

Jan 2024. Issue 181

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SHINHAN Customs Service Inc.



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“
When you fill your inner self with beauty,
before you know it, even your outer side
will become beautiful.
”



The facade is a word [expressing the front of a large and beautiful building](#). It originated from Latin and passed through French. Many buildings have stunning and grand façades, including the facade of St. Peter's Basilica in the Vatican. The façade, the face of the building, has [the role of representing the entire inside, projecting to the outside and communicating with the outside world](#).

[The media façade also puts a new face to the existing building](#). The media facade of a department store building in Seoul has become famous. It was a decoration that started to attract the attention of customers doing Christmas shopping at the end of the year. Every year, the exterior walls of old buildings were decorated more ornately and evolved. It has become a work that attracts many spectators with the advancement of technology and story-telling design. It shares joy with beautiful works of art.

Ideal and Reality for this month is 'Changes in Customs Regulations in 2024', Analysis on Recent Customs Judicial Precedent covers 'In relation to the application of the Korea-US FTA agreement tax rate to the item at issue, a request by the disposal agency to deny application of the agreement tax rate as the exporter and producer of the item at issue failed to submit information on the country of origin of the item at issue (Gwangju Customs -tax tribunal -2023-9)', and HS case solved by logic reports 'Smart life! Classification of new home appliances' and Global Customs Insight is 'New non-tariff barrier, EU

carbon border tax', and FTA and import/export practical business guide is 'Korea-India EODES opens, Contents and Opinion of Customs Trade amendment Covers 'Announcement of Partial Amendment of the Enforcement Decree of the Foreign Trade Act (draft)'

When we face a beautiful exterior, we expect an interior that is just as beautiful and substantial. To a grand or majestic sight, we show respect by putting your hands together. It would be a great fortune if an exterior has the interior that matches. If we can show the beauty of the inside to those who come to see the gorgeous outside, it is a grateful and joyous thing.

Looking back at 2023, my [body and mind were very busy with many things](#). After the passing of my father, who had protected me like a mountain, those were the days I spent as if I were a mountain. I puffed up my face and whole body to make them look big, and I tried to walk putting my hands behind my back with a swaggering gait. I was busy scurrying along [to make at least a small mountain that looks plausible if I can't make a great mountain](#).

However, looking back, the space has grown and the number of rooms has increased, but many rooms are still empty. These [empty spaces like honeycombs that are not filled with honey after bees left](#) catch my eyes. Fearing that the shabby empty rooms will be noticed, I put up a screen quickly and hold on to the façade to block them. It's embarrassing for those who expect a substantial interior. I cannot disappoint those who are delighted with the beautiful exterior.

[Filling the empty rooms!, it is the first thing to do in the new year.](#)

'The Great Stone Face'^{**} is a novel that appears in middle school textbooks. It begins, "One afternoon, as the sun was setting, a young boy and his mother were sitting at the door of their house, looking at a great stone face and talking." From childhood the boy [looked forward to meeting a great man with a face resembling a rocky mountain](#). He grows, and with expectation, meets many different people. "Is he perhaps a great person?" However, a greedy wealthy man, a famous general lacking in benevolence, and a successful politician obsessed with power and fame only bring great disappointment. As time passes, people around him praise him as someone who resembles a great stone face.

This story teaches a lesson that a truly great person is someone who reflects on himself and teaches love and wisdom to his neighbors, not those with worldly greed. When you fill your inner self with beauty, before you know it, even your outer side will become beautiful.

As the building gets bigger, there is more inner space to fill. As you get older and your responsibilities increase, there are more rooms to fill. Beyond achieving the social status, educational background, wealth, and appearance necessary for social life, you must also acquire wisdom, knowledge, merit, health, and interpersonal relationships. The lust of the flesh, the lust of the eyes, and the pride of life are virtues that must be avoided even when achieving a small mountain, let alone achieving great heights. It has an evil influence not only on the inside but also on the outside. If you try to fill yourself with love, joy, peace, long-suffering, kindness, goodness, faithfulness, gentleness, and self-control, before you know it, you may end up resembling the Great Stone Face.

