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IN
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SHINHAN Customs Service Inc.

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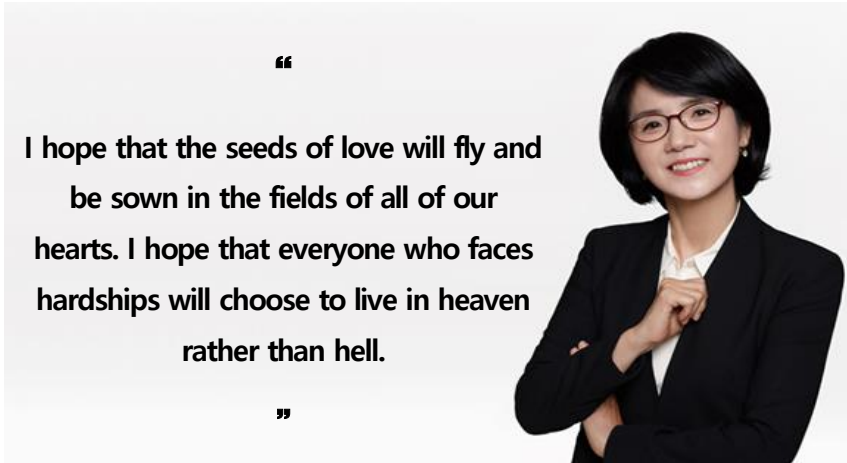
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Rain falls on everyone*



Grace Chang

CEO/Customs consultant

- Where were you on October 21, 1994?
- What about the following year, on June 29, 1995?
- What about February 18, 2003?
- On April 16, 2014?
- On October 29, 2022?

On October 21, 1994 at 7:38 A.M., a portion of the upper layer of Seongsu Bridge collapsed. There were 49 casualties. Among the vehicles that crashed there was a city bus. And on the bus was 20-year-old Seungyoung Lee, who was on her way to student teaching at an elementary school in Gangbuk.

The mother who was organizing Seungyoung’s belongings found a note in her diary. [In Seungyoung’s diary, there were 14 wishes written as ‘what I want to do with my life’.](#) They were “I want to share God’s Words to more than 100 people. Make a scholarship foundation. Start a mobile library in Gangwon-do. Adopt more than one child. Serve as a short-term missionary. Do something for the visually impaired...”

[For the last 30 years, Seungyoung's mother and her younger brother Sangyeop have been making her wishes come true.](#)



Including the Seongsu Bridge collapse, Sampoong Department Store collapse, Daegu subway disaster, the sinking of the Sewol ferry ship, Itaewon stampede... Accidents, big and small, continue to occur. In order to reduce unexpected accidents, both the country and individuals take constant precautions and prepare measures in advance.

Nevertheless [both natural disasters and disasters caused by men cannot be completely stopped.](#) [Unexpected accidents and victims continue to occur.](#)

Ideal and Reality for this month is 'Are duty-free shops just for travelers? Isn't it possible for duty-free shops to play an export support role?', Analysis on Recent Customs Judicial Precedent covers 'In relation to the claimant company's application of the FTA agreed tax rate when declaring the import of the item at issue, the disposition office found an error in the item number of the item at issue and requested a disposition that excluded the application of the agreed tax rate while reclassifying them (Tribunal 2023, 0143)', and HS case solved by logic reports 'IDOL GOODS Kit Product Classification', Global Customs Insight is '12-Month Delay in EUDR Implementation and Our Stance' and FTA and import/export practical business guide is 'EU Carbon Border Adjustment Mechanism (CBAM: A system that imposes carbon emission costs on EU imports)', Contents and Opinion of Customs Trade amendment Covers 'Notice of Partial Revision of the "Designation Notice of Goods and Confirmation Methods Confirmed by the Head of Customs Office Pursuant to Article 226 of the Customs Act"'

The late author Park Wan-seo also suffered an unexpected accident at the age of 57. Her child passed away in a car accident. She lost her 25-year-old son. She could not overcome her sorrow and wailed like an animal. She [asked questions as if she was cursing God why she suffered and why her son had to die.](#) It was so hard to hold back the wailing that she wrote like crazy. "Even though my son died, the train still runs and the seasons change...". "I don't think I can tolerate the 1988 Olympics being held as is.." she screamed.

But a persistent and vengeful question "Why did He take my son?" changed to ["Is there a law that says He can't take my son just because he's my son?"](#) She realized ["Why shouldn't something](#)

horrible like that happen to me?" She decided to use it for an indicator to make an effort to turn around, change the paradigm, and think backwards.**

Even after passing the second anniversary of her son's death, author Park Wan-seo's skepticism and grief did not change. The pain was not did not go away. But instead, she was able to live with pain . She was able to slowly stand up with concern and help from her family and friends. Although it seemed quiet, she felt the breath of God who was with her and helped her. Also, she could even attempt to send the small seed of faith that she had hidden inside her to her neighbors.

Sang-yeop, who was a high school senior, heard the news of the accident and joked with his friends that all those responsible should be executed. However, he broke down when he found out that his sister was the victim. He wandered for over half a year and even got into a serious car accident. At the hospital where he was hospitalized, his memories came back and his sister's message came to his mind.. 'Love itself should be the goal.'

Thanks to his sister, a big change has come in the lives of Seungyoung's mother and younger brother. **Our lives are unpredictable, so let's not put off sharing love. Practice love right where it's needed.** They decided to put that into practice. Seungyoung's family donated all accident compensation to the church to make 'Seungyoung Scholarship Foundation'. So far, the scholarship Foundation has provided scholarships to approximately 200 students and donated a mobile library vehicle to a military base. Seungyoung's mother who planned 'Mother will make all your wishes come true' went on a missionary trip and volunteered overseas, and Mr. Sang-yeop adopted and is raising two children.

"Rain falls on everyone, and luck and misfortune fall equally on everyone. Unfair accidents occur in any country or society. I have never blamed the country or anyone. My sister is still alive because we keep the love alive."

Hardships come unexpectedly and sudden pain occurs. Even if it doesn't seem like it, it happens to everyone, just like rain falls on everyone. How should we respond to this suffering, this pain? How do we endure the sadness and pain of losing a loved one, family, or child? Can the insurmountable pain, the yoke that one has to bear for the rest of one's life, be escaped through anger or revenge?



"I believe my sister is still alive because we continue our love together. If I'm in trouble, someone will help me. "Whether to live in heaven or hell is each person's choice." The seeds of love that Seungyoung had sown were not only sown in the hearts of Seungyoung's mother and Sangyeop, but also to many people, including students who received the Seungyoung scholarship. Many fruits will be born from those seeds, and more seeds will fly to more people.

