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We Make the Difference for Your Successful Business!



Grace Chang

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Yellow forsythia flowers are blooming. There is also news that plum blossoms are in full bloom in the south. A warm spring is slowly approaching.

Shinhan Customs Corporation is celebrating its 58th spring. This company continued its steady walk from the establishment of the Seoul Customs Service as a mother company in March 1965. Now the founder, Chairman Heung-Jin Chang is the only person who has stayed with the company for all those long years, but the path of 58 years of Shinhan was led by many people who have been together and have joined forces. There are true Shinhan people who have stayed with Shinhan over 10, 20, 30 years.

'It takes a whole village to raise a child' This is an African proverb. This means in order to raise a child, not only parents but also the love and interest of various villagers must be gathered.

For a company to be established and to grow, many people put their efforts together. Once an organization is established, a company needs to refine the work system, study various laws and regulations, and build relationships with partners. Above all, the company puts everyone's heads together to provide the best service to customers who trust them. *The reason why Shinhan was able to lay the groundwork while sticking to the basics is because the efforts of each and every senior who were with Shinhan in the past 58 years have accumulated.*



The New Customs Study for this month is 'How are the Customs Put in Place after Covid?'; Analysis on Recent Customs Judicial Precedent covers ' Whether the liquidated damage paid by the buyer in case of failure to meet the annual contracted minimum purchase amount is the actual price paid under Article 30 Paragraph 1 of the Customs Act'; and HS case solved by logic reports 'Item classification of electrical converters such as INVERTER and CONVERTER' and Global Customs Insight is 'Revision and Introduction of Vietnam's HS 2022 Version'; and FTA and import/export practical business guide is 'Information on changes related to FTA application practices'; Contents and Opinion of Customs Trade Revision Covers 'Partial amendments to the Enforcement Decree of the Customs Act'

The mission of Shinhan is that for the improvement and success of our clients, experts with passion join forces and provide the best service with sincerity. And this mission has never changed.

Now, Shinhan has become a big family with people in their 20s, 30s, 40s, 50s, 60s, and even 90s mingling together. Still, the monthly assembly that everybody gathers in the auditorium at the beginning of each month continues. Traditional steps are maintained, although delicious snacks are prepared and live broadcasts are added for branch employees who are not able to attend in person.

After the 'Salute to the Flag', the national anthem is sung together, which is no longer practiced even by government agencies. We also sing the company song that the president wrote the lyrics to. Even the new employees who said "Eh? what's this?" "Why sing the national anthem?" with the smirks on their faces at first, become accustomed to all procedures by the end of the probationary period.

An individual, a company and a country are connected as one. Just as companies and countries can exist only when an individual exists, companies and an individual can stay safely only when there is a nation. All staff members are as important as myself. Unity and cooperation are important anytime, anywhere.

While maintaining the basics without losing tradition, we also continue to take on new challenges for better service and improvement. It is an effort to broaden the breadth and deepen the depth of services provided to customers. Based on the special characteristics of customs corporations, related companies are established.



Logistics company, [Shinhan Invista](#), operates bonded and domestic warehouses and provides 3PL services. [KORD Partners](#) provides various consulting services with US experts to companies operating in the US.

[Shinhan Customs Vietnam\(SCV\)](#) is the first Korean customs corporation established in Vietnam. Our mission is to protect the customs and trade compliance of nearly 6,000 manufacturing companies that have entered Vietnam. For this, [KORD Systems](#), which develops software related to customs trade, also has entered Vietnam and is working with SCV.

Some companies were built at the request of customers, while others were built anticipating that there would be customer needs. Just as a whole village works together to raise a child, [all executives and employees of Shinhan Family work together for the improvement of one customer.](#)

We walk together to become a company that advances steadily for 100 years and 200 years. [While attempting changes in line with new technologies and new trends, the sincere and faithful services promised at the beginning will not change.](#) Just as everything works together for good, we will continue to uphold valuable traditions.

"Promptness, Accuracy and Friendly Serving are our Guidepost.
This rock that I devoted all of my youth to~~♪♪"

Thank you.



The New Customs Study

How are the Customs Put in Place after Covid?