Although a person plans his way in his heart, it is God who directs his steps. (Proverbs 16:9)

In the New Year, I will take a closer look to move forward. I will faithfully fill the empty rooms. I will make sure that there is no difference between how I look on the outside and what I look like on the inside. I will continue to lead by not just words but also actions. I will make sure that the façade that communicates with you becomes one with true inner self.

I hope you stay healthy and have days filled with gratitude and joy in the new year of 2024.

Thank you.

*Facade. Wikipedia. 2023.12.30.

**Great Stone Face. Namu Wiki. 2023.12.30.





Ideal and Reality
Changes in Customs Regulations in 2024

2024 is a pivotal year that will determine the future of the Korean economy, and it expects a slow U-shaped economic recovery. The forefront of AI, robotics, digital health, and mobility sectors is expected to drive the entire industry, leading to increased trade in related raw materials, components, and technologies. In the midst of a domestic consumption slowdown, a decrease in the trade of consumer goods is expected.

Against this economic backdrop, let's look into the changes in South Korea's customs system for 2024. It is used as an easy term for those who are not familiar with the customs language, so it is recommended to refer to the amended regulations for precise legal details.



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<Amendments to the Customs Law and Subsidiary Regulations>

1. The term "corporate examination" is replaced with "customs investigation," and the examination system is enhanced. (Customs Law Articles 2 and 110, Paragraph 2)

- The Customs Authority revises examination directive on customs investigation to distinguish corporate and planning examinations into regular and irregular investigations, and corporate examinations match laws and terms with customs investigations.
- Introduces a new general definition of customs investigation in Article 2, separating it from the tax amount investigation for clarity.
- Adds a simplified examination type, allowing for the clear regulation of procedures when companies selected for customs investigation are deemed low-risk based on administrative cooperation, sincerity, and past investigation history.

2. Allows the storage of books and documentary evidence proving the contents of export/import declarations at the Certified Electronic Document Center and adds the storage of documentation related to the determination of taxable prices for transactions between related parties. (Customs Law Article 12, Customs Law Enforcement Ordinance Article 3)

- Forged or easily manipulated documents like contracts must still be stored by companies.

3. If the results of legal actions such as objections or lawsuits are confirmed within the limitation period for assessing customs duties, customs duties can be imposed on the person who lent their name within one year from the confirmation date. (Customs Law Article 21, Paragraph 1)

