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# ZOOM IN TRADE

SHINHAN Customs Service Inc.



## Cover Story

03 ... South Korea – United Kingdom Signed Continuity FTA



## FTA News

05 ... South Korea and Israel Declare Conclusion of FTA



## Voices From the Fields

06 ... Changes in KCS for Second Half of 2019



## Updated Customs Trading Regulation

07 ... Partial Revision Customs Act Enforcement Decree



## Customs Case Study

08 ... To Tax or Not to Tax?

Competition Horses for Re-Import Duty Exemption



## Inside Vietnam

10 ... Vietnam Updates in October



## SHINHAN News

13 ... KCS hosting, “YES FTA 2019” with SHINHAN Customs Service



*Cover Story*

# **South Korea – United Kingdom Signed Continuity FTA**

## **FTA with United Kingdom**

On August 22, 2019, Republic of Korea (Korea) signed a continuity Free Trade Agreement (FTA) with United Kingdom (UK). In the event of no-deal Brexit on October 31, 2019, this agreement will enter into force, allowing Korea and UK businesses to continue to trade on the same preferential terms under current European Union (EU) - Korea FTA such as following with some changes.

- Tariffs: Zero tariff to all the industrial goods.
- Rules of Origin: Allowing EU parts to be eligible to take benefit from preferential treatment under UK- Korea FTA, and accepting direct transportation for product exported from EU based logistics base temporarily for three years.
- Geographical Indication on Intellectual Property: Continue to recognize and protect indication for products such as Scotch Whisky or Boseong Green Tea.
- Agricultural Safeguard Measures (ASG): Lowered the aggregate volume of imports triggering ASG, such as beef, pork, apple, ginseng, malt and malt barley, dextrin, and potato starch.



**Na Hyun Cho**

Licensed Customs Consultant  
nhcho@shcs.kr

**[ PROFILE ]**

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

**What Comes Next**

The Korea-UK agreement will take effect on October 31, 2019 in the event of a no-deal Brexit. As this FTA replicates EU FTA, both countries agreed to re-open negotiations within two years to revision. In particular, if the UK leaves the EU with Withdrawal Agreement, there will be another re-negotiation during the transitional period. Two countries will also promote the cooperation on prominent segments, including artificial intelligence, big data, next-generation automobiles, bio technologies and non-memory chips.

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



*FTA News*

# South Korea and Israel Declare Conclusion of FTA



**Da Eun Kim**

Licensed Customs Consultant  
dekim@shcs.kr

## [ PROFILE ]

- SHINHAN Customs Service Inc.
- FTA Origin Consulting
- Item Classification
- Refund Consulting

## South Korea and Israel Declare Conclusion of FTA

On August 21, 2019, the conclusion of South Korea – Israel FTA was declared. The trade volume between two countries is amounted to approximately \$2.5 billion, an almost 15% increase over 2017.

Tariffs on major Korean exports like automobiles (Tariff Rate 7%), automotive components (6-12%), textiles (6%) and cosmetics (12%) will be immediately lifted. Major Israeli imports including equipment for semiconductor manufacturing (Tariff is 25.4% of import value) and electronic devices (Tariff is 13% of import value) will be abolished within three years. Barriers on sensitive agricultural goods including rice, pepper, garlic, and onions will be still maintained despite the FTA, but tariffs on Israeli grapefruits, medical devices will be lifted in seven and ten years.

The two countries also vowed to open up the service and investment segments, and provide more leeway beyond the General Agreement on Trade in Services under the World Trade Organization.

For details and more information, please contact [dekim@shcs.kr](mailto:dekim@shcs.kr).



*Voices From the Fields*

# Changes in KCS for Second Half of 2019



**Jung Hwa Hong**

Licensed Customs Consultant

jhhong@shcs.kr

## [ PROFILE ]

- SHINHAN Customs Service Inc.
- FTA Origin Consulting
- Item Classification
- Refund Consulting

## KCS Announces Changes in Second Half of 2019

### FTA and Supports on Imports and Exports

- More items are eligible for simplified issuance of FTA CO effective of July 1, 2019.
- KCS responding more quickly (within 15 days) with HS classification up to 6 digit effective of April 22, 2019.