From 2000 to last year, due to the unexpected Covid situation and the Ukraine-Russia war, we have been adapting to urgent situations moment by moment and relying on rational judgment to carry out work. In 2023, export declines in semiconductors, electronic devices, and petrochemicals are accelerating, but import prices continue to skyrocket due to inflation, adding to difficulties in importing companies, manufacturing, and the national economy as a whole.



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At a time when the public and private sectors need to work together to expand exports, Shinhan Customs Corporation is providing support to help exporting companies through trainings on the US export control system and US-China retaliatory tariffs in March, and on the customs evaluation method for expanding FTA application and the US C-TPAT documents preparation in April.

Since the Export Expansion Economic Ministers' Meeting focuses on supporting exports by industry, the customs administration must focus on normalizing exports and stably operating the customs administration in the post-COVID-19 and the ongoing war situation. Then, how should tariffs be put in place after Covid-19? There may be many different thoughts, but it would be worth mentioning just a few that come to mind.

1. Increase face-to-face contact

During the COVID-19 period, customs minimized contact between taxpayers and public officials through a non-face-to-face policy. In particular, contact between executives and taxpayers at the customs and Korea Customs Service was minimized, and decisions were often made based on explanations from the person in charge. Even if it's the same content, it will be different depending on who explains and how it was explained, so face-to-face contact should be increased as a first step.

Matters that can be decided quickly by having a face to face meeting can have a different result by minimizing a face to face meeting. When the understanding for background knowledge is not formed, each other's stories become fruitless effort, and different decisions can be made. The person who heard the message through a third person does not understand the words of the company accurately, and are more likely to make a wrong decision because they are more inclined with the explanation of the person in charge.

2. Rule of Law

Through long and painful experience, mankind has learned that the legislation of freedom must have several characteristics.

The rule of law is a principle about what the law should be, and it is about the general properties that particular laws should have. This is important because the concept of the rule of law today is often confused with the simple requirement of legality in all acts of governing. Of course, the rule of law presupposes perfect legality. However, this is not enough. If a law gives the government unlimited power to do as it pleases, then whatever it does is lawful. But obviously not in the rule of law. The rule of law is therefore something more than constitutionalism. It requires that all laws conform to certain principles.

The rule of law is not just a rule of law, but a standard, meta-legal principle, or political ideal concerning how the law ought to be. It is valid only when the legislator thinks it must be followed. In a democracy, it means that it is only valid if it is part of a community's moral tradition, a common ideal shared by the majority and accepted without question. The customs administration should also consider the rule of law and apply it so as not to deviate from the spirit of the Constitution and the principles of the Framework Act on Administrative Administration.

3. Penalties for violations shall be applied only in cases where the promulgated general rules are violated.

The main means of coercion used by the government is punishment. Under the law, the government can only invade the privacy of individuals by punishing violations of promulgated general rules. Thus, the principle "where there is no law, there is no crime, no illegality" is the most important result of that ideal. In applying the customs law, the general rules promulgated shall be taken into account and applied. If the law is insufficient or wrong, it must be corrected and then be applied for punishment.

4. It is known and must be certain.

The importance of legal certainty for the smooth and efficient operation of a free society cannot be overemphasized. Customs is a unique law in which the Customs Procedure Act and the Customs Act are organically combined. Unlike the Internal Tax Act, the Customs Act incorporates customs procedures. There are many cases in which errors in taxation occur due to a misunderstanding of the procedure, so the principle of no taxation without law and the clarity of tax law must be clearly defined so that the importer can know in full detail. Taxpayers understood a lot of it under the pretext of corona, but now it needs to be easily understood and clearly defined.



