

For Foreigners Guide to Customs Declarations



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For Foreigners Guide to Customs Declarations

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 KOREA CUSTOMS SERVICE

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Commissioner's Message



I would like to express my deep gratitude to all tax payers for faithfully meeting their obligations to pay customs duties despite the recent economic difficulties at home and abroad.

As a necessity for the existence of a country, tax serves as a foundation for the execution of government policies. In that sense, the importance of a correct customs declaration cannot be stressed enough.

In some cases, however, administrative procedures in customs domain are so complex and hard to understand that even those trying and willing to make a correct customs declaration find it difficult to do so. This means that there is more work to be done to continuously understand what types of customs administrative difficulties duty payers have and to proactively provide them with informative they need, so as to ease the burden of those seeking to make a correct customs declaration.

In an effort to meet the public demand, the Korea Customs Service has released a new *Guide to customs declarations for duty-payers* to help duty payers who have been trying to make a correct customs declaration but had difficulties with little information on the customs procedures.

This *Guide* provides some new features: new sections on import and export declarations as well as FTA; changes to some existing information to reflect institutional changes that have been made so far; and duty payer-oriented editing approach focused on work flows to help duty payers better understand the guidelines.

I hope that this *Guide* will be useful for duty payers to prevent or minimize problems that may occur in faithfully fulfilling the duty payment obligation and carrying out customs procedures.

The Korea Customs Service will keep up efforts for easier and more stable ways of doing business activities for exporting and importing companies while ensuring that the practice of making correct customs declarations takes root. Thank you.

September 2015

Kim Nak-Hoe

Commissioner
Korea Customs Service





Introduction



About the Correct Customs Declaration

In principle, importers should voluntarily make customs declarations exactly based on actual transactions. That is, importers have a responsibility and obligation to prepare required documents and meet conditions for clearance, and declare the amounts of duties to be paid to a customs. Both during and after clearance, customs examines whether the duty amounts declared and paid are accurate, and whether the statutory requirements are being fulfilled by audit and investigation programme.

When an error is found in the declared information, the importer may be subject to a surcharge or judicial action by customs. In this case, the importer would have to make a lump-sum payment of duties still not reflected in the sales cost or face administrative sanctions, which may pose a serious difficulties to the importer's business.

To prevent such fiascos, customs should be trying to maintain partnership with importers, and provide information on the customs declaration and counselling services. On the importers' part, they need to faithfully prepare what is required under the Customs Act and relevant laws, and correctly make import declarations.


In order to help importers check and avoid errors from the moment they prepare for importation, this year the Korea Customs Service publishes a guide book of *Guide* to customs declarations which includes all the information that importers should know.

And what is unique about this *guide* is that it covers various fields of customs administration and provides basic and comprehensive information on customs that might be useful for duty payers.



About the Content of the Guide

This *Guide* is designed to introduce how customs administration works and how to make a correct customs declaration to importers preparing themselves for customs audit and investigations. But what is in the Guide has no legal binding, so please refer to the Customs Act or other relevant laws for exact grasp of your customs issues. And for more details about the content of the *Guide*, please contact divisions under "for more information" in the *Guide* or "125 Korea Customs Service Call Center (125 without an area code)."





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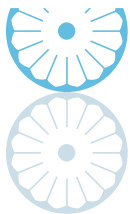
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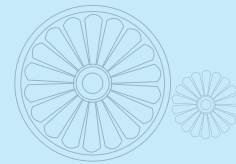
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Necessity of Correct Customs Declaration



Correct Customs Declaration **01**
as the Basis of Business Management







01 •

Correct Customs Declaration as the Basics of Business Management

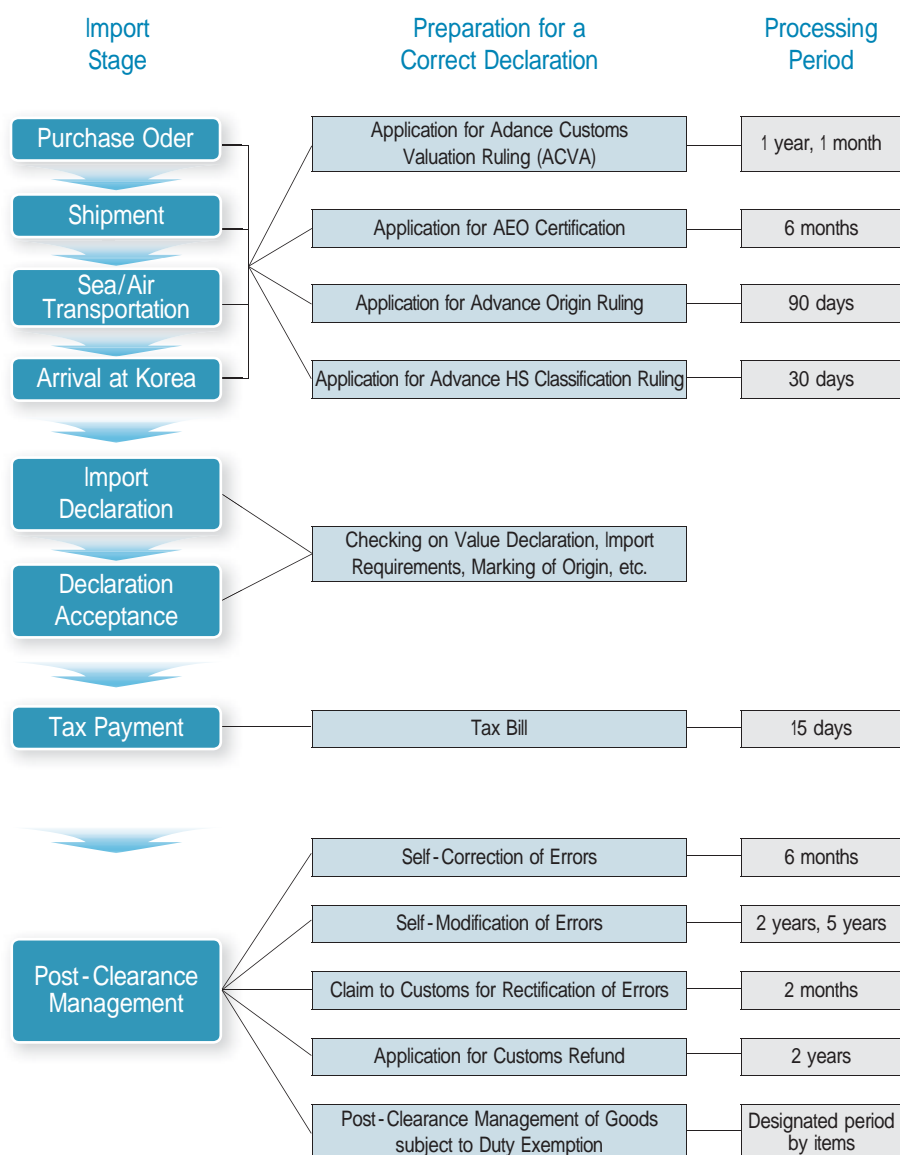
㉠ Prepare Yourself to Make a Correct Customs Declaration

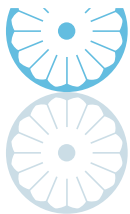
- ▲ To import goods from abroad, you need to electronically make an import declaration to a customs. And an importer should submit required documents necessary for importation to faithfully declare information of their value and the amounts of customs duties of the goods.
- ▲ During the clearance stage, the head of the customs will check on whether the import requirements necessary for public health, social safety and environmental protection are met. Even after the goods are cleared, the head of the customs will audit whether the duty amounts declared and paid are reasonable, and whether statutory obligations are being fulfilled.
- ▲ An importer making errors in customs declaration is subject to compulsory collection or judicial treatment, which may pose a great challenge to his/her business management as the importer would have to make a lump-sum payment of duties or be under strict clearance management by the customs.
- ▲ The importer should prevent such violations by seeking help from experts, including customs brokers, or making the most of the Korea Customs Service's website or Customs Customer Service Center from the point of preparing for importation.

» . Necessity of Correct Customs Declaration

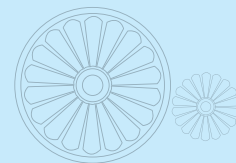
- ▲ The importer should share information on importation, such as transaction value, foreign exchange rate and clearance requirements, with the related division within his/her company and provide his/her customs broker, etc., with accurate information on the import for the purpose of making an exact customs declaration.
- ▲ To make a correct customs declaration gives the importer an opportunity to enhance the credibility of his/her company to a new level, and deepen a relationship based on trust and maintain partnership with the customs authorities.

Prepare for a Correct Customs Declaration and Trade at the Same Time





Guide to Import & Export Clearance



Import Clearance 01

Export Clearance 02

Clearance of Express Cargo, Postal Items
and Overseas Retail Goods 03

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01 • Import Clearance

㉠ Import Clearance

- ▲ Import clearance refers to a series of procedures for the release of imported goods. The importer declares the goods to be imported to the head of a customs, who would accept the declaration if it is legitimate and justified according to the Customs Act and relevant laws, and then issue the certificate of import declaration to the declarant to ensure that the imported goods are legitimately declared. All these procedures are dealt in the KCS internet-based electronic clearance system, so called UNIPASS.

㉠ How and When to Declare

- ▲ **How** : transmit the data to the KCS through UNIPASS*.
Use the Korea Customs Service's UNI - PASS (<http://portal.customs.go.kr>) for online applications and declarations, including import declarations, and contact the UNI - PASS technical support center (1544-1285) for more information on how to use the system.
- ▲ **Declarant** : a customs broker, a cargo owner or a goods owner
- ▲ **When** : in principle, the importer should declare import after the goods arrive at the port, however even import declaration is allowed before the goods arrive at the port to ensure expedite clearance.

Required Documents

Basic document : an import declaration form (through the EDI, or Internet)
Additional documents : an invoice, a packing list, a B/L, a C/O, a certificate of inspection (Quarantine), etc.

唎 Inspection for Import Goods Methods and Disciplinary Measures

- ▲ Selections subject to inspection : selected among import declarations, based on risk management technique and cargo data analysis.

Purpose of inspection: to ensure the accuracy of import declaration, including description of goods, quantity, country of origin, and trademark

- ▲ Inspection costs : borne by the cargo owner
- ▲ Inspection methods : whole cargo inspection, partial cargo inspection, or component analysis by customs laboratory
- ▲ Disciplinary measures against import declarations with errors : correction of errors, fines and indictment for criminal penalty

唎 Acceptance of Declaration

- ▲ The head of a customs accepts an import declaration if it is found to have no errors in the import inspection and documentary checking.
However, a correction may be requested, or the customs clearance may be suspended in the following cases:

Cases for Corrective Requests

When requested information is missing in the declaration form; and
When the check of the declaration form finds that a document to be attached is missing, or evidential documents needs to be supplemented.

Cases for Clearance Suspension

When the declaration form needs to be supplemented because important matters, such as requested information or evidential documents, are missing;
 When the declaration may fails to meet statutory requirements or secure public health, etc.;
 When pursuing a indictment or an investigation for customs fraud;
 When the quality, etc. are marked in the goods falsely or misleadingly pursuant to Article 230 -2 of the Customs Act; and
 When it takes a long time to meet the requirements asked by customs clearance check.

- ▲ After the declaration is accepted, the importer is required to pay taxes, including customs duties.

* In principle, high compliance businesses can enjoy tax payment incentive of the exemption of submitting customs bond security.

- ▲ After the acceptance of import declaration, a certificate of import declaration is issued.

* The certificate of import declaration is equipped with various tools to prevent it from being counterfeited or falsified: the customs special seal, a watermark (the logo of the Korea Customs Service), issuance serial numbers, a 2-D bar code, and a "copy" mark.

📌 Release of the Goods

- ▲ After the import declaration acceptance is confirmed, the goods are released from the bonded warehouse/area.

* Goods urgently needed, such as raw materials for production, may be released before the acceptance of the import declaration.

📌 Goods Subject to Customs Confirmation about Clearance Requirements

- ▲ For goods subject to customs confirmation about clearance requirements, the head of the customs checks whether they meet permission and approval requirements, and other conditions, for import goods under relevant laws (specified in the directive on the designation of goods subject to customs confirmation of clearance requirements and confirmation methods under the Article 226 of the Customs Act).

» . Guide to Import & Export Clearance

Relevant Laws and the Specific Goods	Requirements
<p>(1) Drugs, and medicinal herbs, subject to the Pharmaceutical Affairs Act:</p> <p>(a) Drugs and sanitary aids;</p> <p>(b) Drugs for self-treatment (limited to drugs for self-treatment or relief and other items designated by the Minister of Food and Drug Safety in accordance with paragraph 6 of Article 57 of the Regulations on the Safety of Medicines, Pharmaceutical Goods, etc.);</p> <p>(c) Medicinal herbs; and</p> <p>(d) Veterinary drugs.</p>	<ul style="list-style-type: none"> • A standard customs clearance prediction report by the Chairman of the Korea Pharmaceutical Traders Association • A recommendation for exemption of import requirements confirmation • An inspection certificate, a sample collection certificate or an import approval (requirements confirmation statement by the head of an institute in charge of quality inspection of medicinal herbs designated by the Minister of Food and Drug Safety or the Director General of the National Institute of Food and Drug Safety Evaluation • A standard customs clearance prediction report by the Chairman of the Korea Animal Health Products Association
(2) Goods subject to the Act on the Control of Narcotics, etc.	<ul style="list-style-type: none"> • An import approval (requirements confirmation) statement by the Minister of Food and Drug Safety
(3) Foods, food additives, utensils, containers and packaging for foods, and fishery products, subject to the Food Sanitation Act	<ul style="list-style-type: none"> • A confirmation certificate for import declaration of foods, etc. issued by the head of a regional office for food and drug safety
(4) Plants, seeds, wood, gemstone, and processed wood, subject to the Plant Protection Act	<ul style="list-style-type: none"> • A quarantine certificate for import plants, a verification statement for processed goods, or a statement of exclusion of prohibited goods, by the Commissioner of the Animal and Plant Quarantine Agency
(5) Goods subject to the Control of Livestock and Fish Feed Act	<ul style="list-style-type: none"> • A certificate of feed import declaration by the head of an institute in charge of feed import declaration designated by the Minister of Agriculture, Food and Rural Affairs (the Chairman of the National Agricultural Cooperative Federation, the Chairman of the Korea Feed Association, and the Chairman of the Korea Feed Ingredients Association)

Relevant Laws and the Specific Goods	Requirements
(6) Goods subject to the Act on the Prevention of Contagious Animal Diseases	<ul style="list-style-type: none"> • A quarantine certificate for animals by the Commissioner of the Animal and Plant Quarantine Agency
(7) Goods subject to the Livestock Products Sanitary Control Act	<ul style="list-style-type: none"> • A certificate of import declaration of livestock products issued by the Minister of Food and Drug Safety (and the head of a regional office for food and drug safety or an inspection director)
(8) Goods subject to the Electrical Appliances Safety Control Act: (a) Electrical appliances subject to the safety certification system; (b) Electrical appliances subject to the self-regulatory safety confirmation system; and (c) Electrical appliances subject to the supplier's declaration of conformity	<ul style="list-style-type: none"> • A safety certificate by the head of a safety certification agency • A self-regulatory safety confirmation declaration statement by the head of an institute for self-regulatory safety confirmation • The supplier's declaration of conformity by the manufacturer and importer
(9) Goods subject to the Act on the Transboundary Movements of Hazardous Wastes and Their Disposal	<ul style="list-style-type: none"> • A statement of confirmation of waste import permission issued by the head of basin (regional) environmental office
(10) Prohibited substances for import, and goods for TRQ administration under international conventions, subject to the Act on the Control, etc. of Manufacture of Specific Substances for the Protection of the Ozone Layer	<ul style="list-style-type: none"> • An import confirmation statement by the President of the Korea Specialty Chemical Industry Association
(11) Goods subject to the Foreign Exchange Transactions Act	<ul style="list-style-type: none"> • A certificate of import declaration on payment means, etc. issued by the head of customs house • A declaration (change) of means of payment, etc. issued by the governor of the Bank of Korea or the president of a foreign exchange bank
(12) Firearms, knives, swords and explosives for military use among the goods subject to the Defense Acquisition Program Act	<ul style="list-style-type: none"> • An import permit issued by the Minister of the Defense Acquisition Program Administration
(13) Goods subject to the Toxic Chemicals Control Act: (a) Restricted substances; (b) Prohibited substances; (c) Talc; and (d) Poisonous substances	<ul style="list-style-type: none"> • An import permit for restricted substances issued by the head of basin (regional) environmental office • An import permit for prohibited substances issued by the head of basin (regional) environmental office • A plan for manufacturing and selling imported talc ore or a certificate verifying whether the substances constitute prohibited substances • An import permit for poisonous substances issued by the Chairman of the Korea Chemical Management Association

