

A full-page background image of a sunset over the ocean. The sun is a bright white circle near the horizon, casting a golden glow across the sky and reflecting on the water. The sky is filled with soft, white and pinkish clouds. The water is dark blue with a shimmering reflection of the sun.

137th MAR 2020

ZOOM IN TRADE

SHINHAN Customs Service Inc.



Where is Grace Chang?

03 ... 55 Years and Counting



Cover Story

05 ... Importer May Need More Time to Prepare for New KCS Guideline



Voice From the Field

07 ... How “Daigou(代工)” is Effecting Duty Free and Domestic Market and Regulations in Korea



Inside Vietnam

09 ... The EU Congress Ratified EU-Vietnam FTA, EVFTA



Updated KCS Trading Regulation

11 ... Partial Revision on Customs Act Enforcement Decree



Customs Case Study

13 ... Additional Tax and Declaration of the Invoice Value on Good with Free of Charge Under Consignment Processing Agreement

137th MAR 2020

ZOOM-IN TRADE

Where Is Grace Chang?



55 Years and Counting

Grace Chang

CEO/Customs Consultant

“
Our vision is the prosperity and
success of our clients.
We aspire to be a partner in the
journey through empathy,
innovation, and a shared ambition.
”



It's 1963 and a young man hurries with a large bundle of documents from his office in Namdaemun towards the Seoul Customs Office in Yongsan. It hasn't even been 10 years since the Korean War ended and the nation is still in the process of recovering. But the seeds of the Korean economic miracle are starting to sprout and Korea's export rate is growing more than 40% per year. The young man can sense the energy, the potential, the hope.

Korea's Customs Agency conducted its first national license exams for Customs Brokerage in late 1964, and that young man, Chang Heung Jin became the 84th licensed customs broker of Korea.

In March 1965, he founded Seoul Customs Brokerage, what we now know as SHINHAN Customs Service. The first office was located less than 500 meters from the Seoul Customs Office and he hustled back and forth multiple times a day to get the job done for his clients.

Clearing cargo in customs warehouses rapidly, yet accurately, has been the top priority for customs house brokers since SHINHAN was founded 55 years ago. The world is now very different and SHINHAN has constantly innovated to ensure the best services for our clients. Our consulting services support our global clients as a one stop shop partner in all areas of customs such as customs audits, FTA and AEO system processes, and foreign exchange transactions.

55 years in and going strong -

We have customers who have been with us for decades, and customers who will be with us for decades to come.

We have colleagues who have been with us for decades, and colleagues who will be with us for decades to come.

Our vision is the prosperity and success of our clients. We aspire to be a partner in the journey through empathy, innovation, and a shared ambition.

This has been our mission statement for 55 years, and we are committed to adhering to this very mission for decades to come.

With this shared mission, our motto "Passion, Innovation, Teamwork, and Integrity" is our daily driver in providing world class services to our clients.

Thank you for being a valued partner, and we always appreciate your feedback and continuous support.

Sincerely.

A handwritten signature in dark ink, appearing to read "Stephen Chong", is displayed on a light gray rectangular background.



Cover Story

Importer May Need More Time to Prepare for New KCS Guideline

New KCS Guidelines for Item Description Requests More Information From Exporter

Last December of 2019, KCS announced updated new guidelines on how to declare items with detailed description. Starting from 700 items that are most used by consumers, and 4,800 more items will be added this year until 2022. Eventually all HSK codes will be targeted to comply with this guideline after 2023 to promote accurate declaration even if it takes extra time to get cleared.



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- Import/Export Clearance
- Provisional/Final Price Declaration
- Item Requirements
- HS Code Classification

KCS leads this change for safety of consumers to acquire accurate information, at the same time it takes extra time for importer to collect all required information based on what exporter has been providing. With new guideline, importer might not be able to receive all required information from exporter immediately, which delays filing, clearing, and delivering.

For courtesy of preparing changes in the important guideline and the system, 3 months might not be enough period for importer to fully prepare and convince exporter. Extended grace period and accepting more comments regarding any challenges would encourage both importer and export to fully participate and enjoy the benefit of this new guideline.

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



Voice From the Field

How “Daigou(代工)” is Effecting Duty Free and Domestic Market and Regulations in Korea

Reinforced KCS Regulations on Daigou(代工)

“Daigou” is the term for Chinese surrogate shoppers who buy products overseas on behalf of mainland customers, and sometimes they receive commission from the seller for their large buying power. In 2019, Korean Duty Free market had total sales of 19 trillion KRW, and 73% of their sales were from Chinese tourist, and 80% of this sales were from Daigou. For cosmetic duty free market, 86% of the total sales are from Daigou.