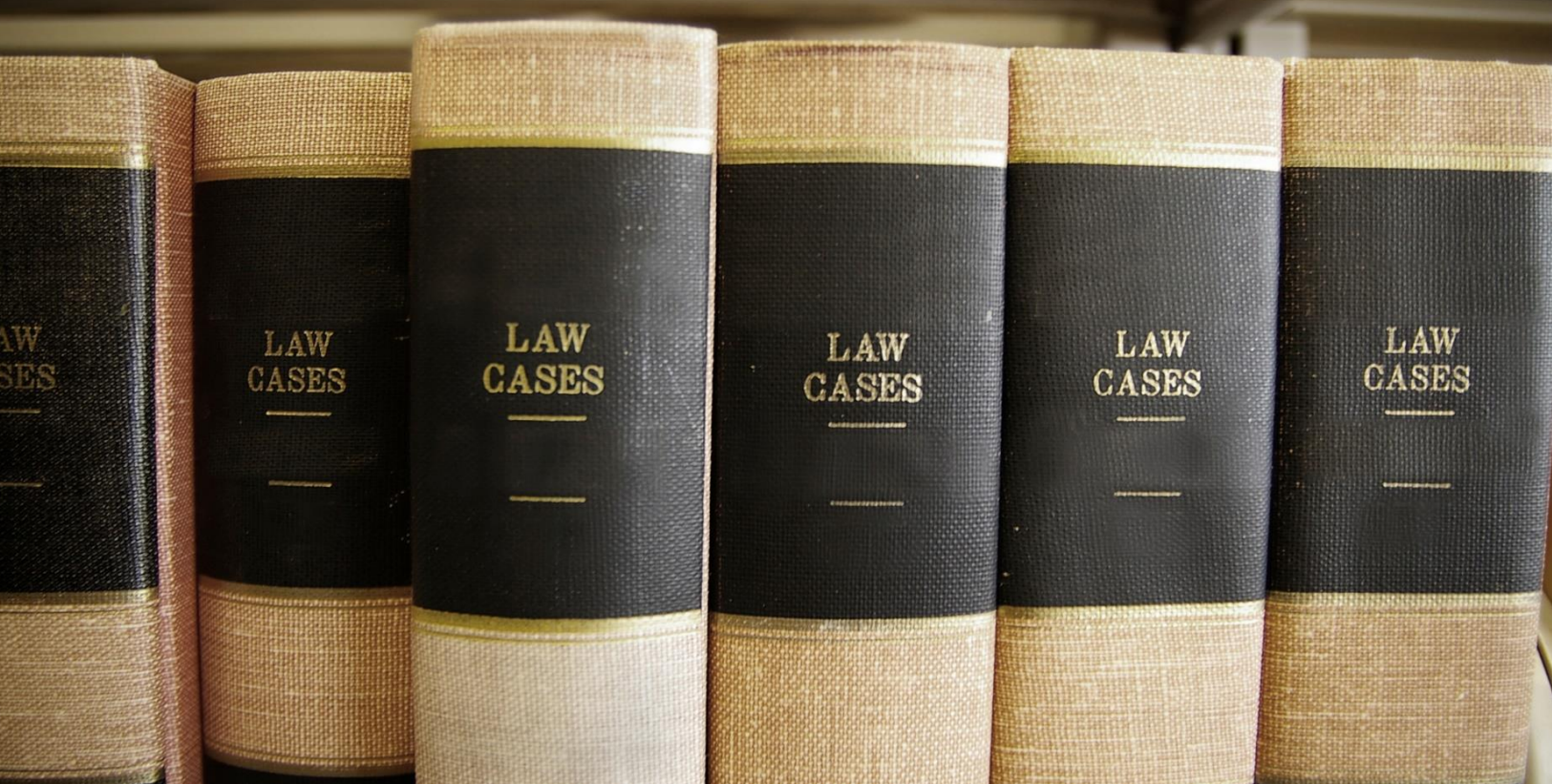
If it is difficult to define customs procedures, you must go to the customs clearance site and listen to explanations at the company site to create the procedure.

The decision on the procedure should not be made with the thoughts drawn in the head at a desk wearing a mask and sitting behind a partition.

5. You have to actively listen.

If exports decrease and companies collapse, the Korean economy will be engulfed in a shock like the IMF or financial crisis. Just as all the necessary weapons and materials are randomly used during a war, we must actively listen to and accept the difficulties of companies during a crisis. Samples needed for corporate research and development and marketing should be cleared quickly without being bound by regulations so that the business can proceed smoothly. In a situation where we are lagging behind in international competition, we must not delay customs clearance by complicating requirement exemptions and customs procedures even for R&D and samples.

Even if it's controversial nonsense, it's better to say it because in the process of arguing against that nonsense, new smart ideas are generated. If there are problems, do not cover them up. Good results can come out in the process of continuous writing and discussion. If you think any of the above is nonsense, please provide a counter argument or better idea.



