
- ② When the taxpayer finds out that the tax has been overpaid, he/she may request the customs officer to amend the amount of the reported tax as prescribed by Presidential Decree within 5 years from the date of the first tax return file.
- ③ The customs officer must notify the person who made the claim that there is no ground for amendment or reason to amend the tax amount within two months from the date of receiving the request for amendment under paragraph (2) or (3).

Article 119 [Application for Dissatisfaction] ① As a disposition pursuant to this Act or other customs laws or treaties; Any person whose rights or interests have been violated due to unlawful or unfair disposition or lack of appropriate disposition, a request may be made to cancel or change the disposition, or to make any other appropriate disposition.

Commentary

This case suggests requirements that are subject to tax dissatisfaction, such as appeals. First, as mentioned in this case, it is necessary to receive a loss of profits by receiving illegal or unfair dispositions or no disposition (deliberate or omissions), and obtain non-trials through procedures such as amendment claims. In addition, the appeal for amendment shall be filed within 30 days from the date of receiving the notice for the pre-taxation, and within 90 days from the disposition in the case of the request for evaluation and judgment.

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