I hope that the seeds of love will fly and be sown in the fields of all of our hearts. I hope that everyone who faces hardships will choose to live in heaven rather than hell.

Thank you

*Kim Kyung-hwa, "I lost my sister on Seongsu Bridge..." ", Chosun Ilbo, 2024.10.21

<<https://mail.google.com/mail/u/0/#inbox/FMfcgzQXJkSjVMkncwBgmtkdcXkGrLjt>>

**Park Won-seo, Just Say One Word (Seoul: World History, 2004)



Ideal and Reality

Are duty-free shops just for travelers? Isn't it possible for duty-free shops to play an export support role?

-Policy recommendation of a deregulation that prohibits overseas bulk purchases for products less than 2 months after being brought into the duty-free shop warehouse-

1. Coming recession: The domestic economic recession crisis is increasing due to the trade deficit and dumping of overseas direct purchases from China, and there are concerns about a decrease in exports.

As you well know, the trade balance with China turned into a deficit of \$18 billion in 2023 for the first time in 32 years. In 2024, due to China's economic recession and "low price pushing" and "dumping of direct purchases from overseas by Ali, Temu, etc.", the manufacturing, domestic consumption and distribution markets are in decline. Some say that interest rates are the cause, but this is an artificial fiscal policy.



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The domestic economic downturn, especially the crisis of self-employment, is also having an impact, including the increase in online distribution, the expansion of telecommuting, and the rapid increase in duty-free items purchased directly from overseas. Coupled with this situation, it is difficult for Korea's manufacturing industry to expect expansion of domestic demand anymore, and it is in a desperate situation where it will face a major crisis if it does not develop overseas markets.

2. China is still an export market that cannot be given up.

Although exports of intermediate goods to China are decreasing due to retaliatory tariffs between the U.S. and China and the development of Chinese industries, it is an export market that cannot be given up and must be further expanded in terms of consumer goods led by K-brands which is Korea's major regional power. Everyone, both large and small companies, knows that in a situation where the domestic recession is spreading, if they do not maintain the growth rate by exporting even more, they will face a crisis at any time.

3. Korean products sold in the duty free market are not DUTY FREE.

Duty free shops in Korea sell both foreign goods that are exempt from customs duties, liquor tax, individual consumption tax, and value-added tax, as well as domestic manufactured goods that are exempt only from value-added tax. Traditionally, it is a special place where overseas travelers can purchase consumer goods at low prices, such as foreign alcohol, luxury goods, watches, and cosmetics. It is true that this place started to provide convenience to travelers. However, the perspective on duty-free shops has changed a lot. Korean products sold at duty-free shops are mainly exempt from value-added tax. Domestic cosmetics were first sold at bonded stores in the early 2000s, and as the K-beauty cosmetics craze spread in China in 2016, B2B transactions once exceeded 7 trillion won per year but currently it is only 1 trillion won per year. Considering that overseas direct purchases of Ali and Temu from China are approaching 5 trillion won per year and growing by more than 50% per year, it can be seen that the consumer goods market has completely reversed.

However, domestic cosmetics manufacturers are making every effort to export cosmetics in the hope that the popularity of cosmetics in China may be revived even if it is past glory.

There are many reasons for the decline in sales of Korean cosmetics in the Chinese market, but it is due to the Chinese government strengthening regulations on foreign cosmetics, recruiting Japanese and Korean cosmetics experts to improve its own quality technology, and strengthening Chinese consumers' patriotic consumption. There is. Recently, the phenomenon of talents from all industries flocking to G2 is rapidly occurring not only in high-tech industries such as semiconductors and displays, but also in cosmetics, a general consumer product, and is recognized as a serious situation.

4. The duty-free shop crisis, which suffered the most damage during the Covid pandemic, continues.

The decline in exports of domestically produced cosmetics to China is also evident in the crisis in the domestic duty-free market. Lotte Duty Free Shop entered an emergency mode with sales of KRW 1.67 trillion in the first half of 2024, a 43% decrease from the previous year, and an operating loss of KRW 46.2 billion. Shilla Duty Free Shop was pushed down from 3rd to 5th place and avoided a loss with operating profit of 7 billion won in the first half of the year, but it is down 83% from the previous year. Although the decline in duty-free shop sales has other reasons, the decline in sales of domestic cosmetics is reflected in the decline in duty-free shop sales.

Even during the Covid pandemic, when overseas tourists virtually stopped, duty-free shops avoided the crisis by making large purchases through B2B transactions through Chinese bundle dealers. However, even in 2024 when overseas travel is normalized, duty-free shop sales are actually decreasing, making the future look depressing. There are many reasons, including changes in trends in overseas travel and the Chinese economic downturn, but one of the reasons is duty-free shop regulation and the government's view of the duty-free market is different from the company's view.

5. Duty-free shops are not just places that sell foreign duty-free goods, nor are they just for overseas travelers.

The government recognizes that the duty-free market is originally a B2C market for travelers, but it is not the original role of the duty-free market to specifically allow B2B to sell to overseas bulk buyers only during the COVID-19 period.

However, Korea's duty-free shop market has grown into the world's largest duty-free shop market through B2B transactions through China's bundle dealers. Duty-free shops and domestic companies have enjoyed the benefits, and the government has taken the profits in the form of levied taxes on the profits of duty-

free shops and increase of patent fees and duty-free shop entry fees.

It is already a common perception that the duty-free market is not only a market for foreign products exempt from tariffs, nor is it a market only for travelers.

Just as stakeholders in a traditional market include not only traditional market merchants but also product suppliers, farmers, consumers, transportation drivers, facility managers, and even tax collection agencies and local governments, and they all try to revitalize the traditional market, stakeholders in the duty-free shop industry are not just overseas travelers and duty-free shop owners.

Like traditional markets, the duty-free market is also a place where multiple stakeholders participate, and management of this market should not only look at overseas travelers and duty-free shop operators and worry about the role of the government.

6. It is incomprehensible that foreigners who purchase Korean cosmetics in bulk should only sell unsold long-term inventory and not new products.

In a crisis situation in the duty-free shop market, in February 2024, the Korea Customs Service banned the sale of goods made less than 2 months after they were received in duty-free shop warehouses to foreign bulk buyers of Korean-made cosmetics, making it difficult to sell Korean-made cosmetics.