» . Guide to Import & Export Clearance

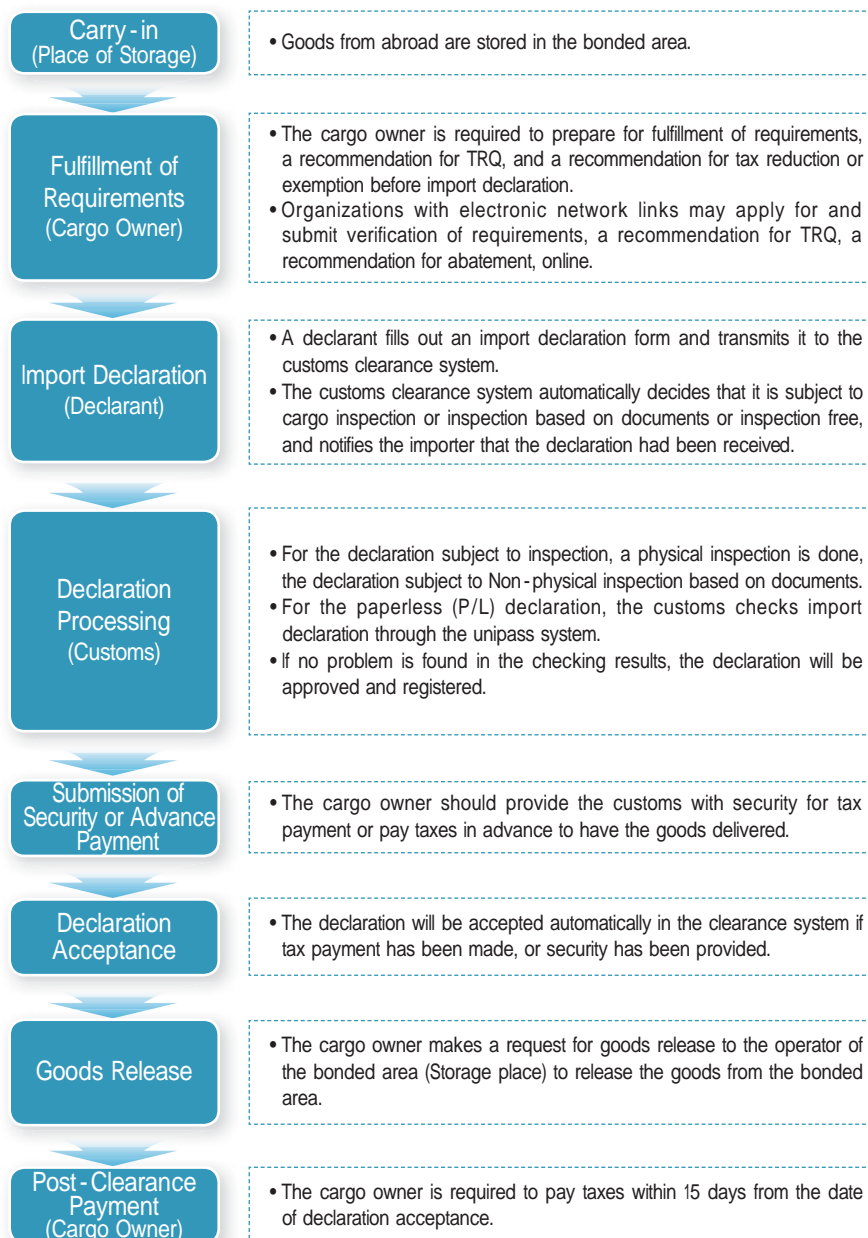
Relevant Laws and the Specific Goods	Requirements
(14) Goods subject to the Asbestos Safety Management Act	<ul style="list-style-type: none"> • An import license for substances that may contain asbestos issued by the head of basin (regional) environmental office
(15) Goods subject to the Nuclear Safety Act: (a) Nuclear materials; and (b) Radioisotopes and radiation generating devices	<ul style="list-style-type: none"> • A written import requirements verification issued by the Nuclear Safety and Security Commission • A written import requirements verification issued by the Korea Radiation Safety Foundation
(16) Goods subject to the Control of Firearms, Knives, Sword, Explosives, etc. Act: (a) Pistols, rifles, machine guns, gun powder and explosives; and (b) Other guns and their parts, knives and swords, fire-processed articles, gas sprayers, electronic shock machines and crossbows	<ul style="list-style-type: none"> • An import permit from the Commissioner General of the Korean National Police Agency • An import permit from the Commissioner of a regional policy agency
(17) Goods subject to the Wildlife Protection and Management Act (except for processed goods not clearly distinguishable): (a) Wild animals; (b) Wild animals and plants in danger of extinction (including species in danger of international extinction); and (c) Wile animals and plants causing ecological disturbance	<ul style="list-style-type: none"> • An import permit for wild animals from a city mayor, governor and the chief of the borough • An import permit for wild animals and plants in danger of extinction (species in danger of international extinction) issued by the head of basin (regional) environmental office • An import permit for wild animals and plants causing ecological disturbance issued by the head of basin (regional) environmental office
(18) Goods subject to the Inter-Korean Exchange and Cooperation Act	<ul style="list-style-type: none"> • A written approval for carry-in from the Minister of Unification
(19) goods subject to harmfulness inspections among those subject to the Fertilizer Control Act	<ul style="list-style-type: none"> • A certificate of heavy metal inspection pass (exemption) from the President of the National Academy of Agricultural Science
(20) Drinking spring water and water purifiers among the goods subject to the Drinking Water Management Act	<ul style="list-style-type: none"> • A certificate of import declaration issued by a mayor or governor

Relevant Laws and the Specific Goods	Requirements
(21) Goods subject to the Seed Industry Act: (a) Food crop seeds; (b) Vegetable seeds; (c) Mushroom spawn; (d) Medicinal herb seeds; and (e) Soilage and feed crop seeds or green manure seeds	<ul style="list-style-type: none"> • A written import requirements verification by the President of the Foundation of Agri. Tec. Commercialization and Transfer • A written import requirements verification by the President of the Korean Seed Association • A written import requirements verification by the President of the Korean Society for Seed Science and Industry or the President of the Korea Forest Service • A written import requirements verification by the Chairman of the Korea Medicine Herbal Association or the President of the Korea Forest Service • A written import requirements verification by the Chairman of the National Agricultural Cooperative Federation
(22) Goods subject to the Cosmetics Act	<ul style="list-style-type: none"> • A standard customs clearance prediction report by the Chairman of the Korea Pharmaceutical Traders Association
(23) goods subject to the Functional Health Foods Act	<ul style="list-style-type: none"> • A certificate of import declaration of functional health foods by the head of a regional office of the Ministry of Food and Drug Safety
(24) Goods subject to the Medical Devices Act: (a) Medical devices; and (b) Veterinary devices	<ul style="list-style-type: none"> • A standard customs clearance prediction report by the Chairman of the Korea Medical Devices Industry Association or the Chairman of the Korea Pharmaceutical Traders Association • A standard customs clearance prediction report by the Chairman of the Korea Animal Health Products Association
(25) Goods subject to the Safety, Management, etc. of Human Tissue Act	<ul style="list-style-type: none"> • A standard customs clearance prediction report by the Chairman of the Korea Pharmaceutical Traders Association
(26) Industrial products subject to safety certification and industrial products subject to safety self-assurance among the goods subject to the Quality Control and Safety Management of Industrial Products Act	<ul style="list-style-type: none"> • A written confirmation that the products are the same models, issued by safety-certifying institutions or testing and inspection institutions for safety self-assurance • A verification of the sample of industrial goods and a written confirmation of pre-clearance by safety-certifying institutions or institutions for safety self-assurance report

» . Guide to Import & Export Clearance

Relevant Laws and the Specific Goods	Requirements
(27) Wiretapping equipment among the goods subject to the Protection of Communications Secrets Act	• A permit for wiretapping equipment by the Minister of Science, ICT and Future Planning
(28) Goods subject to the Occupational Safety and Health Act: (a) Goods containing asbestos; (b) Prohibited goods for manufacturing, etc.; and (c) Goods subject to safety certification	<ul style="list-style-type: none"> • An import permit for prohibited goods for manufacturing issued by the head of a regional employment and labor office or a written confirmation by the President of the Korea Occupational Safety and Health Agency • An import permit for prohibited goods for manufacturing issued by the head of a regional employment and labor office • A written confirmation of safety certification by a safety certifying institution or a written confirmation of conformity based on the results of documentary checking
(29) Biological agents and toxins among the goods subject to the Act on the Control of the Manufacture, Export and Import, etc. of Specific Chemicals and Chemical Agents for the Prohibition of Chemical and Biological Weapons	• An import permit by the Minister of Trade, Industry and Energy
(30) Goods subject to the Aquatic Life Disease Control Act	• An import quarantine certificate by the President of the National Fishery Products Quality Management Service
(31) Goods subject to the Wastes Control Act	• A written confirmation of import declaration of wastes issued by the head of basin (regional) environmental office
(32) Goods subject to the Radio Waves Act: (a) Goods subject to conformity assessments or materials and equipment for which a conformity assessment has been applied for; and (b) Materials and equipment eligible for exemption of conformity assessments	<ul style="list-style-type: none"> • A written confirmation of conformity assessments or pre-clearance issued by the Administrator of the National Radio Research Agency • A written confirmation of conformity assessment exemption issued by the Administrator of the National Radio Research Agency (except for cases where the exemption confirmation is omitted)
(33) Highly dangerous pathogens among the goods subject to the Infectious Disease Control and Prevention Act	• A certificate of permission for carry-in and acquisition declaration of highly dangerous pathogens issued by the Minister of Health and Welfare
(34) High-pressure gas cylinders among the goods subject to the High-pressure Gas Safety Control Act	• A written confirmation of application for cylinder inspection issued by the Korea Gas Safety Corporation

▶▶▶ Flow of Import Clearance Processing



02 • Export Clearance

唎 Providing Accurate Information in Making an Export Declaration.

- ▲ An exporter should make a correct customs declaration in accordance with laws relating to trade and customs clearance, such as the Customs Act and the Foreign Trade Act.
- ▲ Any false information in the export declaration or exportation without export declaration may be subject to punishment on charges of false report, smuggling, or price manipulation under the Customs Act.

唎 Document Checking or Inspection may be Carried out in Export Clearance.

- ▲ In export declaration cases, the customs certifies whether there is any violation under the Customs Act or the Foreign Trade Act, and whether the export is illegal. When no risk is found, customs grants an expedited clearance.

唎 Making an Export Declaration to the Head of the Customs with Jurisdiction over the Place of Storage.

- ▲ The exporter should make an export declaration to the head of the customs house with control over the place where the export goods are stored or may be subject to punishment on a false report charge.

唎 The stolen or still Registered Used-Cars and Lost or Stolen Cellphones, etc. can not be Exported.

- ▲ Before exporting used cars (including construction machinery), you have to cancel their registration at vehicle registration offices.

- ▲ Before exporting used-cellphones, you have to check with the Korea Association for ICT Promotion whether they are lost or stolen.
- ▲ For the above-mentioned goods, customs conducts examination and inspections to check whether the goods are lost or stolen, and whether their registration has been cancelled.

㉠ Making Shipment within 30 days from the Date of Export Declaration Acceptance.

- ▲ Within 30 days from the date on which the export declaration is accepted, you need to load the goods on the transport means abroad. However, the period can be extended by up to a year.

㉠ Checking Whether the Goods are Subject to Export Control when Making an Export Declaration.

- ▲ You need to get an approval from relevant institutions to export goods subject to ⁱThe Directive on the Designation of Goods Subject to Customs Confirmation of Clearance Requirements and Methods of the Confirmation under Article 226 of the Customs Act, or goods that are subject to the Export Control under Article 19 of the Foreign Trade Act.

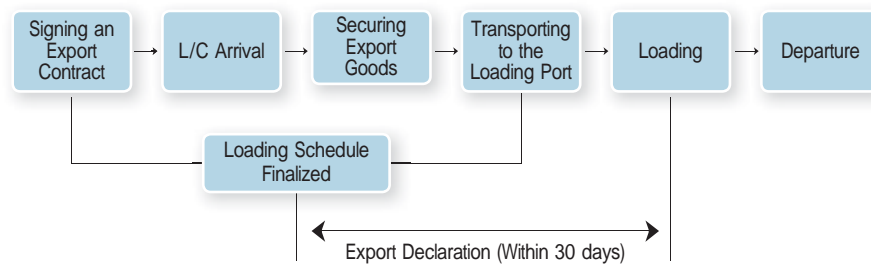
» . Guide to Import & Export Clearance

Relevant Laws	Goods Concerned
(1) Act on the Control of Narcotics, etc.	<ul style="list-style-type: none"> • Goods subject to the 'act on the control of narcotics, etc.,'
(2) Grain Management Act	<ul style="list-style-type: none"> • Goods subject to the grain management act
(3) Act on the Transboundary Movements of Hazardous Wastes and Their Movements	<ul style="list-style-type: none"> • Goods subject to the 'act on the transboundary movements of hazardous wastes and their movements,'
(4) Foreign Exchange Transactions Act	<ul style="list-style-type: none"> • Goods subject to the foreign exchange transactions act
(5) Control of Firearms, Knives, Swords, Explosives, etc. Act	<ul style="list-style-type: none"> • Pistols, rifles, machine guns, artillery, gunpowder and explosives • Other guns and their parts, swords, fire-processed articles, spray guns, electroshock weapons, and crossbows
(6) Wildlife Protection and Management Act	<ul style="list-style-type: none"> • Wild animals • Wild animals and plants in danger of extinction • Wild animals and plants subject to approval for taking out of Korea
(7) Cultural Heritage Protection Act	<ul style="list-style-type: none"> • Goods subject to the cultural Heritage protection act
(8) Inter-Korean Exchange and Cooperation Act	<ul style="list-style-type: none"> • Goods subject to the Inter-korean exchange and cooperation act
(9) Nuclear Safety Act	<ul style="list-style-type: none"> • Nuclear materials • Radioisotopes and radiation generating devices
(10) Act on the Prevention of Contagious Animal Diseases	<ul style="list-style-type: none"> • Goods subject to the act on the prevention of contagious animal diseases
(11) Wastes Control Act	<ul style="list-style-type: none"> • Goods subject to the Wastes control act
(12) Act on the Preservation, Management and Use of Agro-fishery Bio-resources	<ul style="list-style-type: none"> • Ginseng seeds

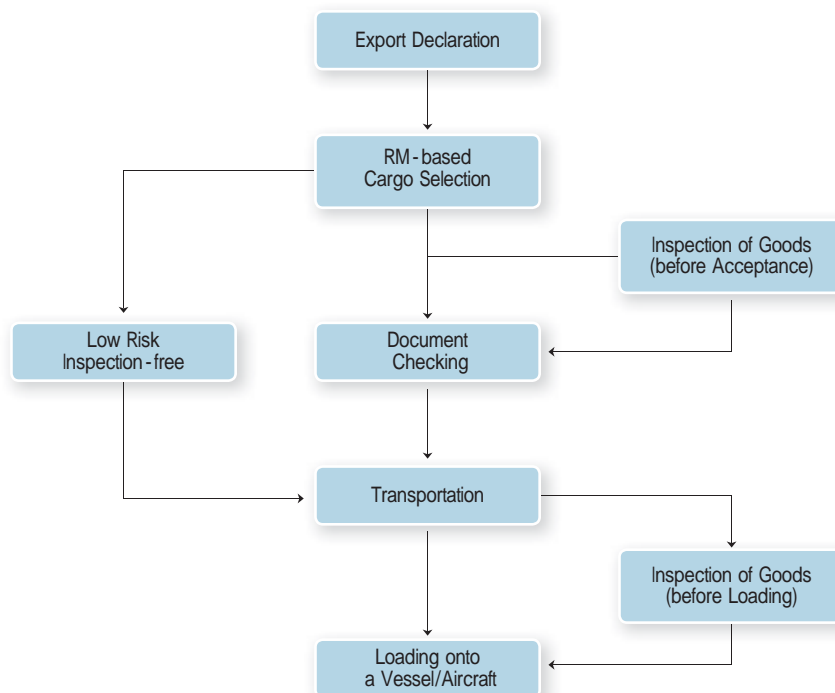
㉮ Flow of Export Clearance Processing

- ▲ Export refers to the process of making an export declaration to a customs, getting the declaration accepted and loading exporting goods to a vessel (aircraft) abroad.

▲ Export Procedure



▲ Export Processing Procedure



03 •

Clearance of Express Cargo, Postal Items and Overseas Retail Goods

唎 Clearance of Express Cargo

- ▲ In the past, most express cargo transported documents, catalogues, samples, or goods donated by relatives (trading partner companies) located in foreign countries. Recently, however, the proportion of overseas goods directly bought through websites and transported in has been rapidly growing.
- ▲ For express cargo, X-ray inspections and random inspections are conducted to prevent any illegal import of dutiable goods or prohibited items from being processed unchecked.
Declaring a false value of goods intentionally or importing a trade-prohibited item from being processed unchecked may subject to punishment pursuant to the Customs Act.

唎 Clearance Methods for Express Cargo

▲ Listed Import Declaration

- Listed Import Declaration is a clearance method which allows goods to be cleared only with an invoice with the names, phone numbers and addresses of the consigner and the consignee, and the description, price and weight of the goods. In this case, the resident registration ID number (including personal clearance unique code) of the owner is not necessary.
- Listed Import Declaration may apply for goods for personal use or samples to be used at businesses, priced at USD 100 (200 dollars for the U.S.) or lower if they are not one of the following goods excluded from listed declaration :

Goods Excluded from Listed Import Declaration

Drugs, Medicinal herbs, Wild animal products, Goods subject to quarantine, such as agricultural, fishery and livestock products, Health functional foods, Goods suspected of violating intellectual property rights, Foods, alcoholic beverages and tobacco, Cosmetics (limited to functional cosmetics, cosmetics containing placenta, cosmetics containing steroids, and harmful cosmetics, including those with unidentified elements), Goods for which new content has been added to a B/L or an air waybill in accordance with correction of M/F, Goods whose description, standard, quantity, price, etc. are inaccurately put in the customs list, Goods subject to customs confirmation of clearance requirements (firearms, swords, gun powder, narcotics, etc.) under Article 226 of the Customs Act

▲ Simplified Import Declaration

- Simplified import declaration may apply for goods priced higher than USD 100(200 dollars for the US) and no more than USD 2,000.
- The head of the customs would allow goods to be cleared without a inspection if the declared details, such as the description, value, etc. of the goods, are deemed accurate. However, for some goods, including prohibited goods for import, simplified import declaration is not allowed. In this case, an import declaration should be made following the procedures of the ordinary import declaration.

▲ Ordinary Import Declaration

- An ordinary import declaration is required for goods priced at higher than USD 2,000, and goods excluded from the listed import declaration and the simplified one.

㉠ Duty Exemption for Express Cargo

- ▲ Goods for the listed import declaration are tax-free. Among goods subject to an import declaration, only those for personal use whose total customs value, including the value of the goods and freight, is no more than KRW

150,000 are exempted from customs duties and VAT. However, the tobacco consumption tax and the individual consumption tax will still be charged. When the total customs value surpasses KRW 150,000, customs duties and VAT will be charged for the total customs value.

㉠ Clearance Procedures for Postal Items

- ▲ Goods priced at no more than a certain value (KRW 150,000 in customs value, including the value of goods and freight), such as goods donated to people residing in Korea by their relatives in foreign countries, are exempted from customs duties and tax.
- ▲ When a customs official exempts a postal item from tax on the spot, it is transferred to the post office in the jurisdiction over the addressee. For dutiable postal items, the addressee should pay the duties to have them cleared, and some goods can be cleared only when import requirements (e.g. certificate of quarantine) are met.

㉠ Import Declaration Methods for Postal Items

▲ Simplified Import Declaration

- Simplified import declaration may apply for postal items except for those subject to ordinary import declaration. Even when the consignee does not declare the import duties to customs, the amounts of customs duties or whether it is duty-free are determined based on the details of the goods in the customs declaration form.
- Whether it is duty-free or dutiable is decided based on the value, quantity, and the purposes for receiving goods. After determination of whether it is dutiable or not, and the amounts of duties, the postal items are delivered from the post office to the consignee. The consignee can get the goods after paying the duties.

▲ Ordinary Import Declaration

- The following goods are subject to ordinary import declaration, and their import declaration would be made through a customs broker. For the import-restricted goods, evidential documents, such as a recommendation, permission or approval, should be attached as prescribed by laws relevant to the items.

Goods Subject to Ordinary Import Declaration

Goods subject to customs confirmation of clearance requirements pursuant to Article 226 of the Customs Act

Goods subject to duty exemption (goods being able to be exempted from duties according to the application for duty exemption)

Raw materials for export and other goods for which a drawback is sought in accordance with the Act on Special Cases concerning the drawback of Customs Duties, etc. Levied on Raw Materials for Export

Goods for commercial purpose

Purchased goods whose value surpasses USD 1,000

Gifts whose customs value is over 5 million won

Goods for which the consignee applies for a ordinary import declaration

04 • Clearance of Moving Goods

㉠ First, Check Whether you are an Immigrant or Transient.

