

131th SEP 2019

ZOOM IN TRADE

SHINHAN Customs Service Inc.



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Cover Story

KCS “Error Notification System” May Discourage Importer and Exporter in Fiduciary Duty

Current Filing Error Notification System Discourages Post Amendment

KCS has implemented Error Notification System since October 2005. When filing entries, voluntary confirmation of accurate information is obliged to the importer and exporter, however in real cases, most information is finalized after entry is approved.

In such cases, importer and exporter try to amend entries already approved, however heavy error counting system and penalties, not allowing PaperLess approval for 5-60 days, burden importer and exporter to revise the filed information.



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- SHINHAN Customs Service Inc.
- Item Classification
- Approval of Export and Import License
- Customs Consulting

Import and export entry should contain detailed information about product, and depending on the product type regarding HS Code, country of origin, tariff, and requirement, more information should be submitted.

Since all information is correlated, single revision for post amendment could cause change of related information, creating extra error points discouraging importer and exporters to file entries in fiduciary duty.

Customs Broker Association gathered opinions on error notification system on last June, and KCS is also currently undergoing review on these cases. Many importer and exporter is anticipating positive revision on the error counting system to fulfill the duty of filing accurate information.

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



FTA News

South Korea – Central America FTA Set to Take Effect in Oct 2019



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- FTA Consulting
- Refund Consulting

South Korea-Central America FTA effective as of October

South Korea - Central America FTA is taking effect in October this year, making Korea the first Asian country to forge a free trade agreement in the following five Central American countries, Costa Rica, El Salvador, Nicaragua, Honduras and Panama. The trade volume between South Korea and five Central American is totaled close to \$ 4 billion, and this trade agreement gives Korea advantage to be the first-mover in the market competing with China, Japan and other Asian rivals.

Costa Rica, El Salvador and Nicaragua have already completed respective legislatures processes, meanwhile Korea plans to ask Honduras and Panama to speed up their procedures to implement FTA without delay. For this trade deal, 95% of the trade product tariff will be removed immediately or reduced in stages, and Certificate of Origin will be issued by Exporter and Manufacturers.

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



Voices From the Fields

KCS Enforcing Clothing Smugglers and Fake Labeling



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KCS-Government Enforcing Replaced Fake Label in Clothing Until End of October

Lately, KCS has caught the case clothing exported to China with fake label including false country of origin information. Such clothes were originally smuggled from China, or purchased in Korea then replaced label with more expensive brands originating from Korea. Based on Customs Article 269 - 2, 275 and Trade Article 33 - 4, 53 - 2, smuggling and violating country of origin is a serious offence that can lead to heavy fines.

Such violation has been frequent in clothing market in Dongdaemoon, Korea's largest wholesale and retail district, but penalty has been relatively lenient as most sellers were small business owners. However, starting this August, KCS and Government is enforcing these violations to protect country's brand image and credibility.

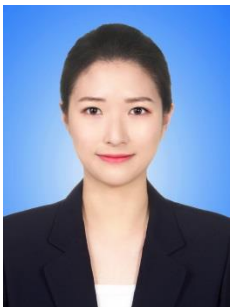
For more information, please contact grkang@shcs.kr



Updated Customs Trading Regulation

Pre-Announcement of Partial Customs Act Revision Legislation

[Ministry of Economy and Finance 2019-138, 2019.7.26.]



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- FTA Origin Determination
- FTA Education
- Customs Refund
- Item Classification

Revision of Partial Customs Act Legislation Effective from January 2020

Partial Revision is made on Customs Act to supplement current system as follows.

- Supporting taxpayer bill of rights reinforcing appealing system.
- Expanding scope of duty exemption on re-import goods, scheduled for temporary export.
- Government supporting container cargo inspection cost for SMEs (Small and Medium Enterprises).
- Allowing refund claim when refunding duty free item, if any duty was paid.
- Converting waste without profit to be forfeiture target from actual forfeiting.
- Establishing supporting clause for exempting notification on minor violations.

Revised Legislation will be in effect from January 2020.

Article 173-3 and 106-2 will be in effect from July 2020 and January 2021.

For detailed information, please contact dechung@shcs.kr



Customs Case Study

To Tax or Not to Tax? Quality Management Cost Paid to Seller

Background

Company B has been importing product from Company A paying Quality Management Cost, but did not paid duty on this fee. After Customs' investigation, Company B was told to the fee is dutiable as it is considered as "processing cost" paid to Company A. Company B disagreed with result and appealed the case to the court.



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Court Decision

- Court agreed with Customs side as Contract between Company A and B listed Quality Management Cost as processing fee. Also, Company B can only purchase product when paying such fee to Company A.
- Company B also do not directly or indirectly control nor manage quality control process done by Company A.
- Based on the work scope of Company A, Quality Management Cost seems to be part of product cost, which should be dutiable.

Opinion

Any cost or fee is dutiable, if such payment is considered as part of the payment for the actual good directly or indirectly. According to Customs Act Article 30, buyer's activities under own expense shall be not dutiable, even if it seems to be beneficial to Seller.

Fees like Quality Management Cost in this case might be controversial depending on its intention and role in the transaction. It is highly recommended to consult with advisor to make sure the cost is on buyer's own expense.

For more information, please contact yunkim@shcs.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

- YES FTA Q&A Center : 82-1544-5702, yesftaedu@origin.or.kr

* Please find details on our website in here(www.customsservice.co.kr)

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