It is beyond comprehension what sales regulations are needed to export cosmetics manufactured in Korea through duty-free shops. If it is the government's position that it is a special consideration not to restrict sales to bulk buyers during the Covid-19 period and now the duty-free market is a space only for overseas travelers, it is valid to have regulations, it needs to be reconsidered.

As the Korea Customs Service restricts duty-free shop sales for overseas bulk buyers without consulting with domestic cosmetics manufacturers, the damage to domestic manufacturers appears in various forms. This will not only cause immediate damage to the company in question, but also to small and medium-sized businesses that supply raw materials and containers. Neither large corporations nor small and medium-sized enterprises can make everything on their own, so implementing a policy to divide large corporations and small and medium-sized businesses is a unilateral policy that does not fit with supply chain management theory.

Due to regulations banning the sale of new domestic cosmetics to overseas bulk buyers for two months, the inventory of cosmetics in duty-free shop warehouses has increased 9 times this year compared to 2023, and the situation in the Chinese market has changed to the point where it is difficult to decide whether to buy even if new products are sold. It is understandable without a long explanation that the value of cosmetics is lowered and sold after rotting in the warehouse for more than two months.

It is difficult to understand for whom it is a consideration to reduce duty-free shop sales of Korean cosmetics by limiting the desire of overseas buyers to purchase new or renewed products. What benefit will there be for our country if sales of Korean cosmetics used by foreigners decrease? Does the government want exports to decrease?

7. Special characteristics of Chinese buyers who prefer Korean cosmetics purchased in the duty-free market

Due to the special culture of Chinese consumers, where Korean cosmetics sold by Chinese people sell better than those sold under Korean signs in China, direct entry into the Chinese market is difficult even in large cities such as Beijing and Shanghai, and the reality is that stores are being withdrawn. Considering the reality that in other large cities, Korean cosmetics are only purchased through Chinese-run stores or online sales, there aren't many alternatives to export other than to support bulk purchases at duty-free shops in the reality where overseas bulk purchases are made through duty-free shops in Korea.

8. Even if the Chinese market is shrinking, China is still the largest country Korea makes the export to, we cannot give up first.

This can be seen from the sharp decline in stock prices of LG Household & Health Care and Amore Pacific, which are representative cosmetics exporting companies to China. The status of Korean cosmetics in the Chinese market is rapidly weakening after the Covid-19. Discrimination against Korean consumer goods and changes in the market are rapidly worsening, such as China's patriotic consumption, quality improvement of Chinese products, and economic recession.

If the regulation, which prohibits bulk purchases of Korean products within two months of being in the duty-free shops, is not relaxed on the grounds that it will not help improve the profits of duty-free shops that are struggling, they are ignoring the difficulties faced by domestic cosmetics manufacturers. There are complaints that the Korea Customs Service and the Ministry of Strategy and Finance policy consultation to support the bonded industry is mainly limited to dialogue with duty-free shop operators and duty-free shop associations. Even when suggestions are made, they only listen and do not provide detailed answers. Additionally, the reality is that the voices of domestic manufacturing companies are rarely reflected. Duty-free shop operators always have the upper hand in the market, so it is difficult to make suggestions directly. It is also not reasonable to consider cosmetics companies by dividing them into large corporations and small and medium-sized companies. Large and medium-sized cosmetics manufacturers receive raw materials and containers from small and medium-sized companies, process

them, and sell them through brands and marketing. It is not appropriate to regulate only large companies. In particular, it is difficult to understand the imposing of a two-month ban on bulk sales for large companies in the duty-free shop market since large companies do not compete with small and medium-sized companies in the domestic market, and they mainly compete with global brands from Japan or France in the Chinese market. At this rate, the position of Korean cosmetics in the Chinese market will soon decline.

Regulating large corporations in duty-free shop sales, a battleground for global high-end brand products, is only a policy for the Korean government to help other countries' brands dominate the Chinese market, and does not serve the national interest. A paradigm shift is needed to look at the duty-free shop market differently.

9. In a rapidly changing international situation, we must respond quickly to corporate voices without being silent.

The ban on the sale of domestic cosmetics brought into duty-free shops within two months to overseas bulk buyers increases the distribution costs of domestic manufacturers. In a structure where sales margins are divided between manufacturers, duty-free shops, and bulk buyers, the current regulations not only do not contribute to duty-free shop sales, it will have a negative impact ranging from a decrease in exports of domestic cosmetics manufacturers, a decrease in sales, a decrease in employment, a weakening of competitiveness, employment instability for duty-free shop employees, and a contraction of the duty-free shop market.