Analysis on Recent Customs Judicial Precedent

Whether the liquidated damage paid by the buyer in case of failure to meet the annual contracted minimum purchase amount is the actual price paid under Article 30 Paragraph 1 of the Customs Act

1. Facts

- Transaction parties and their respective roles
 - (Company B, Seller) An invoice issuer that sells lithium hydroxide, a key raw material for electric vehicle batteries (hereinafter referred to as 'the item at issue') to a third party at home and abroad as a seller located in Europe
 - (Company A, Buyer) A party who purchases the item at issue from Company B.
- Contract details
 - (Compensation for damages) The importer/seller must purchase/sell 1,000 tons of the item at issue each year, and if the importer/seller fails to purchase/sell the target amount of the item at issue, a penalty of 2.5 USD/kg is imposed on the amount of the item not purchased/sold (liquidated damage)



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2. Issues

- If the purchaser fails to purchase the agreed annual minimum purchase quantity of the item at issue,
 - Whether a certain amount of liquidated damage per quantity that is less than the minimum purchase quantity that the buyer has to pay to the seller according to the contract details is applicable for actual paid price for imported goods on Customs Act, article 30-1.

3. Decisions

[Summary]

When the buyer does not meet the minimum purchase quantity, the amount to be paid to the seller (liquidated damage) is not only related to the imported goods as part of the goods supply contract between the buyer and the seller, also it corresponds to the amount paid or to be paid by the buyer to the seller as a condition of sale for the imported goods. It is included in the actual payment price.

[reason]

- The customs value of imported goods is the transaction price obtained by adjusting the statutory additional factors to the price actually paid or to be paid by the buyer to the seller (hereinafter referred to as 'actually paid price') for goods sold for export to Korea in accordance with Article 30 of the Act and this should be applied first.
 - The actual paid price is the total amount paid or to be paid by the buyer to the seller or for the benefit of the seller for the imported goods (Note to Article 1 of Annex I of the WTO Customs Valuation Agreement (hereinafter 'Agreement')) 1). It is also explained that the transfer of dividends or other payments that do not relate to the imported goods from the buyer to the seller is not part of the customs value (see paragraph 4 of the same note).
 - In addition, it is explained that the price actually paid includes all amounts actually paid or must be paid by the buyer to the seller or by the buyer to a third party in order to fulfill the seller's obligations as a condition of sale of the

imported goods. (paragraph 7 of Annex III to the Agreement)

- In other words, whether the amount paid by the buyer as a liquidated damage is included in the actual payment price is a matter to be determined considering whether the liquidated damage belongs to the seller and whether such payment is a condition of sale of imported goods, etc. The characteristic of the paid amount(liquidated damage) or the relationship with the paid amount is not the subject to be considered.

- In this case, the purchaser has agreed with the seller to set the minimum annual purchase quantity as 1,000 tons and to pay 2.5 USD per kg to the seller if the buyer fails to purchase the quantity in the name of liquidated damage.

- The amount paid by the buyer when the minimum purchase quantity is not met is for the benefit of the seller, which belongs directly to the seller, and since there was an agreement on the payment of the liquidated damage in the initial purchase contract, this is a condition of sale for imported goods.

- In addition, since there is no transaction of goods or services or intangible assets between the buyer and the seller other than the transaction of imported goods, even if it is a nominal liquidated damage, it is actually a payment for the imported goods.

- In addition, on the ground that the amount of payment at issue is calculated as a certain amount for the quantity that falls short of the minimum purchase quantity, the amount of payment cannot be considered as a payment for non-imported goods (i.e., unpurchased quantity that did not meet the minimum quantity). It is only a matter of calculation method and does not affect the determination of whether the actual price paid for imported goods is applicable



HS case solved by logic

Item classification of electrical converters such as INVERTER and CONVERTER

1. overview

As various products are launched on the market, the importance of item classification for product parts is increasing day by day. One of the most frequently installed parts in Machinery and Electrical Equipment in Section 16 or Transport Equipment in Section 17 is be a converter. A converter is a device that converts electrical energy coming from the outside into another type of electrical energy inside the device, which plays an important role in controlling the electrical power of the device and converting current, frequency, etc.