▲ Immigrant

- A Korean citizenship (except for permanent residents in a foreign country) who has set a residence in a foreign country and lived for no less than one year (6 months when accompanied by his/her family)
- A foreigner or a permanent Korean resident in a foreign country who has set a residence in Korea and is going to live for no less than one year (6 months when accompanied by his/her family)

▲ Transient

- A Korean citizenship (except for permanent residents in a foreign country) who has set a residence in a foreign country and stayed for no less than 3 months but less than a year (no less than 3 months but less than 6 months when accompanied with his/her family)
- A foreigner or a permanent Korean resident in a foreign country who has set a residence in Korea and is going to stay for no less than 3 months but less than a year (no less than 3 months but less than 6 months when accompanied by his/her family)

㉠ Basically, Moving Goods Imported by Immigrants are Duty-Free; but Check whether there is any Mandatorily Dutiable Goods, and if any, Shall Make a Declaration for them.

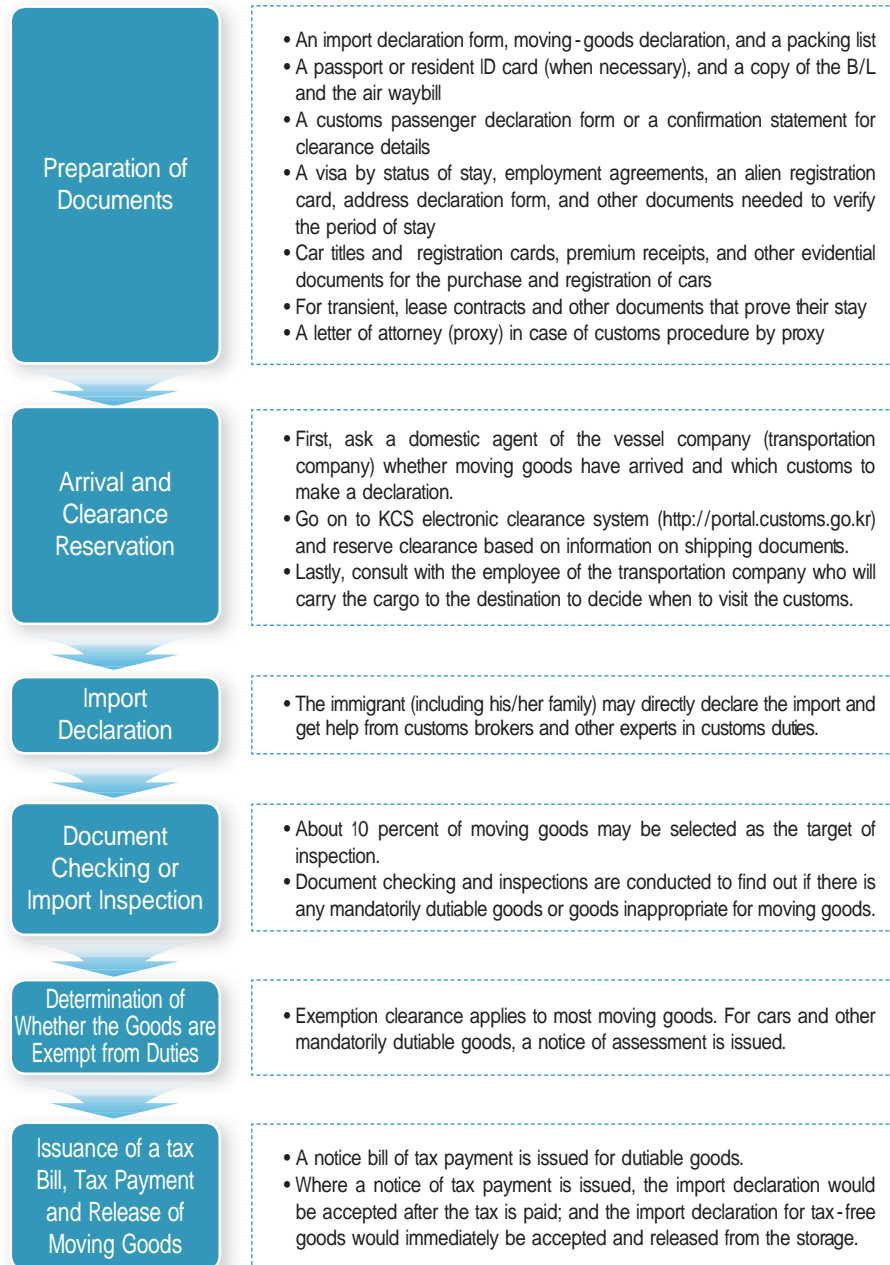
▲ Duty-Free

- Goods deemed for family use in general, considering their features, quantity and usage, which were used for 3 months or longer before arrival at Korea, and is deemed to be used continuously after arrival

▲ Mandatorily Dutiable Items

- Vessels, aircrafts and cars (except for cars exported from Korea when at least 3 months have passed since their registration with the former place of residence)
- Jewelry, pearl, tortoiseshells, coral, amber, ivory, and goods made of them, when their unit price is KRW 2 million or higher
- Goods that have not been used for 3 months or more

» » Flow of Moving Goods Processing



Tips on Moving Goods Clearance

- [Notice] transient may not get clearance for their cars as moving goods. When declaring moving goods, they are required to submit an evidential document for staying abroad (e.g. a lease contract).
- **How to Reserve Clearance**
 - 1) Prepare an authorized ID (an authorized ID for online banking can also be used)
 - 2) Access and log onto the Korea Customs Service electronic clearance system (<http://portal.customs.go.kr>)
 - 3) Apply for reservation
 - 4) Check the results with the reservation number When moving goods arrive at moving goods storage sites (Seoul, Incheon, Yongdang and Daejeon), please make a reservation online by 2 PM on the day before the desired date of clearance. After submission of the application, the confirmed final date of clearance will be notified.
- **Inspection of Moving Goods**
 - In clearance of moving goods, they may be subject to whole inspection, partial inspection or inspection exemption, depending on what the goods are and how faithfully the immigrant declared information on the goods.
 - A whole inspection would be conducted when there is a difference between the declared information and the results of a partial inspection, when there is a change in residence, or in cases where the description, quantity and the purchase price of the goods are not clearly specified in the main item declaration form.
 - In case of an intentional false report of the details of the goods, the immigrant may be subject to punishment in accordance with the Customs Act.
- **Cautions on Clearance of Cars**
 - A car registration card, a car title, or other documents that can prove the registration, issued by the government of the exporting country should be submitted, or release will not be granted to the car as moving goods.
 - For cars that are admitted as moving goods, they should be listed on the import declaration form; and it is not allowed to register them in the name of a person other than the confirmed immigrant or a family member accompanying him/her.
 - When more than two cars are carried in, only one of them is admitted as a moving item, and the others are subject to ordinary import clearance.

05 •

Duty Exemption, Installment Payment of Duties, and Post-Clearance Management

🔔 Customs Duty Exemption is Designed to Support the Achievement of Government Policy Goals.

- ▲ In principle, customs duties are imposed on import goods. In some cases, however, import goods are partially or fully exempted from customs duties unconditionally or under certain conditions, when the importer or the import goods meet certain requirements, to help realize particular policy goals.

🔔 Customs Duty Exemption may be Applied for Differently Depending on the Uses and Condition of the Import Goods, Applicable Laws, etc.

- ▲ Even for identical import goods, some may be exempted from duties while others may not depending on their uses and condition, the date of import declaration, and applicable laws. The importer thus should make an accurate import declaration for the goods concerned and must apply for duty exemption before the acceptance of declaration.

🔔 Customs Duty Exemption Application Shall be Applied for before the Import Declaration is Accepted.

- ▲ To get customs duty exemption, the importer have to apply for duty exemption to the head of a customs before the acceptance of the import declaration for the goods concerned.
- ▲ The deadlines for the following special cases are as follows:

Deadlines for Applying for Customs Duty Exemption (Article 112(2) of the Decree of the Customs Act)

- Where duties are collected pursuant to Article 39(2) (Notice of Duty Imposition by the customs) of the Customs Act
Within 5 days from the date on which the payment bill is received
- Where an application for duty exemption has not been submitted before the acceptance of the import declaration
Within 15 days from the date on which the import declaration is accepted (limited to cases where the goods concerned have not been released from the bonded area)

㉠ The Legal Grounds for Customs Duty Exemption and Exemption Rates are as Follows:

Legal Ground	Article	Content	Exemption Rate
Customs Act	Article 88	Exemption from Customs Duty on Goods for Diplomats, etc.	100%
	Article 89	Reduction or Exemption of Customs Duties for Goods of Uneven Tariff Rates	100%
	Article 90	Reduction or Exemption of Customs Duties for Goods Used for Scientific Research	80% (50%)
	Article 91	Exemption from Customs Duties for Goods for Religion, Charity and the Disabled	100%
	Article 92	Exemption from Customs Duties for Goods, etc. Used by Government	100%
	Article 93	Exemption from Customs Duties, etc. for Particular Goods	100%
	Article 94	Exemption from Customs Duties for Small-sum Goods, etc.	100%
	Article 95	Reduction or Exemption of Customs Duties for Goods, etc. Used to Prevent Environmental Pollution	30%
	Article 96	Exemption from Customs Duties for Travelers' Personal Effects, Moving Goods, etc.	100%
	Article 97	Exemption from Customs Duties for Re-exportation	100%
	Article 98	Reduction or Exemption of Customs Duties for Re-exportation	30 ~ 85%
	Article 99	Exemption from Customs Duties for Re-importation	100%
	Article 100	Reduction due to Deterioration	Amount of Value Reduction
	Article 101	Reduction of Customs Duties on Overseas Trusted and Processed Goods	Amount of Export Value

Legal Ground	Article	Content	Exemption Rate
Act on Restriction of Specific Preferential Tax Treatment	Article 118	Reduction of Customs Duties	50% (30%)
	Article 118-2	Reduction or Exemption of Customs Duties for Overseas Korean Enterprises on Their Return to Korea	100% (50%)
	Article 121-3	Exemption from Customs Duties, etc.	100%
	Article 121-7	Duty Exemption for Gold Bullion Imported to Supply to the Gold Exchange	100%
	Article 121-10	Exemption from Customs Duties on Import Goods of Companies Located in Jeju High-tech Science and Technology Complex	100%
	Article 121-11	Exemption from Customs Duties on Import Goods of Companies Located in Jeju Investment Promotion Zone	100%
	Article 140	Duty Exemption for the machinery, the equipment, etc. for Undersea Mineral Resources Development	100%
Others	-	Article 8 of the Act on Special Cases of the Customs Act for the Implementation of Free Trade Agreements Article 46.1 of the Act on Designation and Management of Free Trade Zones	
Agreement	-	SOFA, the international civil aviation agreement, other agreements with other countries, etc.	

㉮ You are Eligible for installment Payment of Customs Duties in the Following Cases:

▲ Installment payment of customs duties for plant facilities and its machinery

- You can get an approval for installment payment of customs duties where plant facilities and machinery, basic installations, etc. notified by the Minister of Strategy and Finance meet the following conditions (Article 107 of the Customs Act and Article 59 of the Circular of the Customs Act):

- When the goods shall not be parts;
- When the goods shall not be exempted from customs duties;
- When the amounts of customs duties of the goods shall be 5 million won or higher (1 million won or higher for SMEs); and
- When the goods shall not be subject to provisions on flexible tariff (Articles 51 through 72 of the Customs Act).

▲ Installment payment of customs duties for small and midium-sized manufacturers

- You can get an approval for installment payment of customs duties where goods imported for direct use by small and medium-sized manufacturers meet the following conditions (Article 107 of the Customs Act and Article 59 of the Circular of the Customs Act):

- Where the business shall be an SME pursuant to Article 2 of the Framework Act on Small and Medium Enterprises and a manufacturer under the Korean Standard Industrial Classification; and
- Where the goods shall fall under the category of goods of Chapters 84, 85 and 90 of HS Code and shall not be exempt from customs duties; the amounts of customs duties of the year shall be 1 million won or higher; and there shall be difficulties in domestic manufacturing confirmed by the head of relevant ministry.

▲ Period of installment payment of customs duties

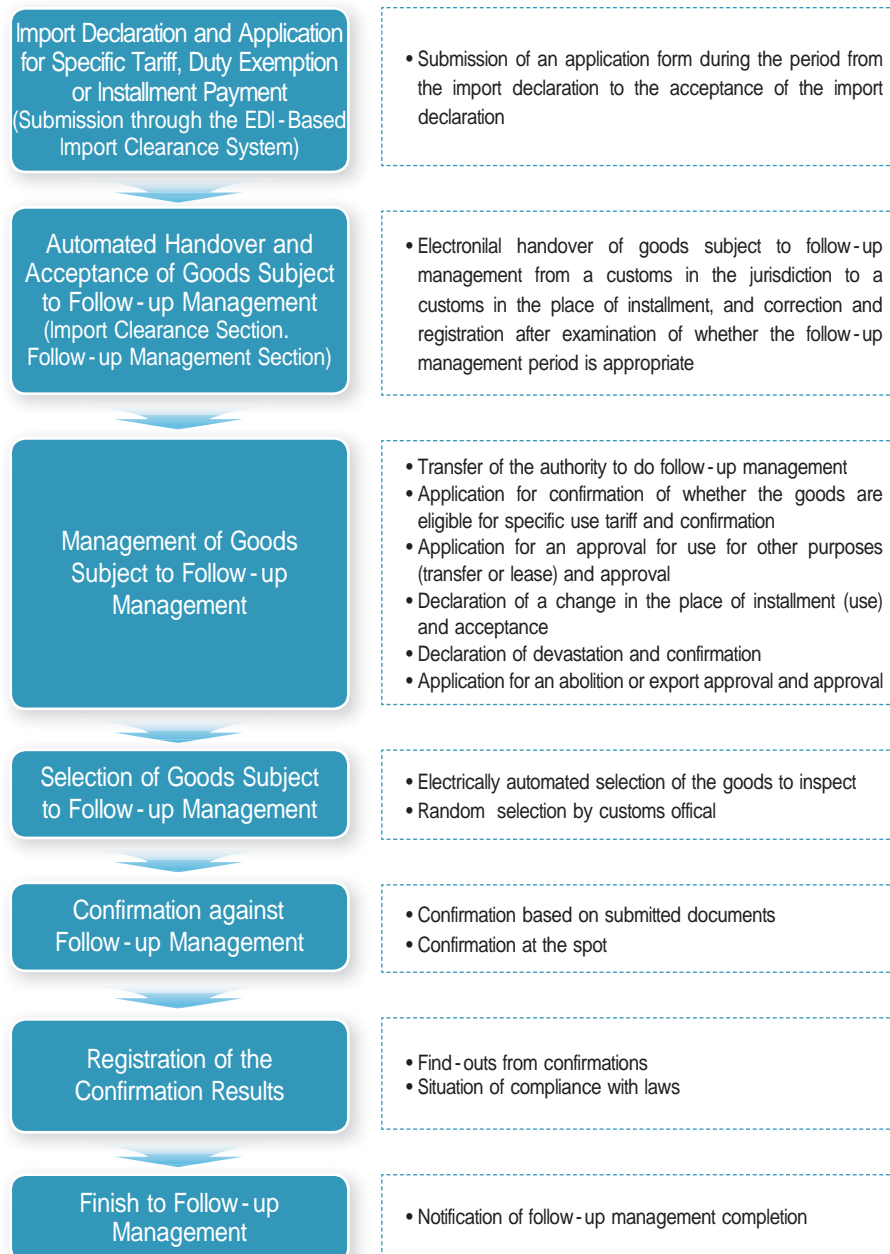
- The period of installment payment of customs duties may be up to 5 years depending on the amounts approved by customs. For more information on goods and institutions eligible for installment payment of customs duties, please refer to Annex 4 under Article 59(2) of the Circular of the Customs Act.

- ▲ An application for installment payment of customs duties should also be made before the acceptance of the import declaration (Article 126 of the Circular of the Customs Act).

㉠ Goods Exempted From Duties are Subject to Customs Surveillance for a Fixed Period of Time.

- ▲ Where specific tariff for special use, duty exemption, or installment payment of customs duties are applied, the goods shall be subject to follow-up surveillance for a certain period of time to ensure policy effectiveness and secure customs receivables.

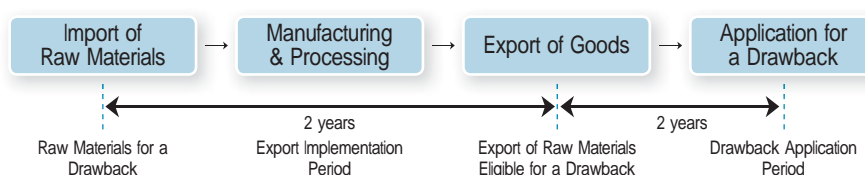
» Flow of Post-Clearance Management



06 • Drawback

예 A Drawback Refers to Return of Customs Duties paid During Importation if Requirements under the Act on Special Cases Concerning the Drawback of Customs Duties, etc. Levied on Raw Materials for Export are Satisfied.

- ▲ Where imported raw materials are used for export, the exporter or producer may apply for a drawback and get back the duties paid during the importation.
- ▲ To get a drawback, products manufactured or processed with raw materials eligible for a drawback should be provided for export, etc. within 2 years from the date of acceptance of the import declaration for the raw materials, and an application for a drawback should be made within two years from the date on which the goods were provided for export, etc.



예 There are Two Types of Drawbacks: Individual Drawbacks which Require the Proof of Tax Paid; and Simplified Fixed Drawbacks which do not so.