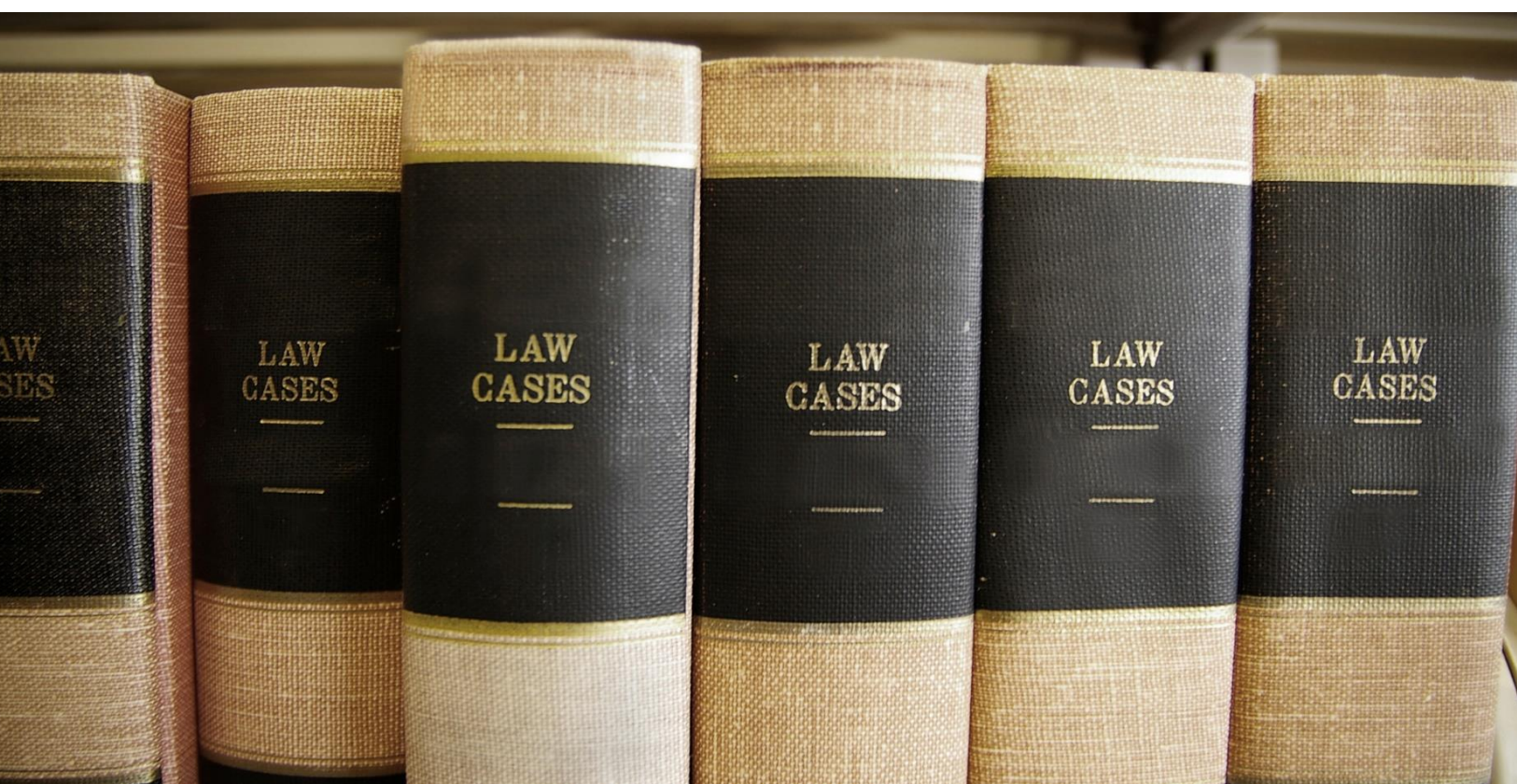
Of course, there are negative views on mass sales due to the issue of excessive competition in customer fees, but that is for the management of a duty-free business to decide for themselves if there is a loss and not sell the product, and it is not for the government to step in and limit the sales period of the product. As the current trade deficit with China worsens, and the domestic consumer market continues to stagnate due to China's low-price offensive and overseas direct purchases being allowed to rapidly increase without any measures, the voices of our manufacturing companies which must sell at least one more cosmetic product manufactured in Korea to a foreign country to survive must not be ignored. Restricting the sale of bulk overseas purchases from duty-free shops that are exported overseas through normal bonded channels to those that have been in the warehouse for more than two months will not help the national economy, no matter what trade theory is used. Do not ignore the suggestions of cosmetics manufacturers. If opinions are different, the problem needs to be recognized through communication and quickly come up with an alternative within the scope of mutual understanding.



A dialogue with the Cosmetics Association and major cosmetics manufacturing companies needs to be started.

Domestic cosmetics manufacturers must be actively supported to quickly sell Korean products overseas and achieve national wealth through sales and employment. There is no reason to strongly restrict that channel just because it is a duty-free shop.

The government must provide support so that domestic cosmetics manufacturers can sell well in the Chinese market like before.



Analysis on Recent Customs Judicial Precedent

In relation to the claimant company's application of the FTA agreed tax rate when declaring the import of the item at issue, the disposition office found an error in the item number of the item at issue and requested a disposition that excluded the application of the agreed tax rate while reclassifying them (Tribunal 2023, 0143)

1. Facts

- From April 10, 2018 to April 9, 2023, the claimant company imported 64 cases of glass laboratory syringes (hereinafter referred to as "item at issue ①") and plastic laboratory syringes (hereinafter referred to as "item at issue ②", and "item at issue ①" and "item at issue ②" are collectively referred to as "Item at Issue") including import declaration number OOM from A, etc. located in Germany (hereinafter referred to as "issue exporter, etc."). When importing those items at issue, the HS Code of item at issue ① is reported as the Customs and Statistics Integrated Classification System (hereinafter referred to as "HSK").) heading 8413.91-9000 (hereinafter referred to as "heading 8413"), and the HS Code of the item at issue ② is reported as HSK heading 9031.90-9000 (hereinafter referred to as "heading 9031"). An import declaration was made by applying the agreed tariff rate (0%) in accordance with the "Free Trade Agreement between



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the Republic of Korea and the European Union and its member countries" (hereinafter referred to as "Korea-EU FTA"), and the head of the customs office accepted it.

- With the result of conducting a customs investigation on the claimant company from April 13, 2023 to August 23, 2023, the disposition office confirmed that there was an error in the HS Code of the item at issue and changed the HS Code of the item at issue ① to HSK heading 7017.90-0000 (basic tariff rate of 8%, Korea-EU FTA agreement tariff rate of 0%) (hereinafter referred to as "heading 7017"), and the HS Code of the item at issue ② to HSK heading 3926.90-9000 (WTO concession tariff rate of 6.5%, Korea-EU FTA agreement tariff rate 0%) (hereinafter referred to as "heading 3926"). After the change was made, the application of the Korea-EU FTA agreement tariff rate was excluded and the basic tariff rate and WTO concession tariff rate were applied to the item at issue, respectively. On August 23, 2023. and September 5, 2023, the claimant corporation was corrected and notified (hereinafter referred to as "disposition at issue") of the total tariff amount of OO won, the total value-added tax amount of OO won, and the total additional tax amount of OO won.

- The claimant corporation objected and filed a request for judgment on November 21, 2023.

2. Judgment

(1) Summary of Claimant's Claims

When disposing of issues, the disposition office did not guide the claimant corporation to check whether the details affecting the origin determination standards were changed. The Korea-EU FTA stipulates that preferential tariff treatment can be received based on the origin declaration, and the origin declaration stipulates that the origin declaration text be entered in commercial documents such as commercial invoices (invoices), but there is no requirement to list the HS item number or origin determination criteria in the origin declaration. The Korea Customs Service's 'Guidelines for handling work due to differences in interpretation of HS Codes' (hereinafter referred to as "Guidelines

for handling differences in HS item numbers") stipulate the procedures for cases where the item numbers of Korea and the other country with which the agreement is made are different or the product name on the certificate of origin and the product name on the invoice are different. It stipulates in Article 2, paragraph A of the same guidelines that if the HS item number is not a required item in the certificate of origin, the agreed tariff rate shall be applied regardless of the HS item number on the certificate of origin. In the Korea Customs Service's 'Guidelines for Post-Application of Agreement Tariffs, etc.' (hereinafter referred to as "Processing Guidelines for Post-Application of Agreement Tariffs"), re-applying for application of agreement tariffs due to errors in documents proving origin and changes in application details of agreement tariffs, such as item numbers, etc, or if it is necessary to determine whether to correct the application for applying of the agreed tariff, the head of the customs office must check whether the details affecting the origin determination criteria have changed. Even if the details of the import declaration of the goods to which the agreed tariff has been applied are changed, if it does not affect the decision criteria for the imported goods, it is stipulated that the application for applying of the agreed tariff must be corrected. However, the disposition office did not implement procedures such as checking whether the details affecting the origin determination criteria have changed due to a change in the item number of the item at issue or guiding the claimant company to correct the application for application of the agreed tariff. The application of the agreed tariff rate of the Korea-EU FTA was excluded, and even though the claimant company requested the disposition office to modify only the item number and dispose of it because the same tax rate was applied to the item at issue, the disposition office refused it.