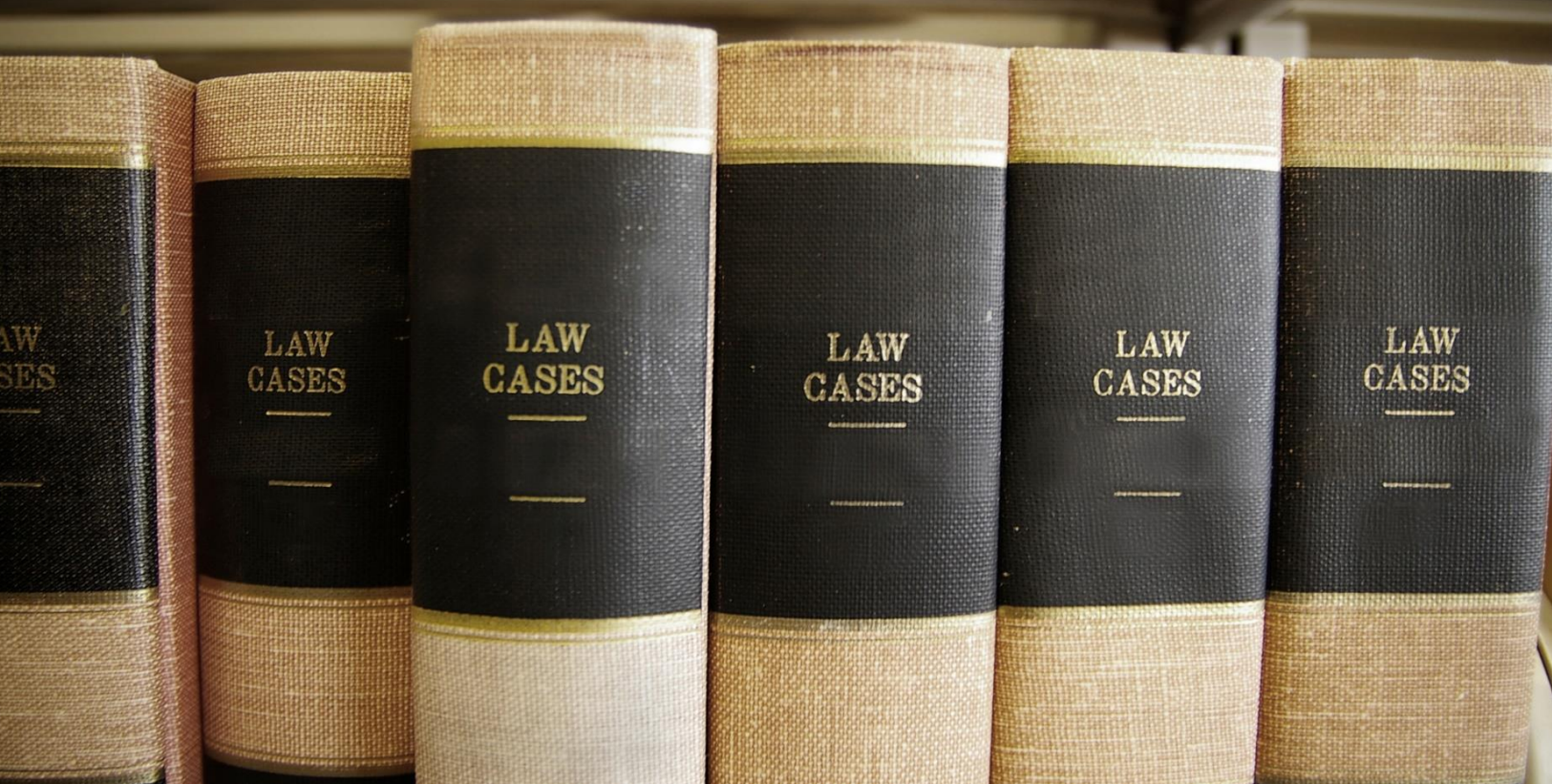
- Aimed at preventing the loss of the right to impose duties on the actual taxpayer when the initial taxpayer objects or litigates.

4. Public disclosure of personal information for individuals or corporations convicted of customs portal crimes with an annual amount 200 million KRW or more. (Customs Law Article 116-2, Paragraph 1)

- Imposes public disclosure even if the offender has not defaulted, enhancing the accountability for customs portal crimes.
- 5. Expands the scope of data requests for transactions between related parties during customs investigations, not only tax amount investigations.** (Customs Law Article 37-4, Paragraph 1)
 - 6. Adjusts the reduction rates for additional taxes on underreported amounts during the amendment declaration, with an expanded reduction rate after six months of the revision period.** (Customs Law Article 42-2, Paragraph 1)
 - Six months after the revision period: 30% reduction rate (previously 20% within the first year).
 - Over six months and within one year after the revision period: 20% reduction rate (previously 10% within the first year).
 - From 1 year 6 months to 2 years: 10% reduction rate (no change).
 - 7. Introduces an Anti-Circumvention System (Customs Law Article 56-2) to prevent circumvention of anti-dumping measures, effective from 2025.** (Customs Law Article 56-2 New Provision)
 - Aims to address difficulties in responding promptly to domestic industrial damage caused by circumventing anti-dumping measures.
 - 8. Clarifies regulations for applying and managing lower tariff rates for specific-use items approved in advance by the customs commissioner.** (Customs Law Article 83, Paragraphs 1 and 2, Article 108, Paragraph 2)
 - 9. Allows the customs commissioner to directly present classification decisions to the customs item classification committee without a prior application for pre-examination.** (Customs Law Article 86)
 - 10. Amends the law to utilize the custody of goods carried during overseas travel by individuals with tax or local tax arrears as a means of tax pressure.** (Customs Law Article 206, Paragraph 1)
 - 11. Formalizes the imposition of fines when a different means of transportation is used during bonded transportation than declared before departure.** (Law Article 216, Article 277, Paragraph 5)



12. Expands the compensation regulations in case of incurring losses during goods inspections by customs on packaging, containers, and transport means. (Customs Law Article 246-2, Paragraph 2, Customs Law Enforcement Ordinance Article 251-2)