Individual Drawback	Simplified Fixed Drawback
<ul style="list-style-type: none"> • A refund of customs duties paid for the quantity of the raw materials used for export goods • Required documents: a document verifying the export, a document proving the tax paid, and a calculation bill of raw material requirements 	<ul style="list-style-type: none"> • A refund in accordance with the list of simplified fixed drawback rates, which presents fixed amounts of drawbacks for every KRW 10,000 in export value • Required documents : a document verifying the export

- ▲ In simplified fixed drawbacks, fixed amounts of drawbacks are paid for every KRW 10,000 in export value, based on the list of simplified fixed drawback rates, for only SMEs under Article 2 of the Framework Act on Small and Medium Enterprises which meet all of the following conditions:

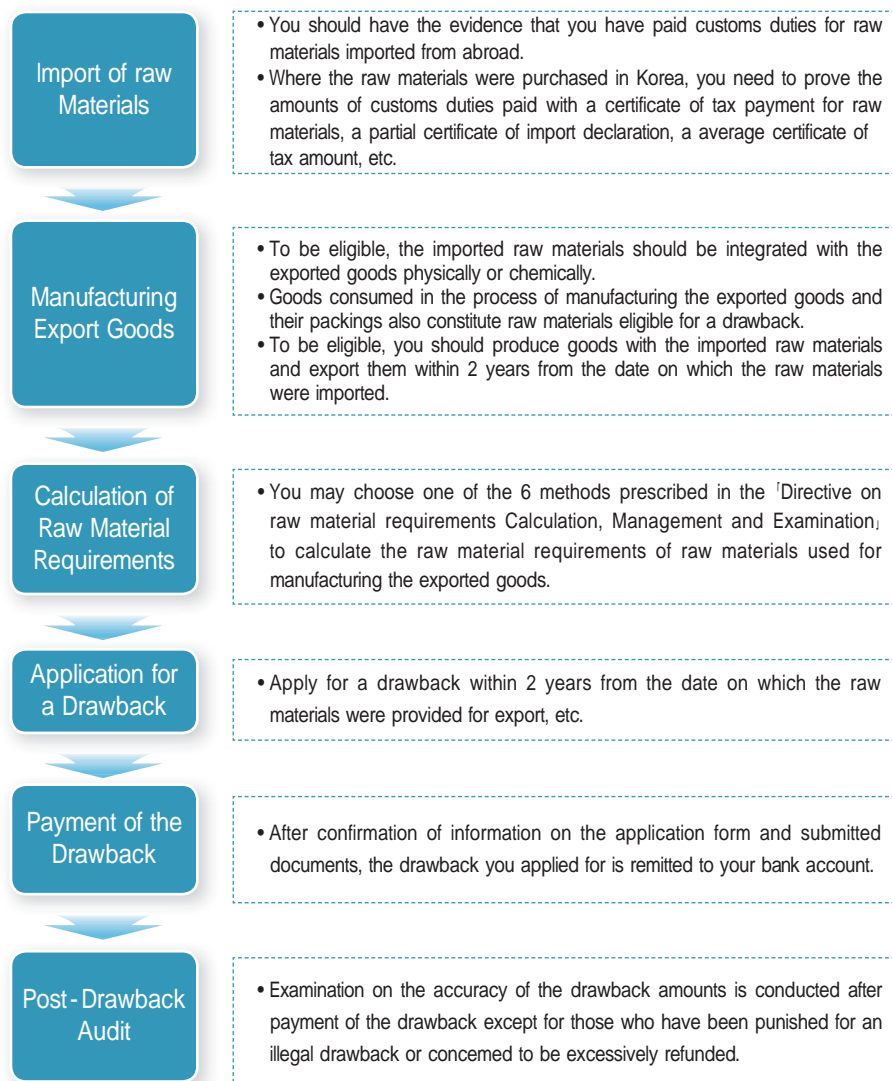
Manufacturers that received no more than KRW 600 million in annual drawbacks (including the drawbacks received by submitting a certificate of tax payment for raw materials) during the year in which an application for drawback is made and the two years just before the year; and

Businesses that received no more than KRW 600 million in the drawback of the year in which an application for a drawback (including the drawback received by submitting a certificate of tax payment for raw materials) is made.

- ▲ In simplified fixed drawbacks, you may apply for a drawback without a certificate of tax payment for raw materials during importation and a calculation bill of raw material requirements.
- ▲ An individual drawback refers to a refund made based on the amounts of customs duties paid for the import of raw materials used for manufacturing exported goods.

To get an individual drawback, you need to calculate the amounts of every type of raw materials used for manufacturing exported goods ("raw material requirements") to calculate the amounts of customs duties paid for each of the raw materials. As a result, individual drawbacks are more accurate in the amounts of drawbacks but more complex in calculating the raw material requirements than simplified fixed drawbacks.

Flow of Individual Drawback Processing:



For More Information ↓

Korea Customs Service Taxation Source Audit Division 042-481-7873

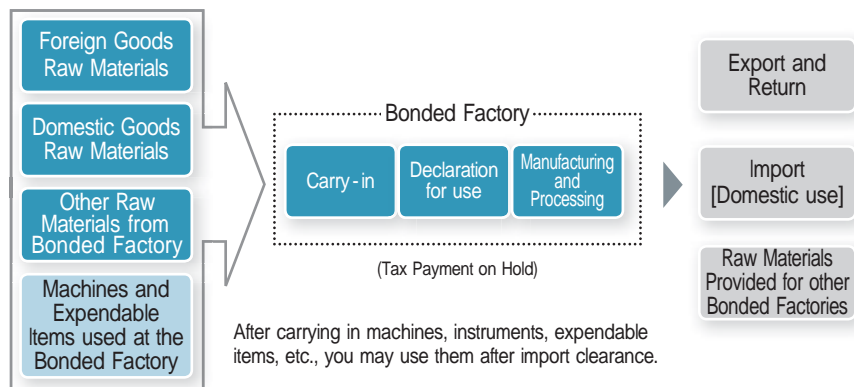
07 • Bonded Factory

What is a Bonded Factory?

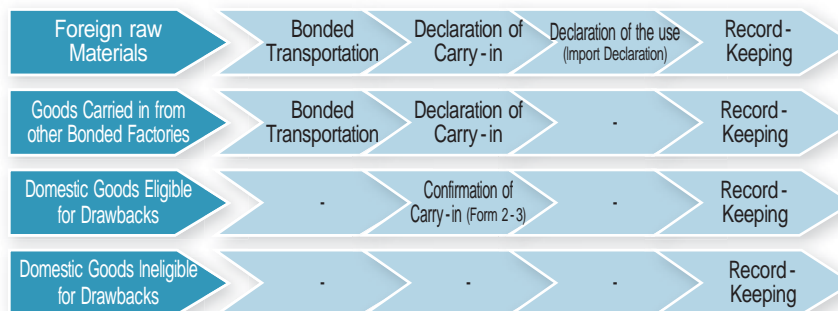
- ▲ A bonded factory is a licensed bonded area where manufacturing, processing and other similar jobs are done with foreign goods, or foreign and domestic goods as raw materials.
- ▲ Bonded factories allow you to use foreign raw materials with taxation on hold, which helps to ease financial burden and boost processing trade.

Flow of Customs Processing about the Bonded Factory

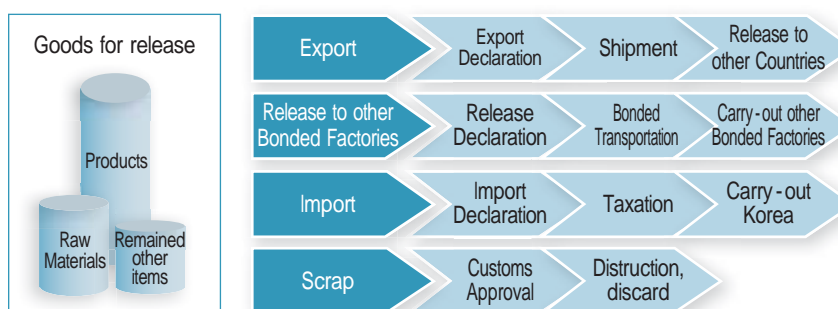
Overview



▲ Goods control processes by the type of raw materials:

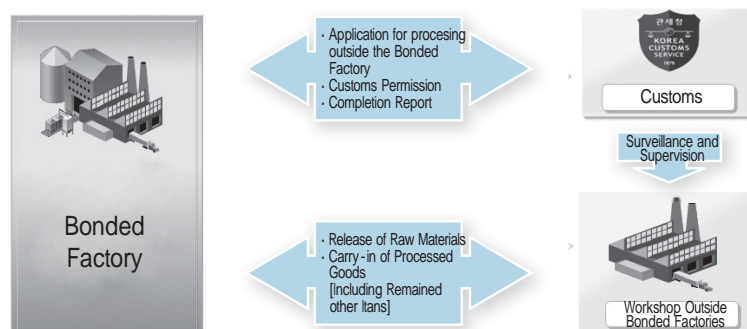


▲ Release procedures from the bonded factory:



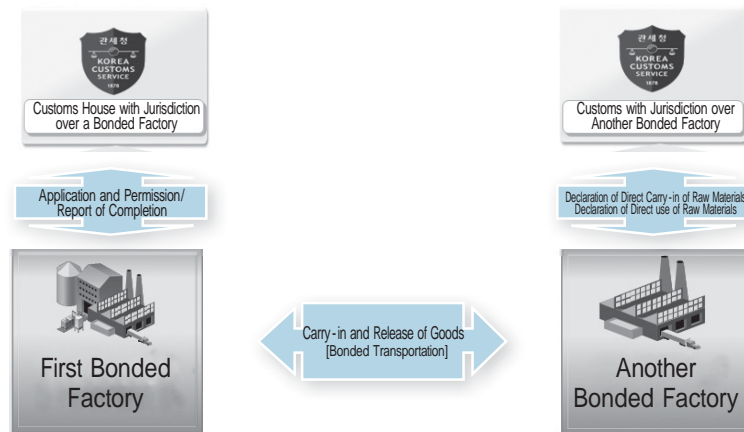
▲ Work process outside the bonded factory:

- You may carry out a part of bonded processing outside the bonded factory if it is necessary for developing domestic processing industry for foreign traders.



▲ Temporary bonded processing at other bonded factories:

- You may carry out a part of bonded processing at another bonded factory other than the initial one.



08 • Marking of Origin

㉠ The Country of Origin means the Nationality of the Goods.

- ▲ The country of origin refers to the country where the goods are extracted, produced, manufactured, or processed, and is different from a country of capital investment, a country of design performance, a country providing technology, or a country owning the trademark.
- ▲ In general, the country of origin is a country with a political entity, but in some cases an area which is not an independent country* may also be a country of origin.

* Special zones with an independent customs territory or autonomy, such as Hong Kong, Macao, Guam, and Samoa Islands, may be a country of origin. However, regional or economic alliances, such as the EU, NAFTA, and ASEAN, are not recognized as countries of origin (Article 8 of the directive on the Operation of the Country of Origin System).

㉠ Check Whether the Attachment of the Country of Origin is Required and How to mark the country of Origin.

- ▲ Goods subject to description of the country of origin and the marking methods are as follows:

Goods Subject to Description of the Country of Origin Labelling	Marking Methods
<ul style="list-style-type: none"> • Import goods listed on the Annex 8 of the Decree of foreign trade management • About 55 percent of all import items - 674 out of 1,224 items in the four-digit HS Codes (501 industrial products, and 173 agricultural and fishery products) 	<ul style="list-style-type: none"> • Choose one of the following ways to mark the country of origin on the goods in Korean (including with Chinese characters) or English: <ul style="list-style-type: none"> - "Country of origin (in Korean,): country name (in Korean)" ; "country name (in Korean) produced (in Chinese character, 産)"; "Made in country name"; "Product of country name"; "Made by the name, address and nationality of the manufacturer"; or "Country of Origin : country name". • Put it in a legible font for end buyers in a place which can be easily located in the process of normal purchase; and • Use printing, stencil, branding, molding, etching, stitching and other similar methods. <p><See Tips on the Right Way of Marking the Country of Origin in page 51></p>

- ▲ There are two criteria for origin certification: wholly obtained criteria and substantial transformation criteria.

Wholly Obtained Criteria	Substantial Transformation Criteria
<ul style="list-style-type: none">• Where the import goods are wholly extracted or produced in one country;• Where the country of production is the country of origin:<ul style="list-style-type: none">- Agricultural products, mineral products or fish catch in most cases	<ul style="list-style-type: none">• Where at least two countries are involved in the production, manufacturing and processing of the import goods;• The country where "substantial transformation" took place is recognized as the country of origin<ul style="list-style-type: none">- The tariff shift rule (HS 6-digit) applies in principle, but the value contents criterion or the processing operation criterion applies for some exceptional items.- The country where only simple processing is performed is not recognized as the country of origin. <p>* Article 85 and Annex 9 of the decree on foreign trade management</p>

» Violations in Marking the Country of Origin and Sanctions Against them are as Follows:

- ▲ Violations in marking the country of origin (in clearance and distribution)

- False descriptions of country of origin or descriptions that can mislead end buyers;
- Damaging or changing descriptions of country of origin;
- Failing to mark the country of origin; and
- Any violation of the methods of description of country of origin under the Foreign Trade Act.

▲ Sanctions against violations in marking the country of origin

Phases	Sanctions	Description																
Clearance	Restriction on Clearance and Corrective Order	In case of one of the above - mentioned types of violations in marking the country of origin * For a minor violation, clearance is granted after correction is made.																
Distribution	Order for Carry - in to the Bonded Area	Where no longer than 3 months have passed from the date of acceptance of the import declaration and, - Constitutes one of the above - mentioned types of violations in marking the country of origin; or - Has a description of country of origin different from the one at the time of acceptance of the import declaration * Release is permitted after corrective measures are taken.																
Clearance and Distribution	Surcharge (Up to KRW 300 million)	<table><tr><th>Types of Violation</th><th>1st Violation</th><th>2nd Violation</th><th>3rd Violation</th></tr><tr><td>Falsification, damage and change in marking</td><td>(Clearance) Corrective Order (Distribution) · Unsold goods:Corrective Order · Sold goods:Surcharge (A 30% reduction)</td><td rowspan="3">Corrective order, surcharge</td><td>Corrective order, surcharge (A 50% increase)</td></tr><tr><td>Misleading marking</td><td rowspan="2">Corrective order</td><td rowspan="2">Corrective order, surcharge (A 30% increase)</td></tr><tr><td>Violation of the marking methods</td></tr><tr><td>Non - marking</td><td></td><td></td><td></td></tr></table>	Types of Violation	1st Violation	2nd Violation	3rd Violation	Falsification, damage and change in marking	(Clearance) Corrective Order (Distribution) · Unsold goods:Corrective Order · Sold goods:Surcharge (A 30% reduction)	Corrective order, surcharge	Corrective order, surcharge (A 50% increase)	Misleading marking	Corrective order	Corrective order, surcharge (A 30% increase)	Violation of the marking methods	Non - marking			
Types of Violation	1st Violation	2nd Violation	3rd Violation															
Falsification, damage and change in marking	(Clearance) Corrective Order (Distribution) · Unsold goods:Corrective Order · Sold goods:Surcharge (A 30% reduction)	Corrective order, surcharge	Corrective order, surcharge (A 50% increase)															
Misleading marking	Corrective order		Corrective order, surcharge (A 30% increase)															
Violation of the marking methods																		
Non - marking																		
Clearance and Distribution	Charge and Prosecution (no more than 5 years in Prison and KRW 100 million in Fines)	Where there is objective evidential data for a falsified description of country of origin; Where the customs house head's corrective orders are not followed; and Where a certificate of origin or relevant document is completed or prepared, falsely or in any other illegal manners.																
Distribution	Fines (up to KRW 10 million)	In case of rejection, intervention or evasion for an inspection by customs to description of country of origin																

At the distribution stage, inspections of violations in description of country of origin are conducted by the mayors of cities and the governors of provinces, the National Agricultural Products Quality Management Service, and the National Fishery Products Quality Management Service as well as the Korea Customs Service.

Tips on the Right Way of Marking the Country of Origin

- See Annex 8 of the Decree on Foreign Trade Management for goods designated as the subjects of marking the origin by the Ministry of Trade, Industry and Energy.
- Mark the country of origin on the goods in Korean (including with Chinese characters) or English in any one of the following manners:
 - “Country of origin (in Korean,) : country name (in Korean)” or “country name (in Korean) produced (in Chinese, 産)”;
 - “Made in country name” or “Product of country name”;
 - “Made by the name, address and nationality of the manufacturer”;
 - “Country of Origin : country name”; and
 - In other ways deemed appropriate by the Commissioner of the Korea Customs Service in the practice of international trade if the country of origin equals to the country of origin under Article 61 (Criteria of Origin Determination) of the Decree of the Foreign Trade Act.
- Mark the country of origin on the import goods as follows:
 - Mark it in a legible font for end buyers;
 - Mark it in a place which can be easily located by end buyers in the process of normal purchase;
 - Make sure it is indelible and does not fall out easily;
 - Use printing, stencil, branding, molding, etching, stitching and other similar methods, during the manufacturing process (if it is impossible, stamping, labelling, putting a sticker and tagging are allowed exceptionally); and
 - Keep in mind that a country of origin (or the country of manufacturing) marked in Korean pursuant to other laws (Act on Quality Control and Safety Management of Industrial Products, Food Sanitation Act, etc.) is deemed appropriate only when it is equal to the country of origin under the Decree of the Foreign Trade Act.
- The criteria of origin determination include wholly obtained criteria, substantial transformation criteria and whether only simple processing took place.
 - See Article 61 of the Decree of the Foreign Trade Act, and Articles 85 and 86 of the Decree on Foreign Trade Management.
- The Korea Customs Service, city governors and province governors, the National Agricultural Products Quality Management Service, and the National Fishery Products Quality Management Service conduct inspections of violation in marking the of country of origin.

For More Information ↓

Korea Customs Service, the Passenger and Simplified Clearance Division 042-481-7644, and the Planning and Audit Division 042-481-7897

09 • Intellectual Property Rights

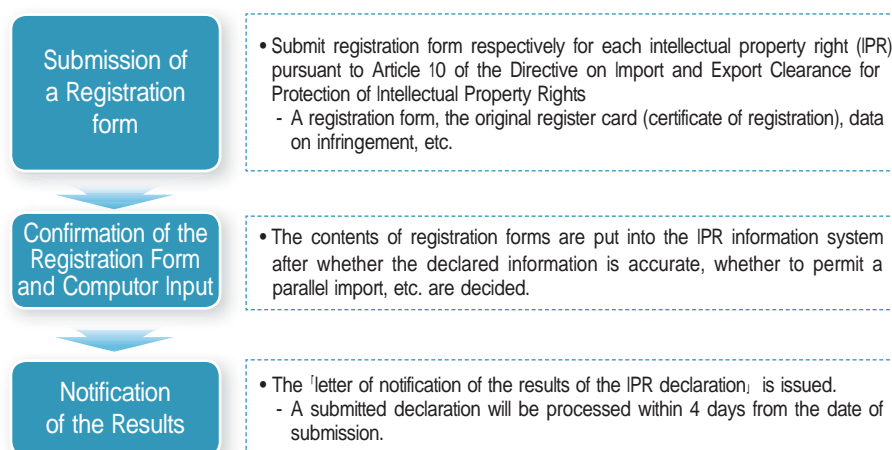
㉠ Register Your Intellectual Property Rights (IPR) to the Korea Customs Service in Advance to Protect them from IPR Infringement by others.

- ▲ Pursuant to Article 235 of the Customs Act, an importer or exporter can protect his/her intellectual property rights (trademark rights, copy rights, variety protection rights, geographical indications rights, patent rights and design rights) by registering them to a customs in advance during the import and export clearance stage.

㉠ Trade-Related IPR Protection Association (TIPA) is Entrusted in enrolling and managing IPR Registration Pursuant to the Customs Act.