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Daigou certainly contributes for growing market of cosmetic and duty free industry, however some of these shoppers are illegally distributing their duty free purchases to the local markets in Korea, urging reinforced regulations from KCS. To prevent this, KCS ordered to print and mark "Duty Free Product" on the product, and plans to allowing large numbers of purchases to be picked up only from the assigned place with export declaration. However, no one has been using this assigned place to pick up as of December, and sellers are concerned that this would discourage the buying power of Daigou.

With COVID-19 also damaging the sales growth, KCS is receiving lots of comments to hold on applying this change after through discussion of how Daigou can use assigned pick up place without any burden. Alongside, duty free market and related industry also should find various customers.

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



Inside Vietnam

The EU Congress Ratified EU-Vietnam FTA, EVFTA

EVFTA to be in Effective from July 2020

On February 12, 2020, the EU Congress ratified EVFTA, and Congress in Vietnam is also planning to ratify the bill in April or May to be in effective from July of this year, said Tran Tuan Anh, Minister of Industry and Trade of Vietnam. The agreement is the highest level among FTAs signed by Vietnam, Vietnam will immediately lift duty on 65% of the EU goods, and remaining will be eliminated over next 10 years. For the EU, 71% of goods from Vietnam will be eliminated immediately, and remaining will be lifted in next 7 years.



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- FTA Academy
- Duty Drawback
- HS Code Classification

Vietnam predicts its GDP will increase by 4.5% and exports to the EU by 42.7% by 2025. Meanwhile, the EU predicts its GDP will increase by \$ 29.5 billion along with export to Vietnam increase by 29% by 2035.

The elimination of tariffs will help Vietnam's major export industries, such as smartphones, electronics, textiles, shoes and agricultural products. In addition, EVFTAs in all aspects of increased capital and employment are expected to accelerate the expansion of related industries as Vietnam exports to the EU increases.

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

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Updated KCS Trading Regulation

Partial Revision on Customs Act Enforcement Decree

Partial Revision on Enforcement Decree

Customs Enforcement Decree of following is revised to enhance customs authorities to regulate activities related to cancellation or suspension of departure, delinquent taxpayer, and to assist imposing anti-dumping duty process.

- Addition of new item on (3)-7 under Article 29.(Determination of Customs Value Based on Reasonable Standards)
- Limitation of item applied on (8) under Article 31.(Advance rulings on Method for Determining Customs Value)



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- Improving antidumping request of assessment process on (2)-3 under Article 59.(Request for Assessment of Anti-Dumping Duties)
- Addition of new related article 141-7 regarding detailed investigation process for delinquent taxpayer under Article 141.(Notice of Results of Customs Investigation)
- Addition of new articles 141-8 and 141-9 for guideline of cancellation or suspension on delinquent taxpayer's departure under Article 141.(Notice of Results of Customs Investigation)
- Addition of new article 187-4 regarding cargo inspection cost under Article 187.(Designation of Cargo Manager)
- Addition of new article 213-2 regarding duty free product pick up area under Article 213.(Management of Bonded Stores, etc.)
- Addition of new article 264-2 and 264-3 regarding publication of business report under Article 264.(Business Report)
- Changing of fine amount on (1) under Article 270-2.(Notification Dispositions)

For detailed information, please contact jhhong@shcs.kr.



Customs Case Study

Additional Tax and Declaration of the Invoice Value on Good with Free of Charge Under Consignment Processing Agreement

Background

Company A imported free of charge good declaring its value as listed on commercial invoice issued by overseas seller. KCS found this value should be corrected and ordered to pay duty discrepancy and additional tax as well. Company A disagreed with KCS's order claiming they are not the part of price decision making process, nor recommend any suggestion determining the price.



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Court Decision

Court agreed on KCS side at the point Company A, as an importer and the taxpayer with due diligence, never attempted to confirmed their commercial value as an appropriate import price. However, the court order that additional tax should not be imposed as following reasons.

(1) According to the Korean Customs Act Article 31 through 35, valuation of goods with free of charge is challenging, especially under the condition of consignment processing agreement.

(2) Company A eventually attempted and rejected by the overseas seller, when requested information for valuation of good as such information is confidential.

For more information, please contact dh.choi@shcs.kr.

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