(2) Summary of the Disposal Office's opinion

As the disposition at issue is a disposition pursuant to customs laws and regulations, there is no room for the above guidelines for applying the FTA Special Customs Act to be applied. The disposition at issue is a case where customs duties are collected through rectification in accordance with Article 38-3, Paragraph 6 of the Customs Act and Article 34 of the Enforcement Decree of the same Act. It is different from the case where the post-application processing guidelines for agreed tariffs for application of the FTA Special Customs Act are applied or the processing guidelines for item numbers are different, so the above guidelines cannot be equally applied to the revision under customs laws and regulations. As a result of the customs investigation, the disposition office confirms and corrects errors in applying the item number of the item at issue, then selects the final implementation tax rate according to the priority of tax rate application prescribed in Article 50 of the Customs Act according to the change in the item number and makes the dispute disposition. The claimant also has no objection to the error in the item number of the

item at issue.

When reporting the import of item at issue, the Korea-EU FTA origin determination criteria according to each item number could be satisfied by selecting either the Change To Heading Tariff Classification criteria or the added value criteria as a selection criteria, but the Korea-EU FTA origin determination criteria according to each changed item number of the item at issue is a single standard. The origin determination criteria according to the changed item number (heading 7017) of the item at issue ① is the Change to Heading tariff classification change criteria. The origin determination criteria according to the changed item number (heading 3926) of the item at issue ② is the added value criteria. The fact that the origin determination criteria has changed from 'selection standard' to 'single standard' due to the change in the item number of the item at issue as described above means that the requirements for meeting the origin have been strengthened. If, as claimed in the claim, the disposition office changes only the item number of the item at issue and applies the Korea-EU FTA agreement tariff rate as is, it must confirm whether the Korea-EU FTA origin determination criteria are met with the changed item number. However, this is not in the scope of work that can be performed during the customs investigation in accordance with customs laws and regulations.

Even if it is possible to confirm whether the origin determination criteria are met during a customs investigation under the FTA Special Customs Act, not only does it require the cooperation of the exporter of the other country, but it also takes a long time, as it must be carried out in accordance with the Korea-EU FTA procedures, and requires excessive procedures on the claimant corporation as well. As problems arise in securing the right to collect, the disposition office excludes the application of the agreed tariff rate without requesting the claimant corporation to submit additional documents to prove whether the origin determination standards are met.

3. Judgment

Since the disposition at issue excludes the application of the agreed tariff rate of the Korea-EU FTA, which was initially applied by the claimant to the item at issue, it appears that the FTA Special Tariffs Act should be applied in preference to the 「Customs Act」 pursuant to Article 3, Paragraph 1 of the FTA Special Customs Act. If the claimant corporation was initially applied at the agreed tariff rate under the Korea-EU FTA based on the origin declaration issued by the exporter at issue, etc. for the item at issue at the time of import declaration, for the disposition office to restrict the application of the agreed tariff rate to the item at issue, it must fall under Article 35, Paragraph 1 of the FTA Customs Special Act and Article 44,

Paragraph 2 of the Enforcement Decree of the same Act unless it is clearly confirmed that the decision criteria are not met. It seems appropriate to apply the same even if the disposition office changes the item number for the item at issue after accepting the import declaration unless the above provisions provide otherwise.

Meanwhile, there is no obligation to enter the item number or origin determination criteria in the origin declaration form under the Korea-EU FTA, and the criteria for determining the origin of the item at issue cannot be confirmed because the criteria for determining the origin of the item at issue are not stated in the origin declaration or the application form for application of the agreed tariff submitted by the claimant corporation when declaring the import of the item at issue. The origin determination criteria for item numbers heading 8413 and heading 9031, which were applied when declaring imports, are all 'A change in Tariff Classification' or 'Added Value Standard', but the origin determination criteria according to the item numbers (heading 7017 and 3926) changed by the Disposal Agency is 'Change in Tariff Classification' for item at issue ①, and 'Added Value Standard' for item at issue ②, and the change in item number by the disposition office as above is not sufficient to determine whether the actual country of origin of the item at issue is different from that stated in the origin declaration or it is difficult to conclude that this applies to cases where it has been confirmed that the decision criteria have not been met the the country of origin criteria under the Korea-EU FTA.

In addition, the disposition office did not conduct a country of origin investigation related to the item at issue until the disposition of the issue or the country of origin investigation for the claimant corporation was not conducted due to unavoidable reasons. There are no circumstances showing that the disposition office was unable to confirm the accuracy of the country of origin for the item at issue because of the claimant company's refusal, obstruction or avoidance for the investigation of the country of origin. The claimant company applied for the correction of the application for application of the agreed tariff for six cases within one year from the date of import declaration among the item at issue. In light of the fact that the head of Busan Customs and the head of Incheon Airport Customs each approved the application. In applying the agreed tariff rate for the item at issue of the claimant corporation, it is difficult to say that there is a reason for application restriction pursuant to Article 35, Paragraph 1 of the FTA Customs Special Act and Article 44, Paragraph 2 of the Enforcement Decree of the same Act solely on the fact that the disposition office changed the item number of the item at issue due to the customs investigation in this case. It is judged that the disposition in this case to be erroneous because the disposition office changed the item number of the item at issue and excluded the Korea-EU FTA agreed tariff rate and imposed tariffs by applying the basic tariff rate and the WTO concession tariff rate.



HS case solved by logic

IDOL GOODS Kit Product Classification

1. Overview

With the global popularity of K-POP, overseas sales have exceeded one trillion KRW, and the idol merchandise market and trade volume are steadily growing. Many idol merchandise products consist of various items packaged as sets. Here, we examine how product classification is conducted for such sets.



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2. Key Items and Classification Decisions

The product includes an album and paper cards printed with celebrity photos, a completed Bunnies Club membership form, a brochure, and a non-metal badge, all packaged in a paper box for retail sale.