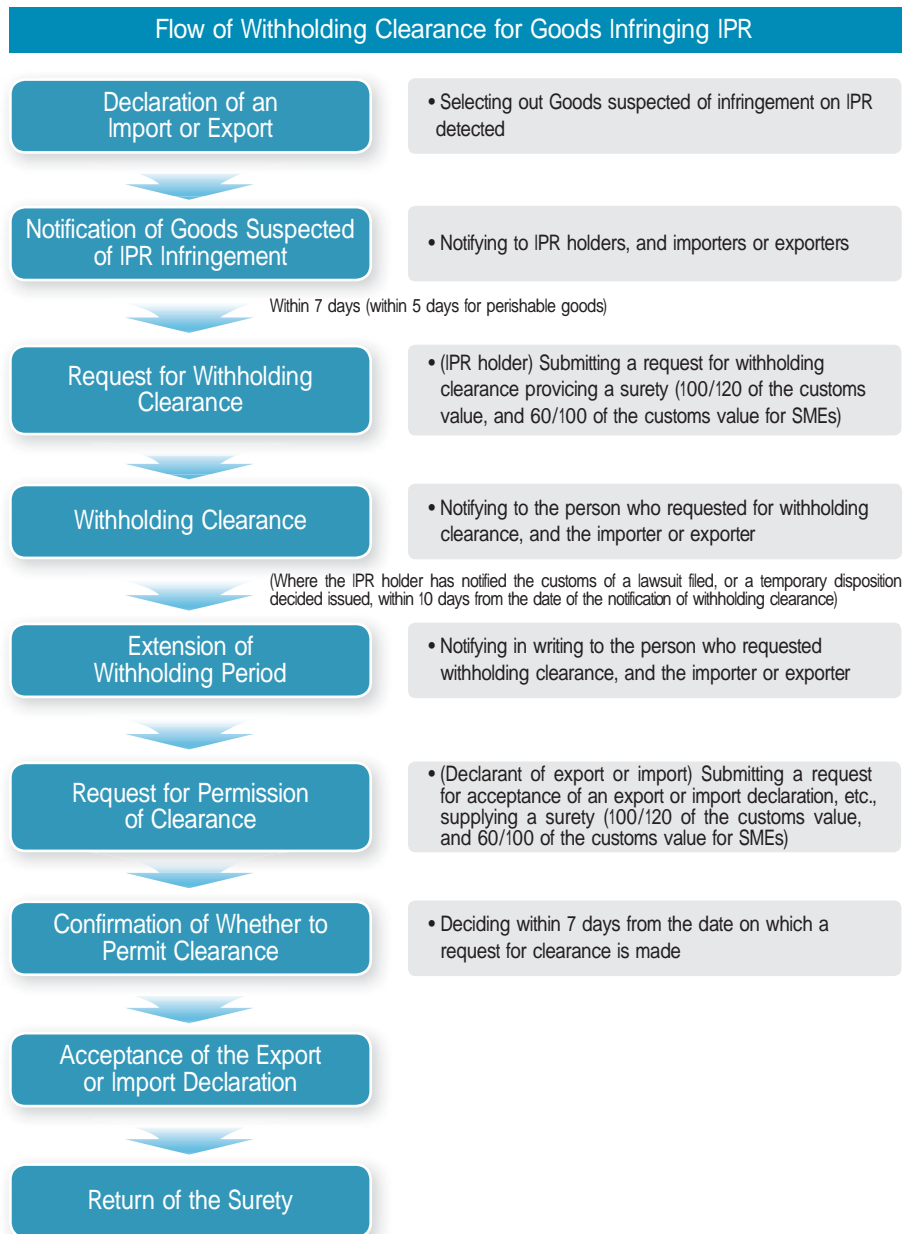
- ▲ Since April 1, 2010, all IPR registrations have been processed by TIPA. You can make IPR registration online (the TIPA intellectual property rights registration management system (<http://ipr.e-tipa.org/>)) or by visiting (mailing) TIPA.

㉠ Flow of IPR Registration



Through the Korea Customs Service electronic clearance system, IPR information declared and registered are shared with local customs houses, facilitating a swift crackdown on IPR infringement at clearance stage.

» After an IPR Registration, the IPR is Protected at Clearance Stage as Follows:



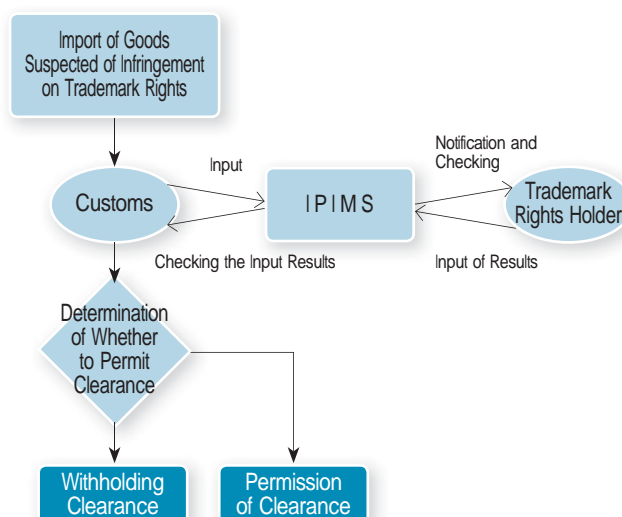
Tips for Effective IPR Protection

- Use the IPIMS to check IPR infringement.

- Protecting intellectual property rights (IPR) will be easier if you use the TIPA IPR registration management system to declare your IPR to a customs and then register it with the Korea Customs Service intellectual property information management system (IPIMS).

IPIMS (Intellectual Property Information Management System)

- The IPIMS is a system that allows customs and IPR holders to share information in real time on the import of goods at risk of infringing on their IPR, appraisal results, etc.
- Customs notifies the IPIMS user of the import of goods suspicious of infringement on his/her IPR by SMS and e-mail; the IPR holder registers appraisal results with the IPIMS; and then customs may swiftly take border measures.



- Apply for the use of the IPIMS

- Korea Customs Service electronic clearance system (portal.customs.go.kr)> processing> IPIMS

For More Information ↓

Korea Customs Service, the Passenger and Simplified Clearance Division
042-481-7638

10 • Personal Clearance Unique Code No.

㉠ What is a Personal Clearance Unique Code No.?

- ▲ The Korea Customs Service has the personal clearance unique code system, allowing you to use your personal clearance unique code instead of your resident registration number when declaring the import of personal goods, to prevent the leak of personal private information.
- ▲ A personal clearance code is your personal identification number. You can get one immediately after making an application on the Korea Customs Service personal clearance code issuance site (<https://p.customs.go.kr>) and use it continuously.

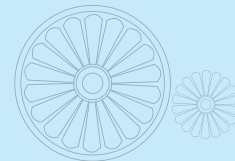
㉠ How to get a Personal Clearance Unique Code No.,

- ▲ You can get your personal clearance code on the Korea Customs Service issuance site after identifying yourself with an authenticated certificate (for banks or general purposes) without having to become a member of the site.
- ▲ When it is impossible to get the personal clearance code online for not using an authenticated certificate, system failure, etc., you can get one from the Customs official in charge at a customs by directly visiting the customs where is located near your current staying place.

Customs	Section in Charge	Phone No.
Seoul Main Customs	Customs Operation Section	02-510-1063
Anyang Customs	Tax Payment Audit Section	031-596-2015
Sokcho Customs		033-820-2123
Daejeon Customs	Tax Payment Audit Section	042-717-2262
Cheonan Customs	Tax Payment Audit Section	041-640-2326
Cheongju Customs	Tax Payment Audit Section	043-717-5742
Guro Customs		02-2107-2516
Seongnam Customs		031-697-2580
Uijeongbu Customs		031-540-2614
Donghae Customs		033-539-2672
Daesan Customs		041-419-2718
Chungju Customs		043-720-2004
Paju Customs		031-934-2807
Wonju Customs		033-811-2854
Goseong Customs		033-680-5123
Incheon Airport Customs	Tax Payment Audit Section	032-722-4372
Gimpo Customs	Clearance Facilitation Section	02-6930-4999
Incheon Airport International Postal Customs	Post Inspection Section	032-720-7445
Busan Main Customs	Customs Operation Section	051-620-6054
Gimhae Customs	Clearance Facilitation Section	051-899-7219
Geoje Customs	Clearance Facilitation Section	055-639-7515
Masan Customs	Clearance Facilitation Section	055-981-7011
Yongsan Customs	Tax Payment Audit Section	055-783-7301

Customs	Section in Charge	Phone No.
Changwon Customs	Tax Payment Audit Section	055-210-7635
Yongdang Customs		051-793-7132
Sasang Customs		051-793-7722
Sacheon Customs		055-830-7804
Busan Postal Customs		055-783-7411
Jinju Customs		055-750-7902
Tongyeong Customs		055-733-8021
Incheon Main Customs	Customs Operation Section	032-452-3032
Suwon Customs	Tax Payment Audit Section	031-547-3692
Ansan Customs	Tax Payment Audit Section	031-8085-3831
Bupyeong Customs		032-509-3716
Daegu Main Customs	Customs Operation Section	053-230-5116
Gumi Customs	Tax Payment Audit Section	054-469-5632
Pohang Customs	Clearance Facilitation Section	054-720-5715
Ulsan Customs	Clearance Facilitation Section	052-278-2253
Gwangju Main Customs	Customs Operation Section	062-975-8026
Gwangyang Customs	Clearance Facilitation Section	061-797-8413
Mokpo Customs	Clearance Facilitation Section	061-460-8515
Yeosu Customs	Clearance Facilitation Section	061-660-8632
Gunsan Customs	Clearance Facilitation Section	063-730-8713
Jeju Customs	Clearance Facilitation Section	064-797-8814
Iksan Customs	Clearance Facilitation Section	063-720-8906
Jeonju Customs		063-630-8950
Pyeongtaek Customs	Clearance Facilitation Section	031-8054-7026

Guide to Taking Advantage of FTAs



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01 • Advance Origin Ruling


📌 Process of Advance Origin Ruling

Stage	Details	Who	Key Information
Applica- tion	Application for advance origin ruling	Applicant	<ul style="list-style-type: none"> • Submit documents (an application form and required documents) • Fees: KRW 30,000
Submiss- ion	Check if Required Document is Missing	Section Receiving the Application	<ul style="list-style-type: none"> • Check the application form and other documents
	Revision and Rejection	Section Receiving the Application	<ul style="list-style-type: none"> • Revision : for 5 days or more • Reject the application if there is a reason for rejection
	Acceptance of the Application	Section in Charge	<ul style="list-style-type: none"> • Keep the application registry and check whether the fees have been paid
Decision to Conduct exami- nation	Examination Prior to Review	Section in Charge	<ul style="list-style-type: none"> • Examine within 90 days
	Modification Rejection	Section in Charge	<ul style="list-style-type: none"> • Modification : 5 days of more • Reject the application if there is a reason for rejection
	Review and Consideration by the Division in charge	Section in Charge	<ul style="list-style-type: none"> • If there are at least 2 divisions in charge, notify and announce integrated results that include all of the results from the divisions in charge
		Section in Charge	<ul style="list-style-type: none"> • Till 7 days before the deadline of processing
	Submission to the Committee for Determination	Section in Charge	<ul style="list-style-type: none"> • Submit to the committee : when the division in charge finds it difficult to decide (e.g., country of origin verification committee:)

» . Guide to Taking Advantage of FTAs



Stage	Details	Who	Key Information
Notifica- tion and Announce- ment	Issuance of the Advance Ruling Statement	Section in Charge	<ul style="list-style-type: none"> • Notify the results to the applicant • Processing period : within 90 days from the date of submission
	Announcement of the Results Online	Section in Charge	<ul style="list-style-type: none"> • Announce the results with the advance ruling announcement system for country of origin, etc. (FTA portal)



Post Manage- ment	Protest & Appeal	Applicant	<ul style="list-style-type: none"> • When the applicant disagrees with the results • Protest period : 30 days from the date of the notification
		Section in Charge	<ul style="list-style-type: none"> • Processing period : 30 days within the date of submission • Correction request : within 20 days
	Advance Ruling Result Change	Applicant and the Section in Charge	<ul style="list-style-type: none"> • Change or cancel information submitted for the advance origin ruling to reflect any change in facts or circumstances

02 • Issuance of the Certificate of Origin

예 As a Proof of Goods Produced in Korea, a Certificate of Origin (C/O) is a Document Required to Ensure the Goods Benefit from FTA Tariff Rates in the Export Destination.

▲ A C/O can be issued through institutional or self-issuance: customs or the Korea Chamber of Commerce and Industry (KCCI) may issue a C/O after confirming whether the goods satisfies the requirements of the country of origin; or an exporter, producer or importer may voluntarily issue a C/O after verifying the country of origin, and completing and signing the form.

(Article 9-2 (1) of the Act on Special Cases of the Customs Act for the Implementation of Free Trade Agreements)

	Institutional Issuance	Voluntary Issuance
Contracting Countries	Singapore, ASEAN, India and Peru	<ul style="list-style-type: none"> • Exporter : Chile, Peru, the EU and Turkey • Exporter or producer : EFTA, Australia and Canada • Exporter, producer or importer : the US

- Peru : Institutional issuance and voluntary issuance by approved exporters go side-by-side for first 5 years from the day after the date on which the agreement take effect; the voluntary issuance of the country of origin only shall be issued starting from the 6th year
- EU : For export goods priced at more than €6,000, the voluntary issuance of origin declarations by approved exporters whose origin certification ability have been certified by a customs is being admitted.

唎 Follow Rules and Guidelines Stipulated in the Trade Agreement in Issuing a C/O to Enjoy FTA Preferential Tariff rates at Customs of the Contracting Country.

▲ Institutional Issuance

- To apply for the issuance of a C/O, you have to submit an application for C/O issuance with following documents attached to customs or the KCCI before the completion of shipment.

	Documents to be Attached
• New Issuance	<ol style="list-style-type: none"> 1. A copy of the export certificate (unnecessary if electronic confirmation is possible) or other equivalent documents 2. An invoice or contract agreement 3. A certificate of originating status (when the producer and the exporter are different each other) 4. An origin verification questionnaire <grounds> Article 6(1) of the Act on Special Cases of the Customs Act for the Implementation of Free Trade Agreements
• Reissuance	<ol style="list-style-type: none"> 1. A statement of reason <grounds> Article 6(7) of the Act on Special Cases of the Customs Act for the Implementation of Free Trade Agreements
• Correction in Issuance	<ol style="list-style-type: none"> 1. The original of the C/O 2. A document proving the reasons for correction 3. A statement of reasons <grounds> Article 6(9) of the Act on Special Cases of the Customs Act for the Implementation of Free Trade Agreements

▲ Voluntary Issuance

- Based on a certificate of originating status or written statement issued by the producer, the exporter should complete the C/O form under the FTA, issue a C/O with an authorized signatory's signature or seal, and keep the C/O registry.

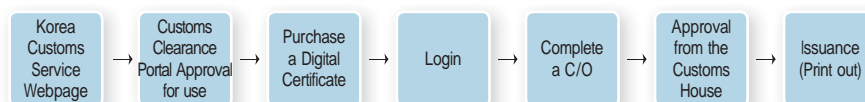
- * The exporter should designate a signatory and prepare a signature card.
- Changing or adding signatories : list the signature, division, title and name of the new signatory, the date of designation, and the reasons for designation
 - Lifting the signatory status : list the date of lifting the status and the reasons

▶▶▶ A C/O is Issued as Follows:

▲ Institutional Issuance

> By Customs

Online



> By KCCI

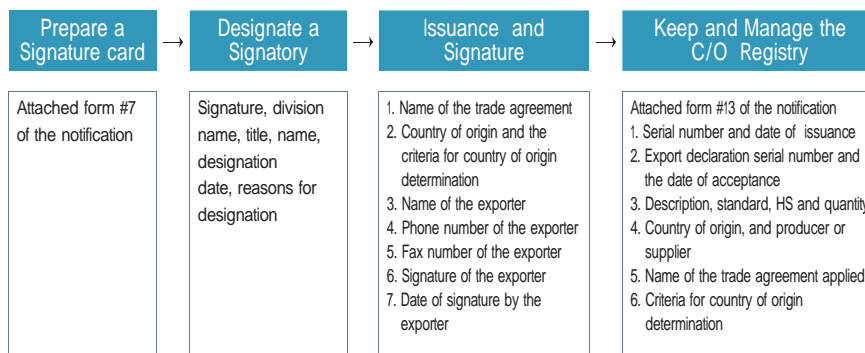
Online



> Offline (Visit)

Visit the KCCI and submit the completed form to get a C/O.

▲ Voluntary Issuance



03 • Approved Exporter

唎 Approved Exporter (AE)

- ▲ The approved exporter is a system that allows exporters with origin certification ability certified by the customs authorities to enjoy simplified procedures in C/O issuance or submission of attached documents, or to issue C/Os themselves.

唎 Depending on the Approval Category, Approved Exporters are Divided into Two Groups: Approved Exporters by Business and Approved Exporters by Item.

- ▲ To be recognized as an approved exporter by business, an applicant should pass examination of whether its main items (2 to 5 items) fulfill criteria for country of origin determination, and its overall country of origin management ability.
- ▲ To be certified as an approved exporter by item, an applicant should pass examinations of whether its HS 6-digit code items meet the criteria for country of origin determination as prescribed by the relevant trade agreement. An applicant failing to meet the criteria for approved exporter by business may apply for a certification of approved exporter by item.

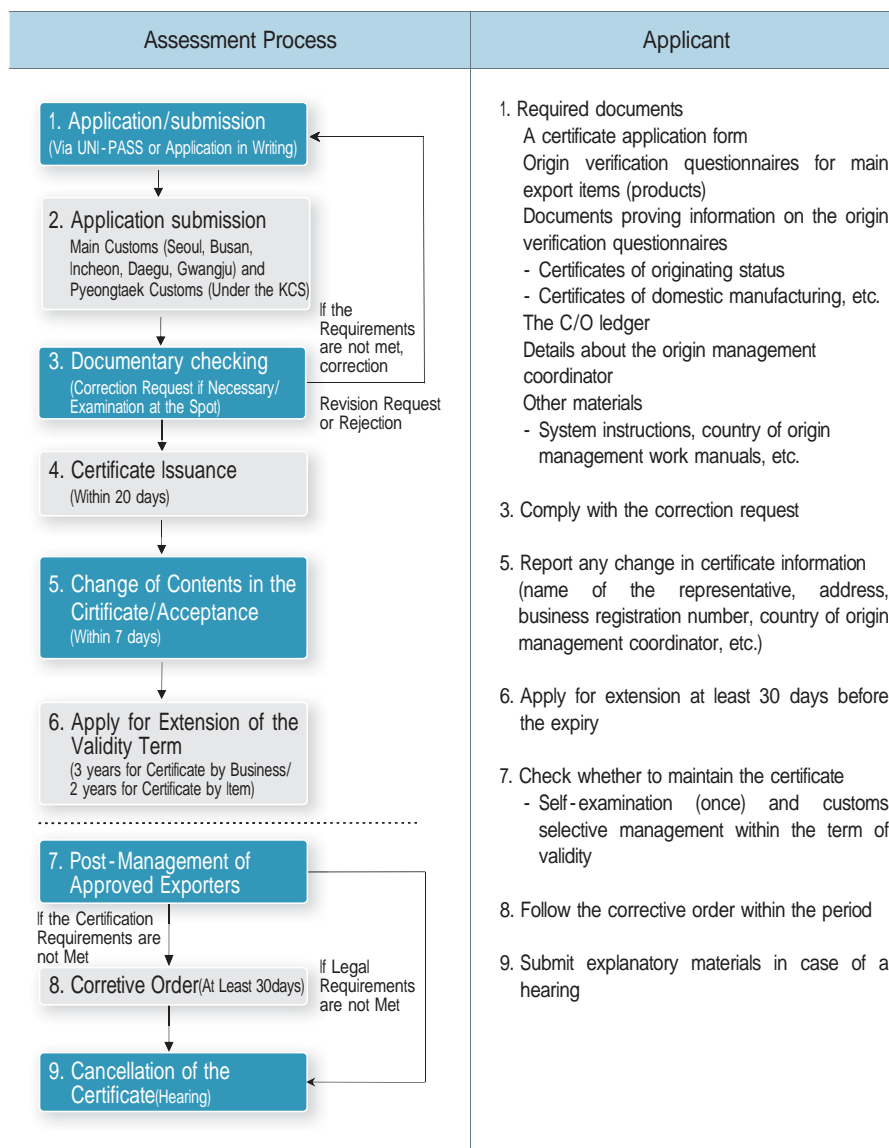
	Approved Exporter by Business	Approved Exporter by Item
Scope of Benefits	All trade agreements and all items	The relevant trade agreements and HS 6-digit code items
Term of Validity	3 years	2 years
Certifying Authority	Main Customs (Seoul, Busan, Incheon, Daegu and Gwangju) and Pyeongtaek Customs (under control of the Korea Customs Service)	
Certification Criteria	Origin certification ability Compliance with laws Designation of an origin management coordinator in charge	Origin certification ability for all HS 6-digit code items Designation of an origin management coordinator in charge

㉠ Benefits for Approved Exporters

- ▲ Under FTAs with countries with the institutional C/O issuance system, such as ASEAN, Singapore, India and Peru, all the approved exporter needs to submit is an application form for C/O issuance with simplified procedures in document submission and examinations, including exemption of local verification.
- ▲ Under the Korea-EFTA FTA with the voluntary C/O issuance system, an approved exporter who has submitted a letter of commitment when applying for AE designation may skip the exporter's signature on the origin declaration form. Under the Korea-EU FTA and the Korea-Peru FTA, approved exporters have the right to voluntary C/O issuance for export goods priced at higher than EUR 6,000 and USD 2,000, respectively.