Analysis on Recent Customs Judicial Precedent

In relation to the application of the Korea–US FTA agreement tax rate to the item at issue, a request by the disposal agency to deny application of the agreement tax rate as the exporter and producer of the item at issue failed to submit information on the country of origin of the item at issue (Gwangju Customs –tax tribunal –2023–9)

[Facts]

A. The claimant company imported “Item at issue ①” and “item at issue ②” as OOO cases with import declaration number OOO during the period from October 17, 2017 to March 31, 2021 from “Exporter at issue ①” and “Exporter at issue ②”. The tariff rate of 0% was applied and reported under the “Free Trade Agreement between the Republic of Korea and OOO” (hereinafter referred to as “Korea-OOO FTA”).

B. As a result of the on-site investigation, the disposition office determined that it was impossible to confirm whether the item at issue met the criteria for determining the origin. it conducted an international written investigation of the origin of the exporter at issue, and notified the claiming corporation of this fact.



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C. Considering that the exporter and producer at issue failed to submit information proving that the item at issue is an origin product, the disposition office excluded the application of the agreed tariff rate under the Korea-OOO FTA to the item at issue, and imposed a tariff of OOO won and value-added tax of OOO on the claiming company. The total amount of OOO won (Additional tax was exempted.) was corrected and notified.

[Issues]

A Request by the disposition office considering that the items at issue are not subject to the agreed tariff rate under the Korea-OOO FTA, and the tariff is imposed to the claiming company..

[Summary of Decision]

The claimant's additional claim to the effect that the items at issue are goods from the country of origin is as follows.

1) Even considering the manufacturing process, the country of origin of item at issue ① is OOO. The condition of the item at issue ① manufactured and exported from OOO is not an originating product under the Korea-OOO FTA is when the unpackaged item at issue① was imported into OOO and simply repackaged at OOO.

2) When some of the items at issue were returned to OOO and cleared customs for import, government agencies such as OOO also confirmed that the items at issue were from OOO.

3) A DDD worker, who has a license to sell CCC coffee in OOO, confirmed that the items at issue were from OOO. DDD, a global food company headquartered in OOO, acquired the sales rights for CCC coffee in 2018 and has sales rights within OOO. The exporter at issue also purchased the items at issue through OOO DDD, and exports and sells them to the claimant.

4) When considering the manufacturing process, the country of origin of the item at issue ② is also OOO. The general manufacturing process for injection molded

products involves putting raw materials such as resin into a hopper, heating them to make into molten state, filling them into a mold, and then cooling and solidifying them.

Considering the above facts and related laws, Article 6. 15, Paragraph 3 (a) of the Korea-OOO FTA stipulates that certification by the exporter can be completed based on “the exporter’s recognition that the product is an originating product.”. In this case, the exporter must record and keep the records on “purchase, costs, values and expense thereof of the exported goods” pursuant to Article 6. 17, Paragraph 1. The importing party may exclude preferential tariff treatment if the exporter fails to submit the proof of origin in accordance with the verification request set forth in Article 6. 18, Paragraph 1 and 3. Since the exporter at issue submitted proof of recognition as an exporter pursuant to Article 6.15, Paragraph 3 (a) to the disposition office, it is difficult to say that the exporter failed to submit production information such as rational confidence data on the producer’s written or electronic confirmation of the item at issue at the request of the disposition office, or the exporter did not comply with the obligation to keep records immediately make the conditions fall for exclusion of preferential treatment. In light of a fact that it is difficult to believe that sufficient information necessary to confirm the origin of the goods has been submitted since data such as the contents of the packaging label of the item at issue submitted by the claimant and the exporter at issue, certificate of origin issued by OOO, the producer confirmation email from the DDD practitioner who is the seller, the producer’s promotional materials, and the re-import declaration form submitted to OOO are not enough to acknowledge that the process of producing the item at issue was carried out at a factory within OOO. It is judged that there is no error in the disposition in this case in which the disposition office excluded the application of the agreed tariff to the item at issue and imposed tariff on the claimant corporation.

[Significance of Decision]

The decision in this case means that cancellation of the application of FTA preferential tariff rate due to insufficient submission of relevant documents by the exporter who issued the FTA certificate of the origin during a follow-up investigation into the application of the FTA preferential tariff rate and collecting customs duties and taxes corresponding to the difference from the basic tariff rate is justifiable.