### Foreign Exchange Transaction Act

- Allowing post-report of offset transactions between trading parties effective of May 28, 2019.
- Allowing post-report of Korea companies making payment to 3rd parties of multinational companies effective of May 28, 2019.
- Clarifying administrative disposition for violating Foreign Exchange Transaction Act effective of May 28, 2019.

For more information please find in ([www.customs.go.kr](http://www.customs.go.kr)), or contact [jhhong@shcs.kr](mailto:jhhong@shcs.kr).



## *Updated Customs Trading Regulation*

# Partial Revision Customs Act Enforcement Decree



**Jeong Oeon Oh**

Licensed Customs Consultant

[jooh@shcs.kr](mailto:jooh@shcs.kr)

### [ PROFILE ]

- SHINHAN Customs Service Inc.
- Refund Consulting
- Customs Clearance for Import and Export
- Origin Management

### Partial Revision on Enforcement Decree of Customs Act Effective from September 24, 2019

Partial Revision on Customs Act is made as follows.

- Newly establishing system for simplified audit process on HS classification (Article 106-6)
- Reflecting changes in classification matters in related customs record after court decision. (Article 107-2)
- Updating the list of the SMEs who can operate business in licensed duty free shop. (Article 192-2,1-3)
- Updating, adding, the list of target product for export declaration after staying bonded area. (Article 248-2, 1-3)

Revised Legislation will be in effect from September 24, 2019.

For detailed information, please contact [jooh@shcs.kr](mailto:jooh@shcs.kr).



## *Customs Case Study*

# **To Tax or Not to Tax? Competition Horses for Re-Import Duty Exemption**

## **Background**

Competition horses were re-imported to Korea after attending competition in Germany. Customs rejected request of importer that duty exemption on this horse under re-import article 99-1. Reasons are as following, to be eligible for duty exemption under re-import articles, 1) horse should have not been used in Germany, 2) Or have been used only according to the contract (for work), 3) horse should have been used in exhibition.





**Ga Ram Kang**

Licensed Customs Consultant  
grkang@shcs.kr

**[ PROFILE ]**

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

**Court Decision**

- Court agreed with Customs side as horse was “used” in competition, despite Company A claiming horse was “not used” as its value were never added after re-import.
- Court did not see the contract (for work) is applicable when horse is exported to attend competition aiming prize for individual. Thus, duty exemption under contract (of work) was not accepted.
- Court did not see the activity of “attending competition” as participating in exhibition, as again it is individual's aiming for personal gain, prize.
- Company A and importer claimed that Customs previously agreed on duty exemption by approving entries filed previously. However court did not considered custom's approving as responding to the analysis of activity, but as granting re-entry permission.

For more information, please contact [grkang@shcs.kr](mailto:grkang@shcs.kr).



*Inside Vietnam*

# Vietnam Updates in October

## Companies Eligible for Duty Exempt in Vietnam

Vietnam Customs announced No. 134 / 2016 / ND-CP to clarify which companies in Vietnam is eligible for duty exempt or filing refund after export, when importing raw materials for export later.

| Before   | Updated Requirement   |
|--|---|
| <ul style="list-style-type: none"> <li>■ Customs should be notified that importer owns or has license for export manufacturing plants, machinery and equipment.</li> </ul> | <ul style="list-style-type: none"> <li>■ Customs should be notified that importer owns or has license for export manufacturing plants, machinery and equipment.</li> <li>■ Customs should be notified that outsourcing company is possessing ownership or the license for export manufacturing plans, machinery and equipment.</li> <li>■ Liquidation Report required.</li> </ul> |



**Sung Hyun Park**

Licensed Customs Consultant  
sh.park@shcs.kr

**[ PROFILE ]**

- SHINHAN Customs Service Inc.
- FTA Origin Determination
- FTA Origin Verification
- Item Classification
- Refund Consulting