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2. Item classification review

(1) HS CODE to be considered

HS CODE	No. 8537.10-2000 (No. 8537.10-5090 as of 2023)	No. 8504.40-9099
tariff	Basic tax rate 8%	Basic tax rate 8% WTO customs duty 0%
import requirements		Electrical Appliances and Household Items Safety Management Act Radio Act

(2) issue

Heading 8537 includes electrical control or distribution boards, panels, consoles, desks, cabinets and other bases (but is limited to items incorporating two or more devices of heading 8535 or 8536; includes devices that combine the numerical controls and the machinery of Chapter 90, but excludes exchange devices of heading 8517). The commentary of this heading states that "This heading includes various devices from small switchboards (lighting installations for example) with only two or three switches and fuses to complex control panels that are used in machine tools, rolling mills, power plants, radio stations, etc., including several assembled items listed in the main text of this heading. It is a comprehensive tariff heading that classifies electrical control/distribution control panels into corresponding headings.

In heading 8504, transformer/Stationary converters (e.g rectifiers) and inductors are classified, and inverters are mainly classified in subheading 8504.40. The main function of the inverters is to transform the electric current or the frequency.

(3) Classification of the item at issue

On December 28, 2022, the function of four items other than INVERTER on the item classification change notice is summarized as follows.

- ① INVERTER – Depending on the temperature/humidity inside the vehicle, control signals are received from the air conditioner controller to adjust the PWM of the IPM, and the size and frequency of the AC voltage supplied to the electric compressor are controlled to change the number of revolutions of the motor.
- ② INVERTER, NQ; R.KOREA - A control panel that adjusts the number of revolutions (rpm) of a motor (pump) with a PWM inverter drive method
- ③ RP LPI DRIVER, Carens - An item that controls the speed of the fuel motor to supply fuel at the RPM suitable for the number of stages by receiving the stage number (1st to 5th stage) signal from the upper controller
- ④ Drive-Motor; DMC31025P - A device that controls the operation of AC Servo Motor
- ⑤ Electronic speed controller: Electronic speed controller for asynchronous electric motor mainly consisting of main power rectifier, DC link and inverter of output *Items on WCO 69th HS Committee Amendments

Looking at the common characteristics of the items at issue, the operation of the motor, rotation, and operating speed of the motor are controlled through current. The inverter and driver control the motor by receiving signals from the pulse oscillator and other controllers and converting them into electrical signals. For example, in the case with product names of DRIVER and MOTOR CONTROLLER, many products have been classified as No. 8537 through the determination that they are controllers that control electricity and control the flow of electricity according to the corresponding output value. However, in the case of **Converting current and frequency** for specific purposes such as motor control, it is seen in the notification of change that it is correct to classify it as a more specific number 8504.40. In other words, this can be seen as a suitable case for “converting electric energy for more useful application” as explained in No. 8504.

3. Closing remarks

In the case of heading 8537, this is the tariff heading for a wide variety of items relating to controls for electrical control purposes. However, the word "electrical control" is comprehensive, and in the case of using electricity for specific purposes such as conversion and amplification, there are separately posted tariff headings, so it is important to identify and classify the exact purpose and function of the item.



Global Customs Insight

Revision and Introduction of Vietnam's HS 2022 Version

Year 2023 is already entering the second quarter. At this point, you may wonder why we talk about HS 2022 now.^^; In Vietnam, with the reason for the revision of HS CODE or preparation for actual implementation of related laws following the FTA being signed, implementation is often delayed than the initial plan or the time of application of the other country. In this regard, we would like to inform you of the amendments to some major relative laws and regulations related to the revision of the Vietnam Tariff Schedule according to the HS CODE 2022 version announced in early 2023.



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1. Official application of HS CODE 2022 in Vietnam

In Vietnam, in order to accept the HS 2022 announced by the World Customs Organization (WCO), the Vietnam Customs office made the revision of the HS system table and improvement of related tax rates and requirements, etc., and announced that the 2022 HS will also be applied in Vietnam as of December 1, 2022.

However, at the beginning of December 2022, at the request of the General Administration of Customs of Vietnam, the application of the above enforcement decree was delayed for about a month, and finally, as of December 30, 2022, HS 2022 was announced to be applied to overall customs administration in Vietnam. At the same time, through the Official Letter 4891/TCHQ-TXNK announced by the General Administration of Customs, the application of the applicable enforcement regulations and interpretation of HS CODE were also announced.