Even when the country of origin of imported goods can be estimated under various circumstances, it is an obligation under the agreement to keep records of the country of origin. In order to prevent the above risks, the country of origin documents need to be stored and managed through exporters and producers.



HS case solved by logic

Smart life! Classification of new home appliances

Overview

"A clothes dryer is essential. You must have a styler and a dishwasher." You may have heard these sayings. The technological advancements in home appliances that were unprecedented in the past brought the drastic reduction of housework. Through this, we can free up time and use the secured time to do more productive work or enjoy hobbies. As such, our daily lives today are experiencing constant innovation and evolution of convenience.

Below, we will look at the classification of home appliances that bring convenience to our lives.



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2. Classification of home appliances

1) Clothes care machine(styler) and the clothes dryer

The clothes care machine stores worn clothes inside, removes odors, wrinkles, and dust from clothes using the functions of steam, carbon filters, and moving hangers. It blows warm air for drying based on a heat pump to remove moisture from clothes and dry them. This is an item used to achieve the same effect as washed clothes without having to wash them separately

In tariff schedule heading 8419, machines that process materials by heating, drying, etc. are classified, but it is stipulated that the commentary to this heading excludes "machinery for heat treatment of yarn, fabric "or " exclusive dryer for textile spraying, fabric or textile products" from this heading. Thus the clothing care machine cannot be classified under heading 8419.

Although household electro-thermic appliances are classified in tariff schedule heading 8516, clothes care machines are not classified as electro-thermic appliances since they are devices that generate relatively low-temperature warm air with the principle of circulation of refrigerant by a built-in heat pump.

Tariff schedule heading 8450 classifies "household use or laundromat-use washers", and the explanatory note explains, "These are usually equipped with paddles or rotating cylinders to circulate liquid through the laundry." Clothes care machines are different from general washers that use laundry detergent in terms of structure and operating method, so it is not desirable for them to be classified under heading 8450.

In Tariff schedule heading 8451 "machines for washing, cleaning, or drying fabrics or textile products" are classified. The explanatory note for the same heading stipulates regarding the "(D) dryers" as "only those machines that are specialized and clearly designed and manufactured for the drying of weaving yarns, fabrics or textile products are classified in this heading.". It also provides examples of "steaming equipment for outer garments" to be classified in this heading.

The main function of the clothes care machine can be seen as the function of cleaning clothes using steam and drying clothes using drying warm air, and these functions all meet the terminology of heading 8451 ("Machine for cleaning or drying textile products"), so the clothes care machine can be classified under heading 8451.

When the HS was revised in 2022, heading 8451.80-9050 was newly established to specify that "home clothing care devices" be classified. By the same logic, household clothes dryers are classified in heading 8451.2.

2) Dishwashers

Electric dishwashers installed in home kitchens, connected to water pipes, and used to wash dishes, etc. are classified in Tariff Schedule heading 8422.

Heading 8422 includes "dishwashers, machines for cleaning or drying bottles and other containers; machines for filling, sealing or labeling bottles, cans, boxes, sacks or other containers; machines for encapsulating jars, containers and similar containers, other packaging machines (including heat shrink packaging machines), and carbon dioxide injectors for beverages are classified. In HSK heading 8422.11-0000, "washers for household use" are subclassified.

Additionally, the explanatory note for the same heading explains, "This heading classifies dishwashers (plates, glasses, spoons, forks, etc.), regardless of whether they are equipped with a drying device or not, and include those of an electrically operated type, and it does not matter whether they are intended for household use.". It gives examples, "(1) Machines (regardless whether it is a steam type) for cleaning, washing, washing or drying bottles, jars, cans, boxes, barrels, stirrers, cream separator bowls or other containers; "These machines may also be equipped with devices for disinfection or sterilization."

Accordingly, household electric dishwashers are classified in heading 8422.11.