㉮ Qualification Assessment for granting the Approved Exporter Certificate

- ▲ By preparing an application form with required documents, approved exporters can apply for a approved exporter certificate through the Korea Customs Service Internet clearance portal system, or electronic clearance system. Send the required files in the electronic document format.
- ▲ The heads of Main Customs (except for Incheon Airport Customs) and Pyeongtaek Customs process applications for approved exporter certificates. Within 20 days from the date of the submission, the heads of the Customs would check whether the applicants meet requirements for certification and grant certificates if they do so.
- ▲ Where there is any document missing, or it is deemed difficult to verify whether criteria for country of origin determination are met, the heads of the customs may request supplementary correction with a fixed 10-day period.
- ▲ An approved exporter who wants to extend the certificate's term of validity should apply for the extension to the head of the customs who issued the certificate by 30 days before the expiry.
- ▲ An approved exporter should notify the head of the customs of any change in certificate information, such as trade name, address, the representative's name, and the country of origin management coordinator.



04 • Origin Verification

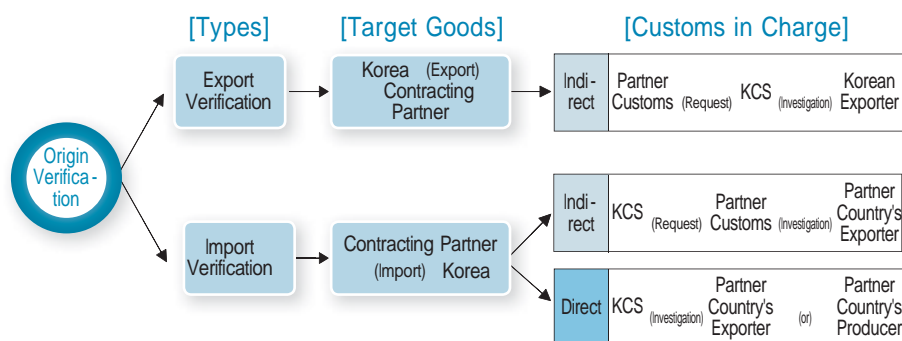
㉠ Origin Verification is Performed to Check whether it is Appropriate to enjoy the FTA Preferential Treatment.

▲ Origin verification refers to country of origin investigations or examinations conducted for domestic importers, domestic exporters and producers, country of origin certificate issuing authorities, and the exporters and producers of contracting countries to Korea, in order to find out if it is appropriate to apply FTA preferential tariff rates and check the countries of origin of ex/imported goods.

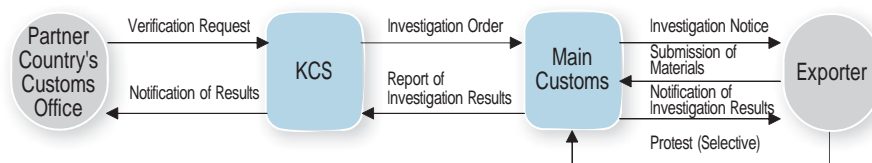
㉠ Depending on the Investigation Target, Country of Origin Investigations are Divided into Investigations for Imported Goods and Investigations for Exported Goods.

▲ Country of origin investigations for imported goods are targeted at goods eligible for FTA preferential tariff rates which are imported to Korea from its contracting partners.

- Based on who conducts the investigations, there are two types of origin verification: direct verification and indirect verification. In direct verification, the customs of the importing country directly investigates the exporters of its contracting partner. In indirect verification, the customs of the importing country asks the customs of the exporting country, etc. for verification, and the customs, etc. carries out a country of origin investigation for the exporter.



- ▲ Country of origin investigations for export goods refer to origin verification on goods exported to contracting partners conducted by Korean Customs based on request from the customs authorities of the contracting partners.



- ▲ The methods and procedures of origin verification vary depending on the FTA concerned.

FTAs	Indirect Verification	Direct Verification	Deadline for Reply
Korea - Chile		1. Written inquiry and request for information 2. Investigation visit to the exporter	
Korea - Singapore (Gradual Application)	1. Request for an origin verification questionnaire and information to the exporter or producer through the customs of the exporting country	2. Investigation visit to the exporter (Written consent required)	30 days within the date of submission
Korea - EFTA	Request for verification to the customs of the exporting country (Attendance at verification allowed if necessary)		10 months

» . Guide to Taking Advantage of FTAs

FTAs	Indirect Verification	Direct Verification	Deadline for Reply
Korea - ASEAN (Gradual application)	1. Request for verification to a certifying authority of the exporting country	2. Investigation visit to the exporter(written consent required)	2 months (6 months at the maximum)
Korea - India (Gradual application)	1. Request for verification to a certifying authority of the exporting country	2. Investigation visit to the exporter (Written consent required)	3 months (6 months at the maximum)
Korea - EU	Request for verification to the customs of the exporting country (Joint investigations allowed if necessary)		10 months
Korea - Peru	Request for verification to the authorities of the exporting country	1. Request for documentary materials to the exporter through the authorities of the exporting country 2. Investigation visit to the exporter	150 days
Korea - US	Request for verification to the customs of the exporting country (Limited to textiles and apparel products)	1. Request for information to the exporter or written inquiry 2. Investigation visit to the workplace of the exporter (Written consent required)	12 months
Korea - Turkey	Request for verification to the customs of the exporting country (Attendance at verification allowed if necessary)		10 months
Korea - Australia	Request for verification to a certifying authority of the exporting country	1. Written request to the exporter 2. Investigation visit to the exporter	30 days
Korea - Canada		1. Written inquiry to the exporter 2. Investigation visit to the exporter	

▶▶ Follow-up Measures will be taken according to the Origin Verification Results.

- ▲ When the results of origin verification show that the imported goods constitute a case for exclusion of preferential tariff, the difference between the duties payable and duties paid (including penalties), will be collected.

Exclusion Cases of Preferential Tariff

Where an importer, or an exporter or producer of a contracting partner fails to submit a required document, or has falsified a required document or provided information different from facts without any justifiable reason;

When the Commissioner of the Korea Customs Service or the head of a customs requests a direct investigation to the customs authorities of the contracting partner:

- Where no results have been sent back within the deadline for reply
- Where the reply does not include necessary information; or
- Where the reply says that the goods concerned violate country of origin regulations;

When the Commissioner of the Korea Customs Service or the head of a customs directly investigates the exporter or producer:

- Where the goods concerned have been found violating country of origin regulations;
- Where materials from the importer or exporter of the contracting partner do not include information needed to check the accuracy of country of origin;
- Where there has been no reply as to a written investigation, or there has been no reply to a request for consent to spot investigation or a disagreement with spot investigation; and
- Where access to ledgers needed to verify supporting documents for country of origin or related materials has been rejected during spot investigations with no justifiable reasons, or no such materials have been kept;

Where it is impossible for the Commissioner of the Korea Customs Service or the head of a customs to conduct investigations of the country of origin because the business of the investigation target has gone bankrupt or shut down, or the target's whereabouts are unknown, or due to other equivalent reasons;

Where the investigation target has rejected, interrupted or shunned written or spot investigations by the Commissioner of the Korea Customs Service or the head of a customs and

Where the importer fails to prove that goods which have arrived at Korea via a country which is not the country of origin fulfill transportation principles stipulated in the trade agreement.

- ▲ Application of preferential tariff may be limited for identical goods exported by an exporter of a contracting partner to Korea if the exporter has falsely or wrongly put key information in supporting documents for country of origin repeatedly.
- ▲ Rejecting or interrupting a country of origin investigation or not keeping supporting documents for country of origin are subject to fines for negligence or penalties.

	Violation	Disposition
Penalties (Article 22)	1. Completing and issuing supporting documents for country of origin, or having supporting documents for country of origin issued, by deception or illegally 2. Using supporting documents for country of origin for purposes other than the original purpose or transferring 3. Not keeping documents that prove the country of origin, etc.	No more than KRW 20 million in penalties
	Completing and issuing supporting documents for country of origin, or having supporting documents for country of origin issued, by submitting information differently from facts	No more than KRW 3 million in penalties
Fines for Negligence (Article 24)	1. Not submitting documents within the deadline 2. Rejecting, interrupting or evading a country of origin investigation	No more than KRW 10 million in fines for negligence
	Failing to correct the customs value or make an amended declaration, etc.	No more than KRW 5 million in fines for negligence

05 • Criteria for Country of Origin Determination

㉠ Necessity of Criteria for Country of Origin Determination

- ▲ An FTA is aimed at increasing trade among the contracting countries; so only goods whose country of origin is one of the contracting partners enjoy tariff benefits from the FTA.
- ▲ An exporter needs to meet criteria for country of origin determination under the FTA to have its goods recognized as goods produced in Korea.

㉠ Checking of Criteria for Country of Origin Determination

- ▲ Checking criteria for country of origin determination for export goods

<How to find the criteria for country of origin determination>

YES FTA portal (<http://www.customs.go.kr/>) Korean country of origin criteria choose the FTA concerned search the criteria for country of origin determination for the goods concerned

You can check the country of origin on FTA-PASS, a country of origin management system provided by the Korea Customs Service for free.

㉠ Types of Criteria for Country of Origin Determination

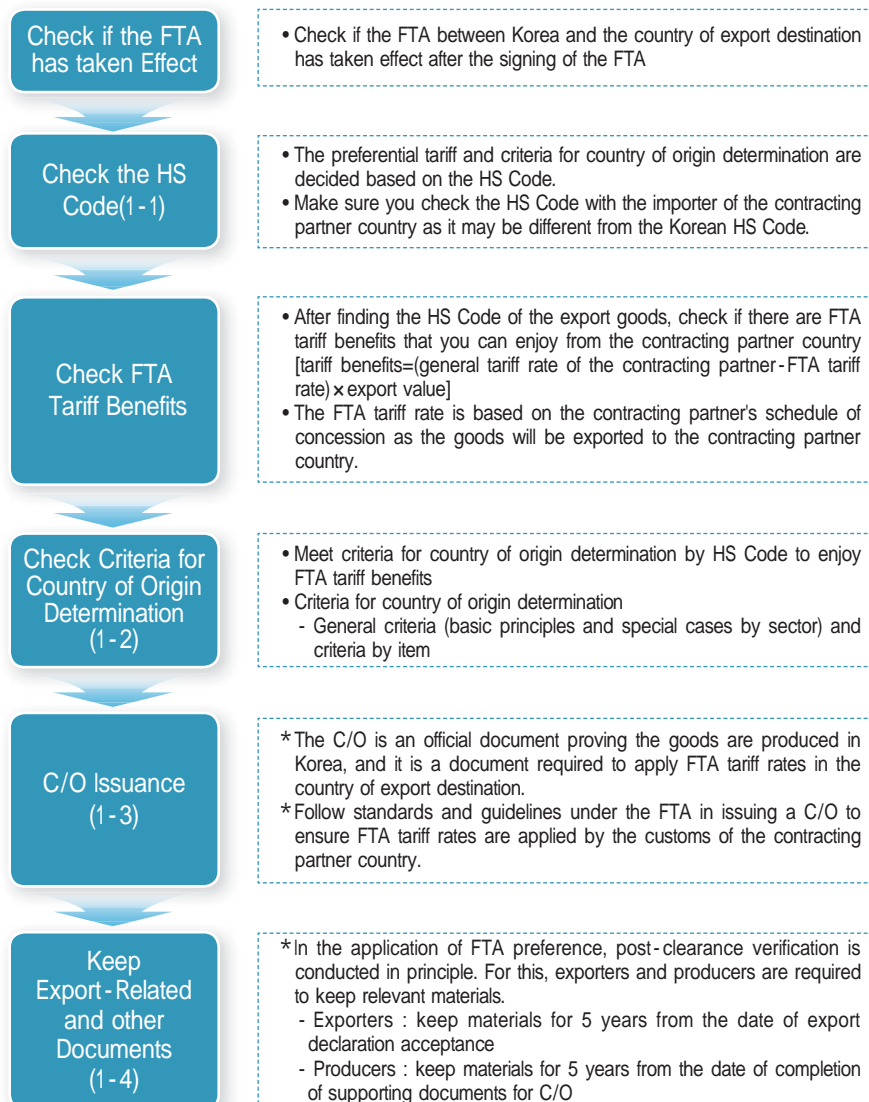
- ▲ There are two types of criteria for country of origin determination.
 - General criteria are general rules commonly applied to a number of items.
 - * General criteria consist of basic principles and special cases by sector (supplementary criteria).
 - Criteria by item refer to rules applied only to some particular goods.
 - Both general criteria and criteria by item are applied in determination of the country of origin.

For More Information ↓

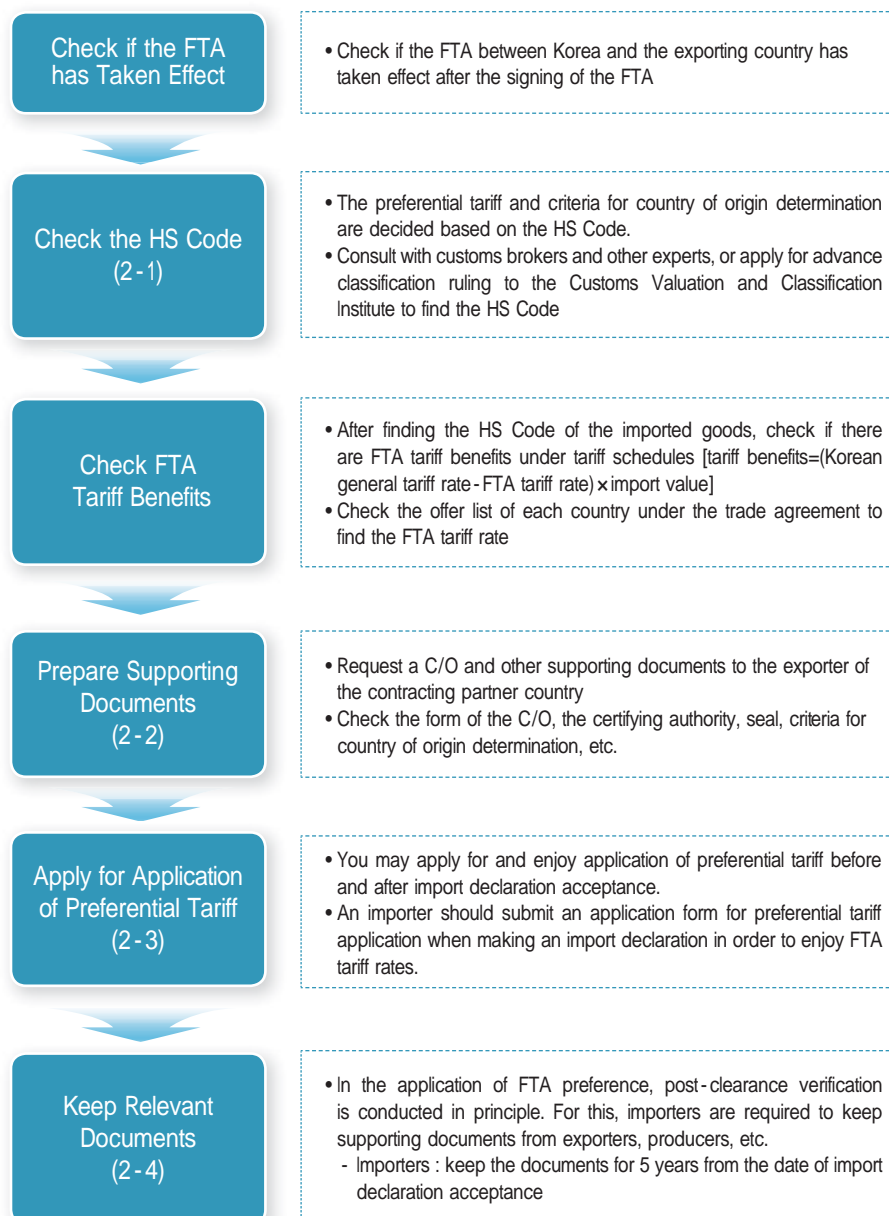
Korea Customs Service, Director General for Free Trade Agreement Enforcement Planning,
042-481-3226, 3206

06 • Taking Full Advantage of FTAs

㉠ How to take Advantage of FTAs in Export Clearance



How to take Advantage of FTAs in Import Clearance.

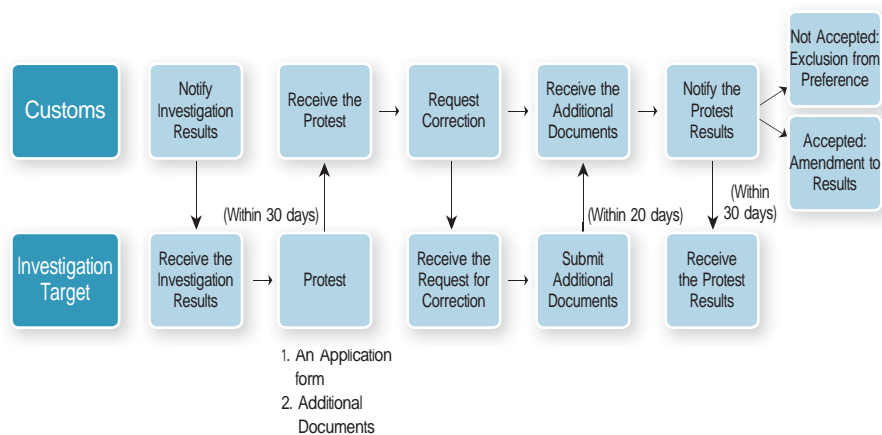


07 • Rights of Duty Payers in FTA Origin Verification

📢 You may get help from Experts.