**ACFTA CO Form E**

Vietnam Customs announced updated ACFTA CO Form to unify format with other countries in ACFTA after discussion with MOIT. (Official Letter 5421/TCHQ-GSQL dated Aug. 26 2019)

- New CO Form E issued by China Customs: Approved from August 20, 2019.
- New CO Form E issued by ASEAN Member States: Approved from 2019.8.1.
- Previous CO Form E: CO Form issued before August 31, 2019, will only be acceptable when verification is available. CO Form issued after August 31, 2019 will not be acceptable.

**Main Changes in Form E**

- Clarifying that 6 digits of HS code should be listed.
- Allowing to list gross weight "or" net weight.
- Requiring FOB price only when price calculated based on Regional Value Content (RVC).
- More option of origin criteria is added, goods produced exclusively from originating materials (PE), and indication of this options became more convenient.
- In case of manufacturers in China who is authorized for export to request CO, manufacturer should list country of origin in column 11, and name of the exporter and address in column 7.
- The statement "Issued Retroactively" can be selected or typed in the form electronically, and this statement may be stamped on the form as well.

## **Duty Refund for Re-Export of Temporary Import Machinery**

Regarding Vietnam Customs Act No. 107/ 2016/QH13, product imported from non-tariff zone, such as EPE, EPZ, tax-suspension warehouse, or bonded warehouse to domestic market is responsible for paying duty. However under same article, duty is exempt for such product import for export after certain period time for processing or re-import machinery after temporary export under processing contract.

Vietnam Customs announced that if domestic company import such as machinery from non-tariff zone, duty should be paid, which can be refunded after returning the machinery for re-export to non-tariff zone. Refund amount is calculated upon how long it was stored and used in the tariff zone.

- ※ This information is organized and reorganized by SHINHAN Customs Service based on the distribution data in Vietnam and is not legally effective.
- ※ If you have any further inquiries about Vietnam news, please contact us at:

### **SHINHAN Customs Service Inc.**

Dae Kyoo Choi / dkchoi@shcs.kr / +82-(0)2-3448-1181(KR)

Sung Hyun Park / sh.park@shcs.kr / +82-(0)2-3448-1181(KR)

### **SHINHAN Customs Vietnam Co. Ltd.**

Eun Sil Park / espark@shcs.kr, scv@shcs.kr / +84-(0)24-7300-8630(VN), +82-(0)70-5222-7280(KR)

## KCS(Korea Customs Service) hosting, “YES FTA 2019” with SHINHAN Customs Service

We are inviting export companies planning to utilize FTA to the following educational seminar free of charge provided by Korean Customs Service.

| Course                 | Topics                  | Target                               | Details   | Course Hours | Class Size |
|------------------------|-------------------------|--------------------------------------|---|--------------|------------|
| Customized FTA Program | 1:1 Export Consulting   | CEO and employees planning to export | FTA 101, Import/Export Clearance, Drawback, Foreign Exchange Transaction, How to utilizing FTA on exports       | 3 Hours      | 4          |
|                        | Supply Chain Management | Export Company and Partner Company   | Classification, Filling out BOM and Forms for Country of Origin, How to Prepare for Customs Origin Verification | 6 Hours      | 20         |

■ Location/Time : Flexible upon request of applicants

■ Registration

- Fee is free of charge, materials are included. Lunch is provided for 6 hours course.

- YES FTA Website (<http://www.yesftaedu.or.kr>)

- Registration via phone or e-mail is available

■ Other Questions?

- SHINHAN Customs Service : 82-2-3448-1181, [fta@shcs.kr](mailto:fta@shcs.kr)

- YES FTA Q&A Center : 82-1544-5702, [yesftaedu@origin.or.kr](mailto:yesftaedu@origin.or.kr)

\* Please find details on our website in here([www.customsservice.co.kr](http://www.customsservice.co.kr))

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