Global Customs Insight

New non-tariff barrier, 'EU carbon border tax'

I. Overview

After COVID-19, interest in environmental issues has increased around the world, and attempts to combine environmental and trade policies have come into full swing, leading to increasing trade disputes. Recently, countries around the world are strengthening 'carbon trade barriers', a trade regulation measure that increases tariffs or non-tariff barriers on imported goods to protect their own industries. In particular, this movement is becoming more noticeable in major countries such as China and the United States, where many Korean export companies are operating. Recently, the EU is also pursuing the introduction of a carbon border adjustment system. As environmental regulations and trade restrictions spread across the international community, we thought it was urgent for domestic companies to come up with a response plan, so we chose 'carbon border tax' as the topic.



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II. What is a carbon trade barrier (carbon border tax)?

Carbon trade barrier (Carbon Border Adjustment Mechanism) refers to a system that seeks to achieve a practical trade restriction effect by imposing a tax or setting a quota on carbon dioxide emissions from products produced in countries that do not have an obligation to reduce greenhouse gas emissions. In other words, this often manifests itself in developed countries demanding low-carbon technology transfer to developing or underdeveloped countries and imposing high tariffs on imports from those countries.

III. Background of 'EU's carbon border tax'

- On July 14, 2021, the European Commission announced 'Fit for 55', which contains a package of 12 core bills of the 'European Green Deal', a decarbonization policy.
 - This is a policy to attain the goal of reducing the EU's greenhouse gas emissions by 55% compared to 1990 by 2030. Particularly noteworthy in Fit for 55 is the carbon border adjustment mechanism (CBAM) applied to cement, electricity, fertilizer, steel, and aluminum.
- According to the draft carbon border adjustment mechanism, a carbon border tax will be imposed on steel, cement, chemical fertilizers, aluminum, etc. exported to the EU from 2026. This is the first time in history that a system that imposes a kind of 'tariff' on the carbon emissions of products is being introduced.

IV. effect

- In the case of Korea, steel and aluminum companies are believed to be affected. According to the Ministry of Trade, Industry and Energy, as of 2020, steel products exported to the EU amounted to \$1.523 billion (KRW 1.7 trillion).
- According to a report by the Korea Institute for International Economic Policy (KIEP), it is estimated that Korea will have to pay an annual carbon border tax of \$1.061 billion (about 1.22 trillion won) following the introduction of the EU's carbon border tax. This is equivalent to an additional 1.9% tariff.



FTA and import/export practical business guide
Korea-India EODES opens

1. Overview

As of December 22, 2023, the Electronic Origin Data Exchange System (EODES) will be opened to promote the use of Korea-India CEPA. The Electronic Origin Data Exchange System (EODES) is a system for electronically exchanging origin certificate information between customs authorities of each country. When EODES is introduced, submission of the original paper copy of the certificate of origin may be omitted when reporting imports.



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2. Effects of Korea-India EODES introduction

When a paper original must be submitted, it must be delivered to the importer by international mail. This takes more time, costs more to deliver, and has more risk of losing the document. Also customs clearance gets delayed because the customs office of the importing country must check the authenticity of the original.

With the introduction of EODES, the process from issuance to submission of the certificate of origin is shortened, which can lead to faster customs clearance and reduction of logistics costs.

India is one of the countries where customs clearance difficulties frequently occur. The opening of EODES with India is expected to improve inconveniences in the customs clearance process and contribute to enabling export and import companies in both countries to continue trade activities more stably in the future.

3. EODES conclusion status

Korea has opened and operated EODES with China, Indonesia, and Vietnam. India is added to this. The Korea Customs Service is pursuing the expansion of EODES with other New Southern countries, including Thailand, with the goal of expediting customs clearance and reducing logistics costs.

4. Key questions and answers regarding Korea-India EODES

Q1) Is it necessary to obtain a paper C/O when exchanging EODES?

A1) Matters regarding the issuance/storage/submission of country of origin and EODES are separate. In accordance with the Act on Special Provisions of the Customs Act for the Implementation of Free Trade Agreement and the Enforcement Decree of the same Act, documents proving the origin must be kept for 5 years, and submission of the original C/O may be required.

Q2) How do I proceed with customs clearance when an EODES transmission (exchange) error occurs?

A2) Even if EODES is implemented, customs clearance is possible in the other country with the paper C/O as before.

Q3) When preparing the Korea-India CEPA certificate of origin, should I only use the previously announced 'weight/quantity unit and loading port/destination port codes'?