1) Printed Album and Cards with Celebrity Photos

These items, as printed photos, are classified under heading 4911.91-9000(with a basic tariff rate of 8% and WTO agreement tariff rate) according to General Interpretative Rules (GIR) 1 and 6 of the Customs Tariff.

2) Non-Metal Badge

Made from a zinc alloy, this badge is considered a brooch, a fashion accessory made of imitation materials. Thus, it is classified under heading 7117.19-4000(with a basic tariff rate of 8% and WTO agreement tariff rate), also according to GIR 1 and 6.

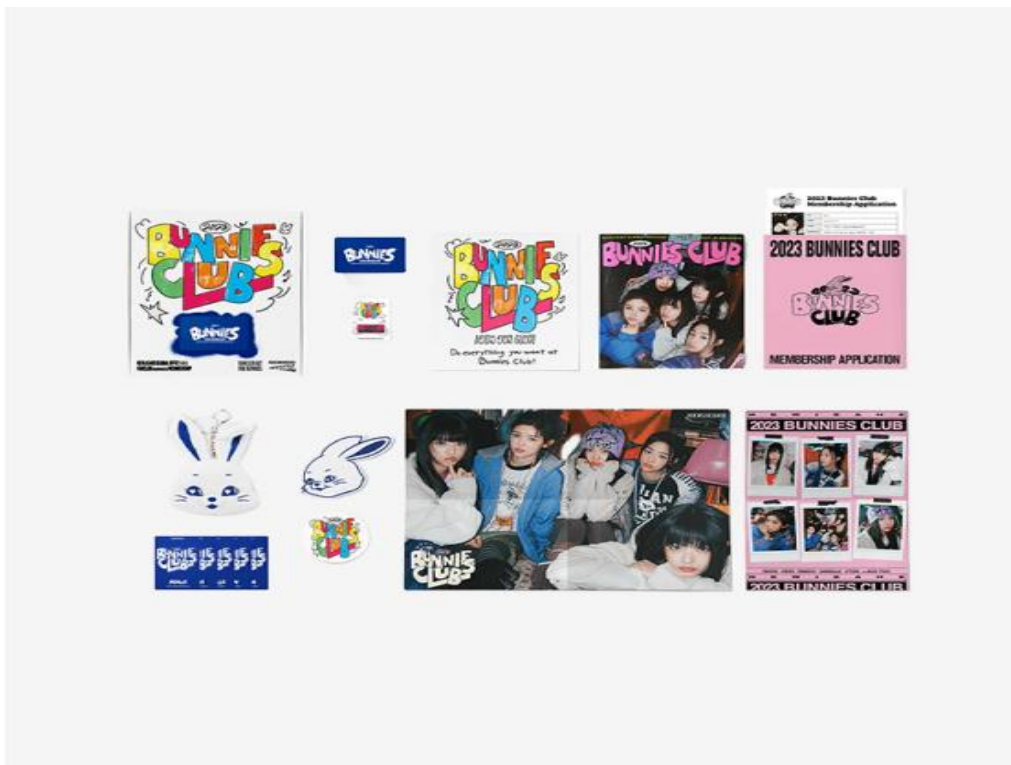
3. Reasoning for the Decision(Product Classification Section 4 - 15850)

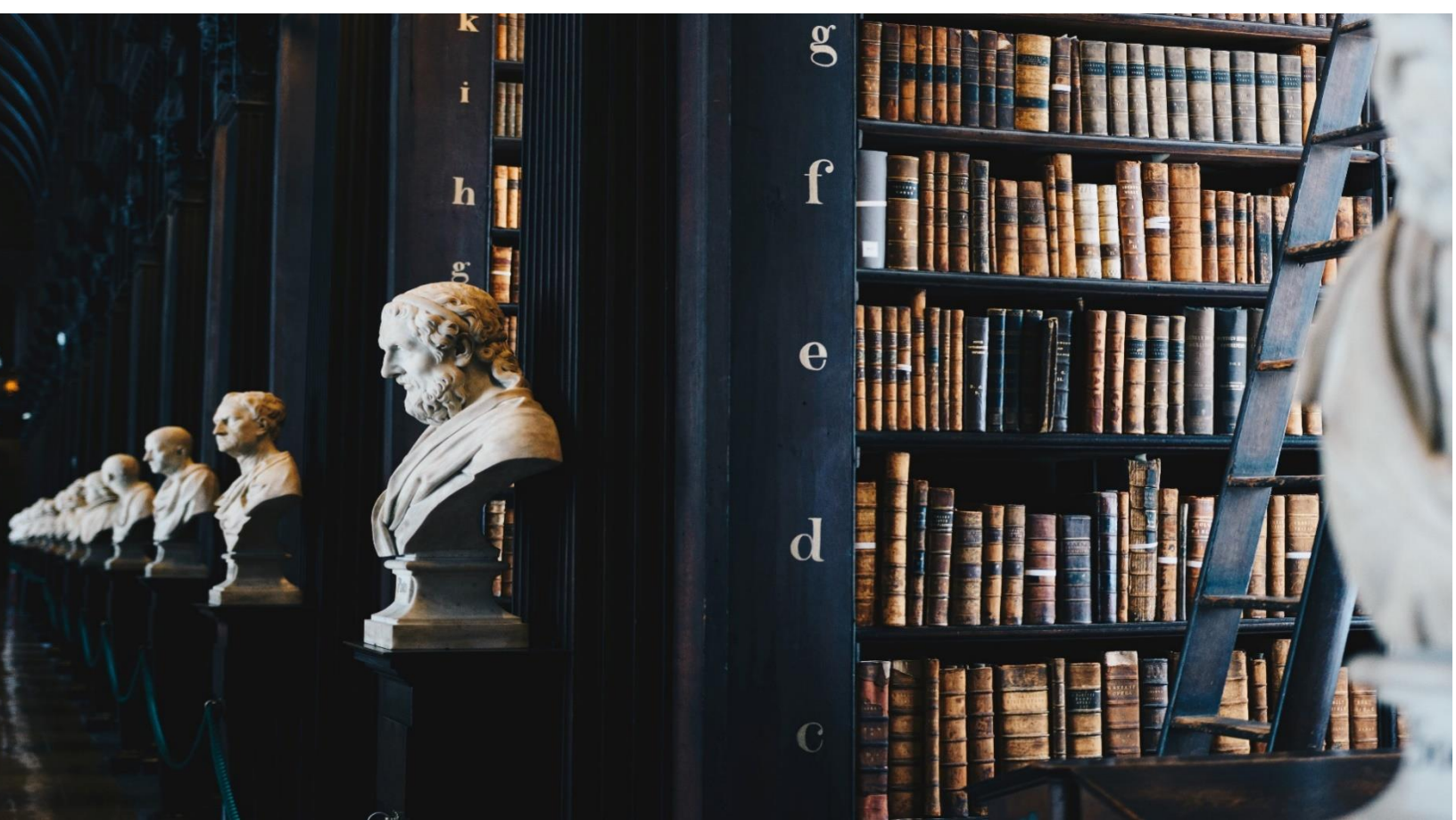
- GIR 3(b) states: "Mixtures, composite goods consisting of different materials or made up of different components, and goods put up in sets for retail sale, which cannot be classified by reference to 3(a), shall be classified as if they consisted of the material or component which gives them their essential character."
- The Explanatory Notes to the GIR further clarify that "goods put up in sets for retail sale" refer to items that: a. Consist of at least two different articles prima facie classifiable in different headings. b. Have been put together to meet a particular need or carry out a specific activity. c. Are packaged in a manner suitable for direct sale to the end user (e.g., in boxes or on trays).
- This product includes a booklet with printed photos, loose printed photos, a membership application form, and a non-metal badge, all retail-packaged in a paper box. However, since the plastic sticker does not satisfy criterion (b) of the Explanatory Notes (items combined to meet a particular need or perform a specific activity), ① the printed album and cards with celebrity photos and ② the non-metal badge are classified under their respective headings.