- ▲ The person subject to a spot investigation necessary for verification of country of origin may have lawyers or customs brokers attend the investigation or make their statement.

📢 You may Protest the Results of Origin Verification.



- ▲ An investigation target (exporter, producer or importer) who disagrees with the results of a country of origin investigation may make a protest to the Commissioner of the Korea Customs Service or the head of the customs within 30 days from the date of notification of investigation results.

- When there is a protest, the Commissioner of the Korea Customs Service or the head of the customs would examine the case, and notify the results to the applicant within 30 days.

- Where the details or procedures of the protest is deemed inappropriate or to have room for correction, the Commissioner of the Korea Customs Service or the head of the customs may request correction with a fixed period of no longer than 20 days.

Required Documents for Protest

- An application form for protest
- A document with the name, address or place of residence of the applicant
- Date of notification of investigation results and the investigation results
- The description, standard, usage, and the exporter, producer or importer of the goods
- Main points and the details of the protest

You may Lodge an Objection to the Results of Origin Verification.

- ▲ A duty payer may apply for remedies (make an objection) against any measures taken based on the results of origin verification in the following ways:

Types of Request	Period	Head of the Office of Review	Office of Review (Committee in Charge)
Pre - Taxation Deliberation	Within 30 days from the date of pre-taxation notice	Head of the customs or the Commissioner of the Korea Customs Service (when at least KRW 500 million is charged)	Customs Appeal Committee
Examination Request	Within 90 days from the date of notification of disposition	Commissioner of the Korea Customs Service	Customs Appeal Committee
Adjudication Request	Within 90 days	Chairman of the Tax Tribunal	Tax Tribunal Judge Council
Examination request to the Board of Audit and Inspection of Korea	Within 90 days	Chairman of the Board of Audit and Inspection of Korea	Audit Committee

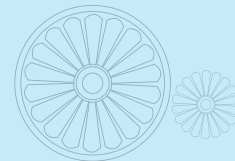
» . Guide to Taking Advantage of FTAs

- ▲ The exporters or producers of Singapore, or the exporters or producers of Chile, may make examination or adjudication requests against the results of country of origin investigation pursuant to Article 119 of the Customs Act.

For More Information ↓

Korea Customs Service, Office of Origin Support Officer, 042-481-3233

Guide to Customs Valuation



Value Declaration 01

Customs Valuation 02

Advance Customs Valuation Ruling 03

Advance Customs Valuation
Arrangement for Related Parties (ACVA) 04

Application Priority of Customs Duty Rates 05

Classification of Goods in the Nomenclature 06

Advance Classification Ruling 07





01 • Value Declaration

㉠ Value Declaration

- ▲ When making an import declaration, customs duty payers are required to declare the value of the goods to the head of the customs.
- ▲ In the value declaration, you are required to submit documents on import-related transactions, and materials on matters of customs value determination other than customs value computation.

㉠ The Value Declaration may not be Necessary in the Following Cases:

- ▲ Where the same goods are imported on the same conditions repeatedly;
- ▲ Where there is no value to be added to the price paid or to be payable by the buyer for goods sold for export to Korea other than freight and insurance premiums incurred until the goods arrive at the port of entry; and
- ▲ Where determining the customs value is not difficult as follows:

1. Goods imported by the government or local governments;
2. Goods for government procurement;
3. Goods imported by public institutions;
4. Goods exempt from customs duties or internal taxes, etc.;
5. Goods imported as machinery, parts thereof, or raw materials for the defense industry (Limited to those with import confirmation or import recommendation granted by an institution relating to the goods concerned);
6. Raw materials for export;
7. Goods imported by special research institutes under the Support of Special Research Institutes Act;
8. Goods with no more than USD 10,000 in customs value among those designated by the Commissioner of the Korea Customs Service; and
9. Other goods where the Commissioner of the Korea Customs Service deems it is not difficult to determine the customs value.
 - Article 46(1) of the Notification on Determining the Customs Value of Imported Goods
 - Goods with no more than USD 10,000 in customs value (Except for goods subject to internal taxes and goods for partial import declaration)
 - Goods subject to specific duties (Except for goods whose duty rate changes according to the price)

㉮ Mandatory Cases Subject to Value Declaration

- Where other factors (commissions, packing container expenses, production assist costs, royalties, and license fees, or post-import benefits) should be added to the price actually paid or payable;
- Goods subject to customs duties levied by customs;
- Goods subject to provisional value declaration;
- Goods subject to taxation prior to clearance by customs audit teams; (e.g. goods exempt from duties, goods for installment payment of customs duties, and goods usually declared by delinquents);
- Where the customs value is determined by valuation methods #2 through #6;
- Where there is a value to be added to the price actually paid or payable of the imported goods (e.g. set-off and indirect payments); and

- Where there is a discount pursuant to subparagraphs 1 (restrictions on the disposition or use) or 2 (condition or consideration) of Article 30(3) of the Customs Act.

㉠ Provisional Value Declaration system

- ▲ You may make a provisional value declaration when the value has not been determined as follows:

- Where the goods are primary product, such as crude oil and ore, and the value has not been determined as of the date of import declaration;
- Where additional values (commission, packing container expenses, production assist costs, royalties and license fees and post-import benefits) should be added to the price actually paid or payable for the goods;
- Where the business has applied for and got approval for advance customs valuation arrangement for related parties (ACVA);
- Where the head of a customs deems it inevitable for the importer to make a value declaration based on a provisional value considering the details of the agreement or the characteristics of the transaction;
- Where it takes a long period of time because the customs value is determined based on the domestic selling price (method #4);
- Where the delivery of the goods, including plant, under a turnkey contract, has been completed after quite a long period of time since the first order; and
- In other cases where the head of a customs deems it inevitable for the importer to make a value declaration based on a provisional value, and all of the following requirements are met:
 - a. The formula for computing the final transaction value should be determined under the contract between the transaction parties before importation;
 - b. The final transaction value should be determined in accordance with facts after importation; and
 - c. The facts after importation should be based on variables which cannot be controlled by the transaction parties.

- ▲ An importer who has made a provisional value declaration should declare the final value based on the details of the transaction contract between the buyer and seller within a period fixed by the head of a customs within no longer than 2 years.

02 • Customs Valuation

唎 Customs Valuation

- ▲ Customs valuation refers to "determination of the tax base for the calculation the customs duties of imported goods, or the customs value." Accurate declaration of the goods' price and HS code is important for accurate calculation of the customs value.

唎 Methods for Determining the Customs Value

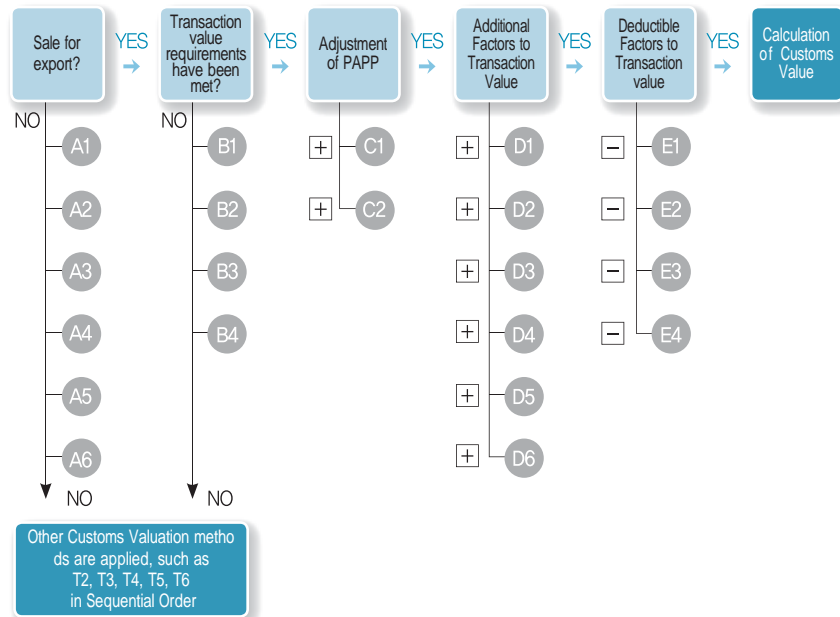
- ▲ Article 30(1) of the Customs Act provides that the customs value is the transaction value, stipulating that "the dutiable value of imported goods shall be the transaction price adjusted by adding the amount falling under each of the following subparagraphs to the price actually paid or to be paid by a buyer for goods sold to be exported to Korea:

Adjustments Factors which must be Added to the Price Actually Paid or Payable

Commission and brokerage fees (Except buying commission);
Container expenses and packing expenses;
Production assist costs expenses and service prices or a difference accruing from the reduced price
Royalties (Price for the right of reproduction excluded);
Value that is paid and accrues directly or indirectly to sellers after release of import goods; and
Freight and insurance premiums

- ▲ Where it is impossible to determine the customs value pursuant to Article 30 of the Customs Act, Articles 31 through 35 should apply in the following sequential order: customs value determined based on the transaction value of identical goods (method #2); customs value determined based on the transaction value of similar goods (method #3); customs value determined based on the domestic selling price (method #4); customs value determined based on the computed value (method #5); and customs value determined based on reasonable criteria (method #6). (The sequence of method 4 and 5 can be switched at the request of the importer.)

Methods for Determining the Customs Value System Chart



T1 : Customs value based on the price actually paid or payable
 T2 : Customs value based on the transaction value of identical goods
 T3 : Customs value based on the transaction value of similar goods
 T4 : Customs value based on the domestic selling price
 T5 : Customs value based on the computed value
 T6 : Reasonable customs value

C1 : Separate payments
 (Repayment and compensation)
 C2 : Indirect payments

A1 : Not goods imported for free
 A2 : Not goods imported on consignment
 A3 : Not goods sold with the responsibility of the exporter
 A4 : Not goods imported by a branch, etc.
 A5 : Not goods on lease at a cost or for free
 A6 : Not goods whose destruction costs are borne by the consigner

D1 : Commission and brokerage fees
 D2 : Container and packing expenses
 D3 : Production-related assists expenses
 D4 : Royalties and license fees
 D5 : Post-import additional payment
 D6 : Freight and insurance premiums

B1 : No limit to use and disposition of imported goods
 B2 : No influence of special conditions or consideration on the price
 B3 : No post-import additional payment
 B4 : No influence of a relationship between buyer and seller on the transaction value

E1 : Costs of installation after importation, etc.
 E2 : Freight after importation
 E3 : Taxes and public utilities' charges in the importing country
 E4 : Interest on deferred payment

唎 Valuation Method for Customs Value of the Transaction Between Related Parties

- ▲ In principle, the transaction value is the primary factor of the customs value ; and this also applies in related parties' transactions.
- ▲ When a special relationship influences the transaction value, the transaction value in the special relationship should not be selected as a method of the customs value, but valuation methods that come after method #2 should be applied.

Cases of Special Relationships

For the following cases, persons shall be deemed to be related:

- The buyer and the seller are officers or directors of one another s businesses;
- The buyer and the seller are legally recognized partners in business;
- The buyer and the seller are employer and employee;
- Any person directly or indirectly owns, controls or holds 5per cent or more of the outstanding voting stock or shares of both of them;
- One of the buyer and the seller directly or indirectly controls the other;
- Both of the buyer and the seller are directly or indirectly controlled by a third person;
- Together the buyer and the seller directly or indirectly control a third person; or
- The buyer and the seller are members of the same family.

03 • Advance Customs Valuation Ruling

㉠ Utilization of the Advance Customs Valuation Ruling

- ▲ You may apply for a "Pre-confirmation of the method for determining the customs value" to the Customs Valuation and Classification Institute in accordance with Article 37 of the Customs Act.
- ▲ Pre-confirmation of the method for determining the customs value is divided into two types: advance pricing ruling (APR) for pre-confirmation of the method for determining the customs value of goods in transactions between independent parties; and advance customs valuation arrangement for related parties (ACVA) for pre-confirmation of the method for determining the customs value of goods in transactions between related parties, including between the headquarters and a branch.

Comparison between APR and ACVA

	Advance Pricing Ruling (APR)	Advance Customs Valuation Arrangement (ACVA)
Confirmation Target	Goods in transactions between independent parties	Goods in transactions between related parties
Processing Period	30 days	1 year
Implementation Date	Dec. 31, 1990	Jan. 1, 2008
Application Eligibility	Any duty payers with a transaction relationship with an exporter abroad	Duty payers with a continued related parties transaction relationship with the headquarters, or an affiliated company, abroad * Apply for APR for goods of one-off import
Examination Process	Unilateral determination	Consultation with the duty payer agreement approval
Office in Charge	Customs Valuation and Classification Institute	Customs Valuation and Classification Institute

Comparison between APR and ACVA

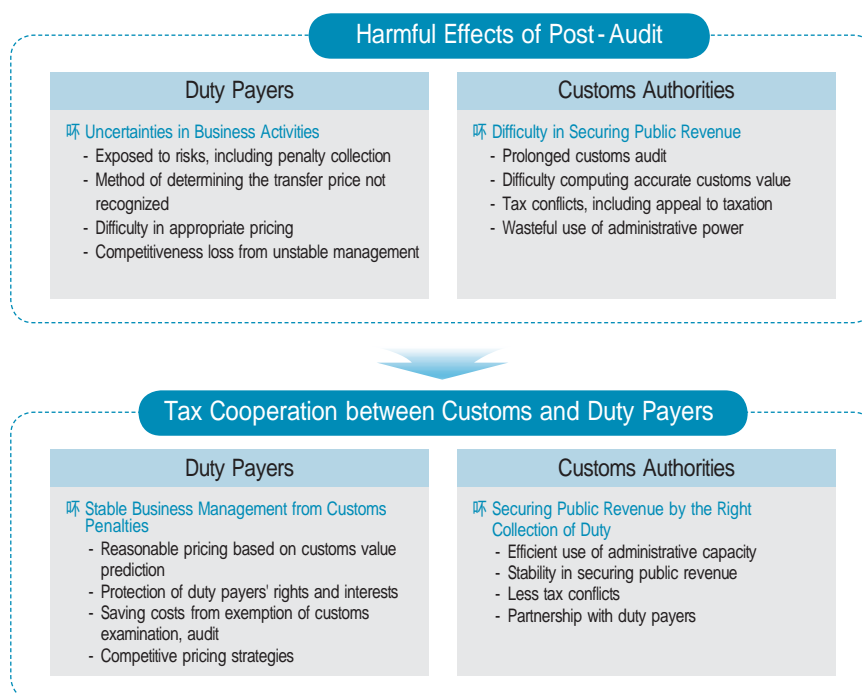
	Advance Pricing Ruling (APR)	Advance Customs Valuation Arrangement (ACVA)
Key Matters of Examination	<ul style="list-style-type: none"> - Check the price actually paid or payable, and additional and deductible values - Check transaction value requirements (e.g. conditions or circumstances, limited use or disposal, and post-import payment to sellers) 	<ul style="list-style-type: none"> - Whether a special relationship influences the transaction value - Whether the method for determining the customs value applied for (methods #1 through #6) is applicable - Whether there is any additional or deductible value - Whether the customs value is reasonable
Provisional Declaration	Not applicable	Declare a provisional value at the time of application, and make a final value declaration based on the approved details
Additional Duties	Applied the same as in ordinary imported goods	<ul style="list-style-type: none"> - During the period from application to approval: exemption of additional duties - Before an application with the approved details: a 10 percent exemption of additional duties when an amended import declaration is made
Term of Validity	3 years (Limited to verified goods)	3 years (transaction goods identical to the approved details)
Post-import Management	Not applicable	Submit annual reports
Legal Grounds	Subparagraphs 1 and 2 of Article 37(1) of the Customs Act	Subparagraph 3 of Article 37(1) of the Customs Act

Advance Customs Valuation Arrangement for Related Parties (ACVA)

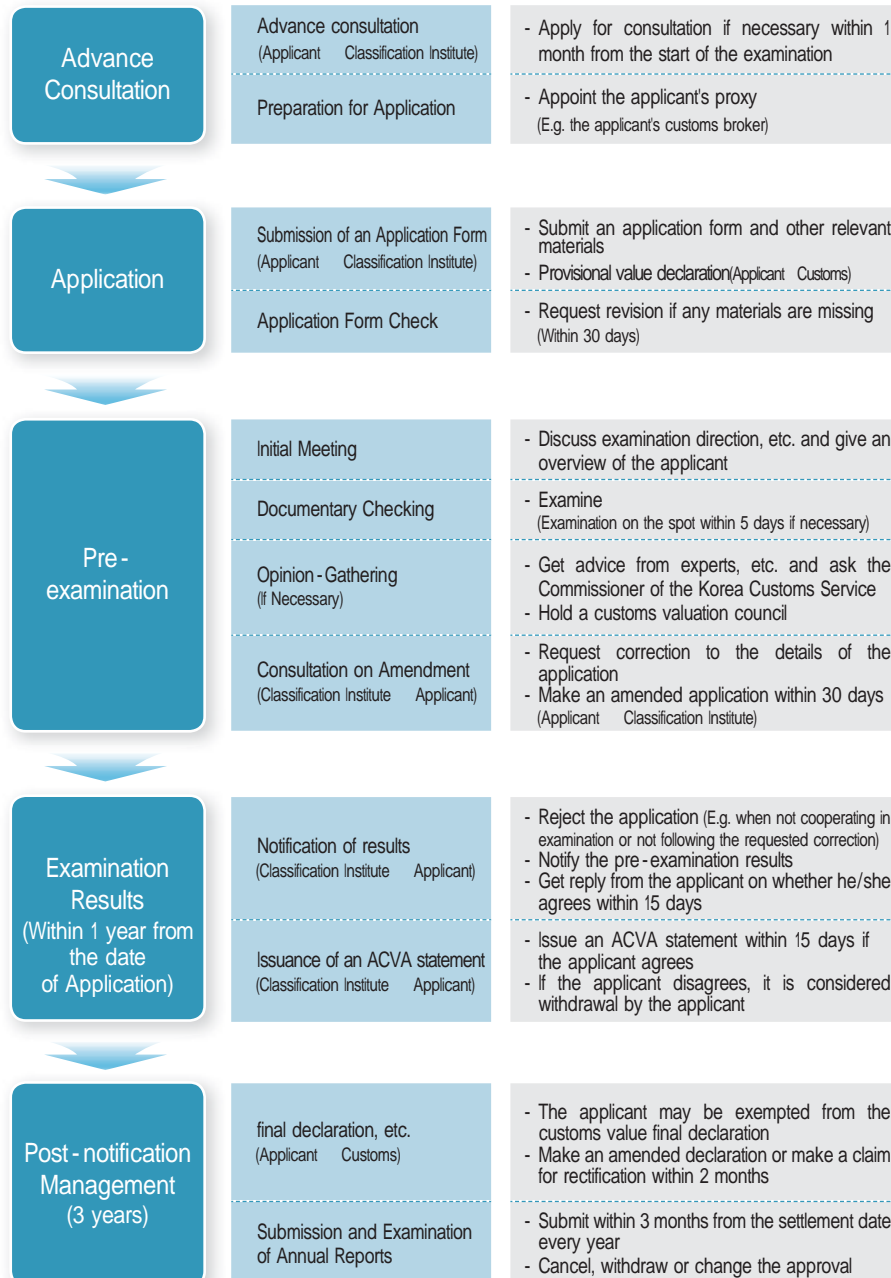
㉮ Definition of Advance Customs Valuation Arrangement for Related Parties (ACVA)

- ▲ Advance Customs Valuation Arrangement for Related Parties (ACVA) is designed to determine in advance the method for determining the customs value of imported goods in transactions between related parties, including between a parent company abroad and a branch at home, through consultation between duty payers and customs on request from the duty payers.