A3) For smooth EODES establishment and operation, we agreed on 'weight/quantity unit and loading/destination port codes' to be commonly used with the Indian Customs Service and provided them with posting numbers 202311082287, 202311072285, and 202310192272. Especially, if you have any questions regarding the port of destination (prepared by the Indian Customs Service), please consult with the importer in India to complete the form.

Q4) Is there a basis for establishing and operating Korea-India EODES?

A4) The two customs authorities signed a 'Memorandum of Understanding on Electronic Origin Data Exchange System (in Korean and English)' for smooth implementation of Korea-India CEPA concluded in May 2019.



Contents and Opinion of Customs Trade Amendment **Announcement of Partial Amendment of the Enforcement Decree of the Foreign Trade Act (draft)**

In the preliminary notice of partial Amendment to the Enforcement Decree of the Foreign Trade Act, **“Reorganize the scope of “products for foreign exchange earnings” and expand the scope of “services”**. Below, we will discuss the reason for the Amendment, major Amendment, and related impacts.

1. Reason for Amendment

- 1) Goods purchased domestically and provided for foreign exchange earnings without going through the production process have also been included in the scope of “products for foreign exchange earnings.”
- 2) The ‘scope of services’ under the current Enforcement Decree of the Foreign Trade Act has been expanded to allow various types of newly emerging services to be included in trade so that export support can be carried out smoothly.



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2. Major Amendment

1) Amendment of the scope of products for foreign exchange earnings

- Previously, "raw materials and materials for foreign exchange earnings" were defined in Article 2, Item 5 of the Enforcement Decree of the Foreign Trade Act, and the items included in that heading were again listed in Article 2, headings 6 through 10. In the Amendment, five items were incorporated into Article 2, heading 5, and subheading A through E of heading 5 were reorganized.

- In case of **Products for foreign exchange earnings**, previously only "goods provided for foreign exchange earnings in the state without having gone through the production process after import" were included in this scope, but in the revised bill, not only imports but also **"Goods purchased domestically and provided for foreign exchange earnings without having gone through the production process" are also included in the scope of products for foreign exchange earnings.**

2) Expanding the scope of services

- Article 3, Paragraph 1 of the Enforcement Decree of the existing Foreign Trade Act enumerates the scope of services (management consulting business, legal-related service business, etc.). This was revised as **"Services specified in Article 3 of the Enforcement Decree of the Value-Added Tax Act"**.

- In addition, Article 3, Paragraph 2 of the Enforcement Decree of the Foreign Trade Act states: **Newly established "Services provided by those engaged in business in industries determined and announced by the Minister of Trade, Industry and Energy as promising export industries such as knowledge-based services"**

- The contents of the existing Enforcement Decree No. 2 (patent rights, utility model rights, etc. that are protected by domestic laws or treaties to which the Republic of Korea is a party, hereinafter omitted) have been maintained as is by creating No. 3.

3. Opinions on Amendment

It is believed that the Amendment of this Enforcement Decree of the Foreign Trade Act is significant in that it aims to support smooth exports by clarifying the definition of items that are unclear or have ambiguous scope.

In particular, in the case of products intended to obtain foreign exchange earnings, if they are recognized as indirect exports through the issuance of a domestic letter of credit or purchase confirmation, they can receive the same benefits as direct exports, such as recognition of export performance, trade financing support, and zero value-added tax rates. Therefore, by revising the scope of foreign exchange earnings products to clearly include from existing imported products to products purchased domestically, the effect of reducing ambiguity in interpretation of the law and supporting the export industry can be expected.

In addition, it is believed that uniformity can be achieved in the interpretation and application of the law by expanding the scope of services under the Foreign Trade Act to the scope of services stipulated in the Enforcement Decree of the Value Added Tax Act. In addition, it is believed to have a purpose to promote exports by including various types of newly emerging services through including promising export industries such as knowledge-based services in the scope of services.

It is believed that this direction of Amendment provides a glimpse into the direction of the authorities to develop domestic industry by ensuring consistency and unity of laws, and enhancing and promoting export support through expanding the scope of services. Please refer to it in your work.

4. Effective date

To be determined (legislative notice)

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