4. Opinion on the Decision

When a product does not clearly meet the set classification criteria, as in this case, each item may be classified individually for customs clearance. This approach may lead to operational inconveniences in export and import processes, such as the need to include detailed item information on documents like invoices and packing lists. Therefore, for the sake of operational efficiency, it may be worth considering the application of Article 8-2 of the Customs Act. This allows for the application of the highest applicable tariff rate among items included in a consolidated import declaration, upon the importer's request.

<NewJeans Goods>





12-Month Delay in EUDR Implementation and Our Stance

1. EUDR Overview

EUDR(European Union Deforestation-free Regulation)

This is a regulation to manage each supply chain from the collection stage to distribution to prevent supply and distribution of specific products and products related to deforestation (conversion of forests to farmland for agriculture, livestock raising, etc.) and forest degradation (conversion of primary forests to plantation forests, resulting in structural changes in forest cover), which are contributing to the global climate crisis to the EU market.

There are 7 items subject to EUDR: cattle, cocoa, coffee, palm oil, rubber, soybeans, and wood. This applies on ① 7 products (Relevant Commodity) or products produced using and containing the relevant products as raw materials (Relevant Product), and ② if it is subject to the HS CODE list of annex 1.



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2. Obligations and sanctions

An operator that sells and distributes the products that are regulated items in the EU (operator: a natural person or corporation that releases or exports the relevant product in the course of commercial activities) and a distributor (trader: everyone else in the supply chain other than an operator that provides the product to the market in the course of commercial activities) must ensure that the goods being handled are ① free from risks related to deforestation, ② produced in accordance with the relevant laws of the country of origin, and ③ proven that the required conditions by the EUDR regulations are met through an actual Due Diligence document (including geographical information of products and raw materials).

If EUDR is violated, fines (more than 4% of total annual sales), confiscation of products and profits, restrictions on eligibility for public procurement tenders and subsidies, ban on exports, and withdrawal of simplification of customs clearance may result.

3. Effective date (December 30, 2025/June 30, 2026)

If the obligatory business operator and distributor are classified as large enterprises (To be classified as large enterprises, two or more conditions of the following should be met. ① balance sheet total exceeding 20 million euros, ② net sales exceeding 40 million euros, and ③ average number of employees exceeding 250), in order to import, export and distribute the goods they are handling to EU, due diligence and risk assessment measures for the due diligence declaration should have been completed by the effective date of December 30, 2024.

Due to official requests from many agricultural exporting countries, such as Brazil and Indonesia, and requests from EU member states for a postponement of implementation, the European Commission decided to postpone the implementation for 12 months (Oct.16, 2024), and upon approval by the European Parliament, the application of **EUDR is confirmed to large companies from December 30, 2025, and to small and medium-sized companies from June 30, 2026.** Business operators and distributors must establish a due

diligence system for each supply chain of products and raw materials, submit a due diligence declaration, review whether the due diligence is properly conducted every year, write a report, and prepare to utilize the information system.

4. Thorough prior preparation required

Although an additional 12 months of preparation time has been secured due to the postponement of implementation, there may be businesses and distributors who are still unfamiliar with the EUDR and therefore lack preparation or find it difficult to prepare. Please receive assistance from a customs broker regarding the necessary documents and procedures, from determining EUDR-eligible items to risk management, and reduce risks in the EU market in advance.



FTA and import/export practical business guide

EU Carbon Border Adjustment Mechanism (CBAM: A system that imposes carbon emission costs on EU imports)

1. CBAM Overview

1.1 Introduction of CBAM

The Carbon Border Adjustment Mechanism (CBAM) is a carbon border adjustment system introduced by the European Union (EU) to strengthen carbon emission regulations. Its primary goal is to combat global warming, but it also aims to assess the carbon emissions of imported goods and impose a carbon price equivalent to that of products manufactured within the EU, thereby preventing carbon leakage. This mechanism seeks to maintain fairness between EU and foreign companies and contribute to global carbon reduction efforts.



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- *Carbon Leakage*: A phenomenon where production shifts from countries with strict regulations to those with weaker regulations, resulting in no decrease in greenhouse gas emissions.

1.2 Concept of CBAM

CBAM operates by assessing the carbon emissions of products exported to the EU and imposing a carbon tax accordingly. EU importers are required to purchase CBAM certificates based on the carbon emissions of imported products, bearing costs proportional to the carbon embedded in these goods. This system prioritizes industries with high carbon emissions, guiding imports to meet EU environmental standards. By applying the same carbon costs to imported goods as those for products manufactured within the EU, the EU aims to protect its domestic industries.

- *CBAM Certificates*: Certificates required to pay for costs based on the carbon emissions of imported goods.

1.3 Scope and Implementation Timeline of CBAM

CBAM will be phased in for carbon-intensive industries, including steel, cement, aluminum, fertilizers, hydrogen, and electricity. Following a transitional period from 2023 to 2025, full regulation will begin in 2026. During the transition, companies must report their carbon emissions but are not yet required to bear the associated costs, allowing time to establish operating procedures.