2. Announcement of conventional tariff rates for each FTA in accordance with the reflection of HS CODE 2022

In addition to the promulgation of the above-mentioned Circular 31/2022/TT-BTC, as of December 30, 2022, from Decree 112/2022/ND-CP for the promulgation of the amendment to the conventional tariff rate of the Vietnam-Chile FTA to Decree 129/2022/ND-CP for the application of the RCEP, 17 Decrees related to FTA Conventional Tax Rates have been promulgated. As a result, the conventional tax rate in 2022 and 2023 set by each FTA can be applied normally when importing from Vietnam.

3. HS CODE 2022 version is revised to the applied version of ATIGA FTA

Following the above measures, the Ministry of Industry and Trade of Vietnam (MOIT) made an official announcement of the enforcement regulation Circular 03/2023/TT-BCT, and announced that the HS Code version for the criteria for determining the origin that is related with the application of ATIGA FTA (Asean Trade in Goods Agreement) and ITA (information technology agreement) list of target items will be updated and applied to the 2022 version. The enforcement



decree will come into effect on April 1, 2023. Meanwhile, the HS CODE used for ATIGA FTA CO (Form D) has also been announced to be applied to HS 2022.

So far, we have talked about a series of processes related to the application of HS 2022 in Vietnam. In the case of Vietnam, it sometimes takes longer than expected for new laws or agreements to be announced and implemented as regulations. And, even if the regulations have been announced, it takes additional time for the actual data related to them to be updated on the computer network related to import and export customs clearance. There have been incidents such as import declarations of imported cases with changed HS CODE not being properly processed for about 2~3 working days from the date of publication (December 30, 2022)

Therefore, when importing or exporting goods to Vietnam, it is always necessary to check in advance whether there is a difference between the various information you have obtained abroad and the information to be used and reported when exporting and importing from Vietnam. In the case the information is confirmed to be different, it is necessary to check the reason, and review in advance whether the information can be clarified / negotiated with the Vietnamese customs authorities, and prepare to respond in the event when the problem arises.



FTA and import/export practical business guide
**Information on changes related to
FTA application practices**

1. Information on Addition of Australian Certificate of Origin Issuing Authorities

1) Before change

Importers can compare the Korea-Australia FTA tariff rate or the RCEP tariff rate with the basic tariff rate and apply a favorable tariff rate to goods imported from Australia. At this time, the exporter or producer can voluntarily issue the certificate of origin or issue it through an institution. In case of issuance by an institution, the certificate of origin issued by the Australian Chamber of Commerce and Industry (ACCI) or the Australian Association of Industries (AIG) is recognized.

2) After change (issuer added)

Australia has recently notified that the following agencies are added as issuing agencies for Korea-Australia FTA and RCEP certificate of origin, so it is necessary to be aware of this when applying the conventional tax rate.



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Institution name	Agreement applied	note
International Export Certification Service (IECS)	Korea-Australia FTA	
Trade Window Origin Pty Limited	Korea-Australia FTA RCEP	Completion of seal and signature notice to RCEP office

2. Support for FTA customs administration related to the Turkiye earthquake

Due to the recent strong earthquake in Turkiye, it is expected that there will be difficulties in utilizing the Korea-Turkiye FTA for imported and exported goods. So the Korea Customs Service put the FTA customs administration support plan in force.

In particular, there is a benefit in which the application period is extended by 6 months by excluding the support period from the application period for post-application of conventional tariff, so you should refer to it when applying conventional tariff to goods imported from Turkiye.

1) Support period: 2.9.'23 ~ 8.8.'23 (6 months from the effective date)

2) Support contents

● (Extension of application deadline for post-conventional tariff application)
When calculating the period for application for post-conventional tariff application(within a year from the import declaration acceptance date) pursuant to Article 9 (1) of the 「Act on Special Cases of the Customs Act for the Implementation of Free Trade Agreements」 (hereinafter 'FTA Customs Act') Within 1 year), the "support period" mentioned above is excluded.

● (Extension of reply period for verification of origin) When calculating the deadline for reply (10 months from the date of request for verification of origin) for the case where Korea requested confirmation of origin, etc. in accordance

with Article 19 (1) of the FTA Customs Act to the Turkish customs authorities, the “period for support” mentioned above is excluded.