- *Transition Period*: From 2023 to 2025, during which only emission reporting is required, without actual cost imposition.

Classification	Transition Period	Confirmed Period
Period	2023.10.01~2025.12.31	From 2026.01.01
Target Items	Steel, Aluminum, Fertilizers, Cement, Hydrogen, Electricity (as listed in Regulation (EU) 2023/956 Annex I)	Steel, Aluminum, Fertilizers, Cement, Hydrogen, Electricity (with potential for item expansion)
Obligations	Monitoring: EU CBAM methodology, with certain exemptions for non-EU methods (up to Dec 2024) and default values (up to July 2024)	EU CBAM methodology
Reporting	Quarterly CBAM reports (within one month after each quarter ends, covering inherent emissions, quarterly imports, and pre-paid carbon prices)	Annual CBAM declaration (by May 31 of the following year, including reporting information, verification reports, CBAM certificates)
Verification	N/A	Annual on-site verification and submission of a verification report
Certificates	N/A	Submission of CBAM certificates (by May 31 of the following year)
Penalties	For failure to submit CBAM reports or submitting inaccurate or incomplete reports: 10-50 EUR/CO2 metric ton (adjusted by the EU consumer price index)	For failure to submit CBAM certificates: 100 EUR/CO2 metric ton (as of 2013, adjusted by the EU consumer price index)

2. Response to CBAM during the Transition Period

2.1 Identifying CBAM Applicability

Companies must first confirm if their export products fall under the CBAM framework. Applicability is determined based on CN codes for each product. Companies exporting to the EU should verify if their products align with CN codes listed in Annex II of the CBAM Implementing Regulation (EU 2023/956). Since HS codes used for domestic exports may not match CN codes required for EU imports, it is essential to confirm the CN code of export products with EU importers.

2.2 Response by Domestic Companies Exporting to the EU and Supplying Companies that Export to the EU

- *Case 1: Companies with EU Subsidiaries (EU Importers)*

Companies that act as importers within the EU or directly import into the EU through customs agents must submit a CBAM report to the CBAM transitional registry.

- *Case 2: Companies Exporting to EU Importers*

Exporters selling to EU importers should provide emission data statements requested by importers.

- *Case 3: Companies Supplying to Domestic Companies Exporting to the EU*

Suppliers should provide information regarding ① facility information, ② unique inherent emissions, and ③ pre-paid carbon costs to their purchasing companies. Although not mandatory, the absence of this information may lead clients to change suppliers, necessitating preparatory actions.

2.3 Establishing an Information-Sharing System among Supply Chain Companies

Information sharing and communication among companies are crucial for CBAM compliance. Supply chain participants must prepare systems to measure and report accurate carbon emission data, ensuring that information regarding carbon measurement and verification processes flows smoothly.

3. Conclusion

The CBAM system is an essential policy shift aimed at protecting domestic industries and achieving global climate goals by upholding EU environmental standards. Companies need to align with strengthened carbon regulations by devising carbon reduction strategies and establishing robust supply chain management and reporting systems. CBAM signals a shift towards balancing environmental and economic priorities in international trade, making proactive corporate responses vital to maintaining competitiveness.



Contents and Opinion of Customs Trade Amendment

Notice of Partial Revision of the “Designation Notice of Goods and Confirmation Methods Confirmed by the Head of Customs Office Pursuant to Article 226 of the Customs Act”

When importing or exporting goods that require permission, approval, marking or other conditions as prescribed by laws and regulations, it must be certified to the head of the customs office that the permission, approval, marking or other conditions have been met. Despite these legal provisions, in order to prevent unclear criteria for cases where requirements are required or errors in product classification, the contents of designation notice was partially revised to clarify unclear criteria.

Below, we will inform you of the revised contents of the designation notice of goods and confirmation methods confirmed by the head of the customs office. Please refer to this for your work.



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1. Reason for revision

- In order to make up for shortcomings in the operation of the system, clarification of subjects to be omitted from confirmation by the head of the customs office and strengthening of the cooperation obligation of confirming requirements agencies related to designation of subjects of confirmation by the head of the customs office
- Adjustment of targets that need the confirmation of the head of customs office to reflect changes in demand such as revision of individual laws
 - Reorganize regulations and terminology to meet plain language movement criteria for improvement of laws and regulations.

2. Major Revisions

- 1) Clarification of subjects to be omitted from the head of the customs office confirmation (Article 7 revised)
 - Since the submission of a confirmation of exemption from requirements by an exporter is also a type of confirmation procedure by the head of the customs office, the submission of a confirmation of exemption from the requirements has been excluded from the subject of skipping the confirmation by the head of the customs office.
- 2) Deletion of criteria for omitting the preliminary review of item classification (Article 8 revision)
 - In order to prevent errors in the classification of goods subject to requirements, the criteria for omitting the preliminary review of item classification when the relevant ministry requests designation of a subject to be confirmed by the head of the customs office has been deleted (the number of requested items is 10 or less).
- 3) Establishment of compliance matters for requirements confirmation agency (Article 8 revision)
 - When requesting designation of a subject of confirmation by the head of a

customs office, the relevant laws and regulations for the relevant goods are reflected in advance in the integrated notice (Notice of the Ministry of Trade, Industry and Energy) that sets the import and export guidelines, and new requirements for compliance by the requirements confirmation agency in the designation of a subject of the head of customs office are established, such as linkage to systems related to requirements confirmation.

- 4) Implementation of changes in laws and regulations. (revisions to Annex Tables 1 and 2)
- Reflection of changes in the legal name of the 「Cultural Heritage Protection Act」 (「Act on Preservation and Utilization of Cultural Heritage」), change in the name of the requirements confirmation agency (Cultural Heritage Administration → National Heritage Administration), reflection of changes in format related to the 「Natural Radiation Safety Management Act」
 - Reflection of new import quarantine requirements for wild animals (reptiles) following the revision of the 「Wildlife Protection and Management Act」 (effective May 19, 2024)
 - Reflection of changes in the name of the law following the revision of the 「Act on the Regulation of Manufacturing of Specific Substances for Ozone Layer Protection, etc.」 (effective April 19, 2023) (「Act on the Management of Specific Substances for Ozone Layer Protection, etc.」)
- 5) Changes in import and export goods subject to confirmation by the head of customs office (revisions to Annex Tables 1 and 2)
- Items not reflected in HSK 2022 revisions and institutional requests/consultations reflected, etc.
(Export) 5 laws, 17 items added, 58 items changed, 5 items excluded
(Import) 16 laws, 56 items added, 287 items changed, 19 items excluded

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