3. Guide to Vietnam’s RCEP implementation (application of preferential tax rate) trend’

1) Before change

Vietnam took effect of the RCEP agreement on January 1, 22, and started issuing certificates of origin for goods exported from Vietnam (Vietnam → RCEP member countries) from April.

However, in the case of imported goods (RCEP member countries → Vietnam), it was difficult to apply RCEP preferential tax rates for goods exported from Korea in Vietnam for a while as the Vietnamese government is in the process of enacting the RCEP preferential tax rate table (domestic law).

2) After Change

As the Vietnamese government's RCEP enforcement decree (DECREE 129/2022/ND-CP) was promulgated on Dec. 30, '22, it became possible to apply RCEP preferential tax rates to goods exported to Vietnam.

Therefore, for goods exported to Vietnam, it is possible to select an advantageous tariff rate and issue a certificate of origin by comparing the Korea-ASEAN FTA tax rate, the Korea-Vietnam FTA tax rate, and the RCEP tax rate.



Contents and Opinion of Customs Trade Revision

Partial amendments to the Enforcement Decree of the Customs Act

[Reason for Revision]

As the 「Enforcement Decree of the Customs Act」 was amended that the National Tax Service requires to submit the monthly transaction details of purchasing agents to the Korea Customs Service as tax data, a tax data submission form was added, and the period for reducing bonded store patent fees was extended to support the duty free shop industry. Also, to support the successful hosting of the Gangwon Winter Youth Olympic Games, it is intended to improve and supplement some deficiencies in the operation of the current system, such as adjusting the scope of events such as international competitions that are subject to tariff exemption.



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[Major Revisions]

A. Adjustment of the interest rate applied when calculating additional charges for customs refund (Proposed Article 9-3)

In consideration of the recent interest rate for money markets, the interest rate applied when calculating the additional amount added to the customs refund or excess refund in the case of refunding customs duties, etc. or collecting over-refunded customs duties is adjusted from 12/1000 per annum to 29/1000 per annum.

B. Establishment of tariff exemption on goods for the Gangwon Youth Winter Olympics (Proposed Article 43 (2))

To support the hosting of the Gangwon Winter Youth Olympic Games, the customs duties were exempted on sporting goods such as sports equipment imported by the Olympic Committee and International Federations, broadcasting equipment imported by host broadcasting companies confirmed by the Organizing Committee, and goods imported by sponsors to provide to the Organizing Committee.

C. Reorganization of the head of the customs office having jurisdiction over claims for pre-tax suitability review (Proposed Article 61)

The head of the customs office having jurisdiction over the pre-tax review request for the pre-tax notice for the Daejeon/Sokcho/Donghae customs office was adjusted to the head of the Seoul customs office.

D. Addition of duty-free shop patent fee reduction targets and extension of payment deadline (Proposed Article 68-2 (3) and (4))

Sales generated from January 1, 2022 to December 31, 2022 are added to the sales subject to patent fee reduction for bonded stores pursuant to the proviso to Article 176-2 (4) of the Act, and the deadline for payment of patent fees is stipulated by April 30.,

E. Addition of tax data submission form (Proposed Article 79-4 Paragraph 1, Form No. 67)

Attached Form No. 67 (Data on Monthly Transaction Details of Sales Agents in accordance with Subparagraph 1 of Article 75 of the 「Value-Added Tax Act」) has been added for the submission as the tax data submission form provided by the National Tax Service.

[Enforcement date]

March 20, 2022[Ordinance of the Ministry of Strategy and Finance No. 968, March 20, 2023, partially revised]

[opinion]

Prior to the revision of the Enforcement Rules of the Customs Act, the Enforcement Decree of the Customs Act was amended and enforced on February 28, 2023. Article 258 of the Enforcement Decree stipulates details to provide the transaction information of e-commerce products and the method of providing information. For example, the Commissioner of the Korea Customs Service can request the transaction information of e-commerce goods from platform companies (purchasing agents operating cyber malls, mail-order vendors under the 「Consumer Protection Act in E-Commerce, Etc.」, or mail-order brokers). This information has been embodied as the name of the recipient of the goods, the customs declaration code, the name and quantity of the goods.

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