㉮ ACVA Benefits to Duty Payers and Customs Authorities.



» ACVA Procedures are as Follows:



ACVA Gives you the Following Benefits:

- ▲ From the point of application for ACVA until the point of approval, you may declare the provisional value of the goods, and make a final value declaration with the approved details.
- ▲ If you make an amending declaration after the notification of ACVA statement for the customs value had already declared and paid before applying for ACVA, you would be exempted from additional penalty duties due to incorrect declaration.
- ▲ On request from the applicant business, customs would suspend customs audit for the goods of ACVA application during the ACVA pre-examination period.
- ▲ For ACVA applicant businesses, it would be easier to acquire the status of Authorized Economic Operator (AEO). For more Information

For More Information ↓

Customs Valuation and Classification Institute, Customs Valuation Division, 042-714-7504



Reference Materials

Introduction to Programme, Regulations and Forms

- Korea Customs Service webpage (www.customs.go.kr) > customs administration > tariff classification/customs valuation > ACVA and customs valuation data base

05 • Application Priority of Customs Duty Rates

📌 Types and Priorities of Customs Duty Rates in Advance.

▲ The types of duty rates

Types		Details and Grounds
National Tariff	Basic Duty Rate	Basic duty rate under the tariff schedules in the Annex of the Customs Act
	Provisional Customs Duty Rate	Provisionally apply a duty rate different from the basic duty rate
	Flexible Tax Rate	Pursuant to Articles 51 through 75 (except for Article 73) of the Customs Act (On anti-dumping duties, countervailing duties, seasonal duties, adjustment duties, etc.)
Conventional Tariff		Duty rate determined pursuant to a convention or administrative agreement with a foreign country

▲ The order of priority in applying duty rates

Priority	Duty Rates	Note
1st	Anti-dumping duty, retaliatory duty, emergency duty, special emergency duty on agricultural, forest and live-stock products, countervailing duty and emergency duty for products of specified countries	Apply in priority regardless of other any customs duty
2nd	Beneficial duty and international cooperation tariff	No. 2 applies only if it is lower than No. 3, 4, 5, 6 in priority (Except for the bound tariff on agricultural, forest and live-stock products among international cooperation tariff rates)
3rd	Adjustment duty, seasonal duty and quota tariff	The quota tariff applies only when it is lower than No. 4 in priority
4th	General preferential tariff rate	
5th	Provisional duty rate	
6th	Basic duty rate	

㉮ Particular Duty Rates Apply in Some Cases.

▲ Simplified Duty Rate

- An integrated duty rate of several rates of the customs duties and internal taxes, etc. is combined into one duty rate.

(1) Goods Subject to the Simplified Duty Rate

Personal effects of travellers or crew members
 Postal items (except for those requiring an import declaration)
 Goods used to repair or replace part of any vessels or aircrafts abroad
 Consignments or unaccompanied baggage

(2) Goods Excluded from the Simplified Duty Rate

Goods of which tariff rates are zero or goods exempted from customs duties
 Raw materials for export
 Goods involved in any violation of the Customs Act
 Goods subject to specific duties
 Goods designated by the Commissioner of the Korea Customs Service
 The goods concerned, where the owner has requested not applying the simplified duty rate to all of the dutiable goods during an import declaration

▲ Comprised Duty rates

- In case of a package import declaration for multiple goods with different duty rates, the highest duty rate applies on request from the declarant.

▲ Specified Duty rates for Uses

- In case of goods with different duty rates (such as basic, provisional, concessive, flexible duty rates, etc.) by use, a low duty rate applies with approval from the head of a customs, for using the goods for the low-rate purpose.

06 • Classification of Goods in the Nomenclature

㉠ Relationship between the Customs Duty and Classification

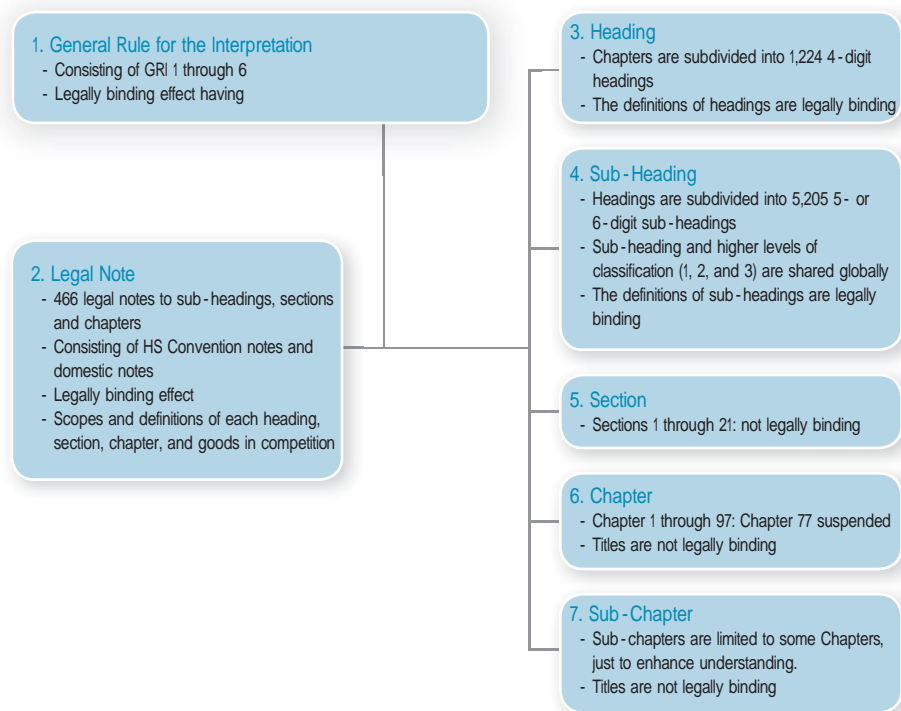
- ▲ The customs duty rate for import goods is determined based on the HS code. Thus an accurate classification is required to determine the duty rate and customs duty.
- ▲ Countries joining the WTO become HS contracting states, which should comply with rules set under the HS system.



Reference Materials

- HS code : Harmonized Commodity description and Coding System (HS) codes are 6-digit codes granted to export and imported goods for classification under the HS Convention. HS codes are reflected in the tariff schedules in the Annex of the Customs Act.
- HSK (Harmonized Commodity Description and Coding System of Korea): The HSK is the Korean harmonized commodity description and coding system (prescribed by the Minister of Strategy and Finance). Adding 4 more digits to the HS 6-digit code system, the HSK is a 10-digit classification code system (EU; 8 digits, and Japan; 9 digits).

▶▶▶ Structure of Commodity Classification in Nomenclature



07 • Advance Classification Ruling

㉠ Definition of Advance Classification Ruling

- ▲ Advance classification ruling is a system that allows exporters and importers to check with the Commissioner of the Korea Customs Service to find out which HS code of the goods to be exported and imported falls under.

㉠ Applicants for Advance Classification Ruling

- ▲ Those eligible to apply for advance classification ruling include those planning to export or import goods, manufacturers of goods to be exported, and customs brokers, customs service corporations and juristic persons for handling clearance under the Licensed Customs Broker Act.
- ▲ In general, exporters or importers apply for advance classification ruling and get reply before the export or import of goods. Even for exporters or importers who made export or import declarations without getting advance classification ruling, they may also apply for advance classification ruling later to export or import the same types of goods.

㉠ Advance Classification Ruling has the Following Effects:

- ▲ In accordance with Article 86 of the Customs Act, the HS code notified to the applicant according to the results of the advance classification ruling will equally apply to the same types of goods export or import later (the validity term will be 3 year).
- ▲ For goods shipped for export to Korea at least before 30 days from the date on which modification is notified, the HS code before modification may apply if it is more advantageous to the import declarant.

㉠ Preparation to Apply for Advance Classification Ruling and the Procedures

▲ Preparation to Apply for

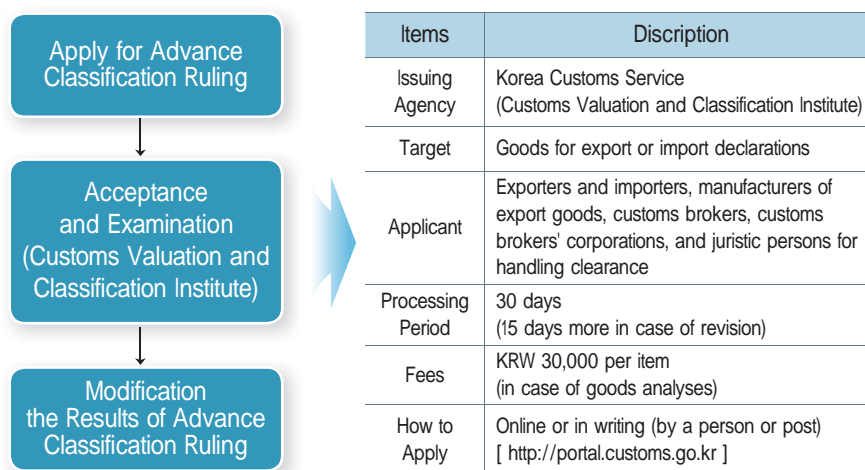
- A copy of the application form for advance classification ruling
- A copy of goods description (including the usage description, component list and production process)
- A sample (powdered products and liquid products: one sample in case of retail packaging; 500g or more in powdered products, and 500 ml or more in liquid products in case of bulk packaging)

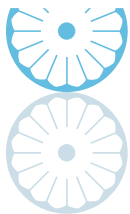
If it is difficult to submit a sample as in the case of machinery, etc., submit a statement of reasons and three pictures as a substitute.

▲ How to Apply for

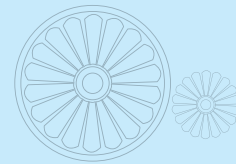
- You can apply through the Korea Customs Service electronic clearance system (<http://portal.customs.go.kr>), or by post or visit.
- Customs Valuation and Classification Institute (Techno 2-ro, Yuseong-gu, Daejeon 214, 042-714-7528, Fax 042-936-3527)

㉠ Work Process of Advance Classification Ruling





Guide to Customs Audit and Investigation



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01 • How to Declare and Pay Customs Duty

㉠ Duty Payment Declaration

- ▲ In principle, customs duties and internal taxes imposed on import goods should be paid on the transaction-by-transaction basis or in a lump sum within a fixed period of time. Except for goods subject to a notice of imposition-payment by customs, imported goods are the target of declaration-payment by importer.
- ▲ Only the owners of imported goods, or duty payers, may make duty payment declarations in principle.

㉠ In a Duty Payment Declaration, the Followings should be Declared:

The HS code and duty rate of the goods according to the tariff schedule, and the customs value for each HS code, and the sum of all of the customs values, to be paid

In case of duty exemption under the Customs Act or a convention, the amounts of exemption and the legal grounds for exemption

Whether there is a special relationship and the details about the special relationship

Other matters to be considered in determining the customs value

㉠ Duty Payment Declarations are Subject to Post-Audit

- ▲ For duties declared and paid, the audit is conducted within 5 years after the import declaration is accepted in principle. However, the audit may be carried out before the acceptance of the import declaration for the following goods:

Goods for exemption of customs duties or internal taxes
Goods for installment payment of customs duties
Goods declared by a delinquent
(Except for cases where the amounts of delinquent duties are less than KRW 100,000, or an import declaration is made within 7 days of delinquency)
Goods declared by a negligent declarant who falls under the criteria prescribed by the Commissioner of the Korea Customs Service
Goods with volatile prices, and other goods deemed by the Commissioner of the Korea Customs Service to be inappropriate for post audit of the customs duty. In this case an determination of whether exemption or installment payment of duties is appropriate is conducted before the declaration acceptance while an examination of the customs duty and duty rates are done after the acceptance.

별 The Head of a Customs Issues a Notice of Imposition-Payment in the Following Cases:

Where customs duties are collected because the case falls under subparagraphs 1 through 6, or 8 through 11, of Article 16 (Timing of Determining Dutiable Subject) of the Customs Act;
Where a facility built in a bonded construction site has been operating before the acceptance of the import declaration;
Where goods carried into a bonded area (including a place which is not a bonded area but has got permission for storage) have been released before the acceptance of the import declaration;
Where the duty payer requests a notice of imposition-payment for reasons prescribed by the Commissioner of the Korea Customs Service;
Where customs duties are collected because an import declaration for goods of immediate release has not been made within 10 days from the date of the immediate release declaration; and
Other cases of inappropriate duty payment declarations as prescribed in the Circular of the Ministry of Strategy and Finance.

㉠ Duty Payment System and Due Date

- ▲ Where customs duties have not been paid until the acceptance of the duty payment declaration, a notice bill of duty payment will be issued with the payment period of 15 days from the date of the acceptance of the duty payment declaration.
 - Those who have paid duties after the acceptance of the duty payment declaration need not provide security in principle; but the duty payers who fall under Article 248(2) of the Customs Act are required to offer security.
- ▲ The monthly payment system is designed to promote the convenience of duty payers faithfully meeting payment obligations: if the duty payers have made multiple duty payment declarations, and all of their due dates are in the same month, the duty payers are allowed to make a lump-sum payment of all of the duty liabilities by the last day of the month.
 - Using this system has an effect equivalent to extending the payment period by up to 30 days.

㉠ Lump-Sum Payment for Raw Materials for Export

- ▲ Reflecting the fact that customs duties for raw materials to be exported are refunded after their import, the lump-sum payment system under the Act on Special Cases concerning the Drawback of Customs Duties, etc. Levied on Raw Materials for Export allows collection of such duties to be suspended for 1 month to 6 months, ensuring that duties to be paid and refunded offset each other.
 - Among taxes imposed on imported goods, the VAT is excluded from the lump-sum payment system.

» The Due Dates of Various Payment Systems are as Follows:

	Payment System		Main Purpose	Due Date	Legal Grounds
Principle	Payment in general		-	Declaration and payment system : within 15 days from the date of the acceptance of the duty payment declaration	Article 9(1) of the Customs Act
				Notice of imposition - payment system : within 15 days from the date of a duty payment notice	
				Immediate release system : within 15 days from the date of the import declaration	
Exce-ptions	Duty payment correction system	revision application	To pay the deficient value	The day after the date of the revision application	Article 38-2(4) of the Customs Act
		amended declaration	To pay the deficient value	The day after the date of the amended declaration	Article 38-3(1) of the Customs Act
	Monthly payment system		For the convenience of duty payers and saving financial costs	The last day of the month into which the due dates of duty payments fall	Article 9(3) of the Customs Act
	Collection deferment system		To mitigate difficulties from disasters, etc.	The date set by the head of the customs within one year	Article 10 of the Customs Act, and Articles 15 through 17 of the National Tax Collection Act
	Installment payment system	act of God, etc.			Article 107(1) of the Customs Act
		particular goods, etc.	To build industrial facilities, support SMEs, etc.	The date set by the head of the customs within 5 years from the date of approval for installment payment	Article 107 (2) of the Customs Act
	Lump-sum payment system		To defer the due date	15th of the month following the month into which the last day of the lump-sum payment period falls (within 6 months)	Article 5 of the Special Cases concerning the Drawback of Customs Duties, etc. Levied on Raw Materials for Export
	Collection before due date system		To secure tax receivables	The date fixed by the head of the customs	Article 14 of the National Tax Collection Act

02 • Correction of Errors in the Declaration

㉠ Self-Correction of the Customs Value

- ▲ If duty payers find deficiency in the duty amounts declared and paid, or any errors in commodity classification, etc., they may apply for revision of the customs value to the head of the customs within 6 months from the date of declaration and payment (self-correction period).
- ▲ Also, when the head of the customs finds out deficiency in the amounts of duties declared and paid, or errors in commodity classification, etc., he/she may notify the duty payer of the need to apply for self-correction within the due period.

㉠ Amended Declaration

- ▲ When it is necessary to amend the details of the declaration due to deficiency in the duty amounts declared and paid, the duty payer may make an amended declaration (after the self-correction period).
- ▲ To make an amended declaration, the duty payer should submit an amended declaration form with the tax base and duty amounts on it to the head of the customs. In this case, the duty payer should make the payment by the day after the date of the amended declaration.

㉠ Request for Rectification

- ▲ When the duty payer finds out that he/she has declared and paid more customs duty than needed (after the self-correction period), he/she may make a request for rectification of the declared duty to the head of the customs within 5 years.
- ▲ The duty payer should submit a request for rectification form to the head of the customs; and the head of the customs would have to rectify the customs

duty, or notify to the duty payer that there is no reason for rectification, within 2 months from the date of the request.

별 Rectification by the Customs

- ▲ When the head of a customs finds out that there is more or less in the customs duty declared by a duty payer according to the results of an examination, the head of the customs should rectify the customs duty. After the rectification of the customs duty, the head of the customs may again rectify the rectified duty.
- ▲ To rectify the customs duty, the head of the customs should issue a notice of rectification with the details about the paid duty to the duty payer. The head of the customs would issue a duty payment notice for the deficient duty.

Who or How change the declared Duty:

Stage	1st		2nd		3rd	
How	Self-Correction	Notice of correction/ correction by customs	Application for revision	Revision notice	Amended declaration	Rectification
Who	Duty payer	head of the customs	Duty payer	Head of the customs	Duty payer	Head of the customs
Period	From duty payment declaration (import declaration) to payment		Within 6 months from the date of declaration and payment (revision period)		From the day after the date of termination of the revision period to the end of the dutiable period	
Reasons	More or less declaration of customs duty		Less payment		Less payment	More or less payment
Note	<ul style="list-style-type: none">- Correction by customs may be made only to import declaration which are not related to duty payment.- No reply to correction notice may be subject to correction by the head of a customs.- When duty payers find out that they had paid more than needed, they may claim for rectification within 5 years from the date of the duty payment declaration.					

For More Information ↓

Korea Customs Service, Corporation Audit Division, 042-481-7958

03 • Self-Correction of Declaration Errors

㉠ The Self-Correction System Ensures Stable Business Activities via Early Determination of the Duty Amounts.

- ▲ Where a duty payer makes an amended declaration for deficient customs duty after a post audit, he/she would have to pay additional duties and may be subject to penalties. This is why the self-correction system exists to support stable business activities and ease business burden by enabling early determination of the amounts of correct duties.

㉠ Self-Correction, Amendment and Rectification Systems can all be used for a Change in Duty Amounts; but they are Distinguished by Application Period.

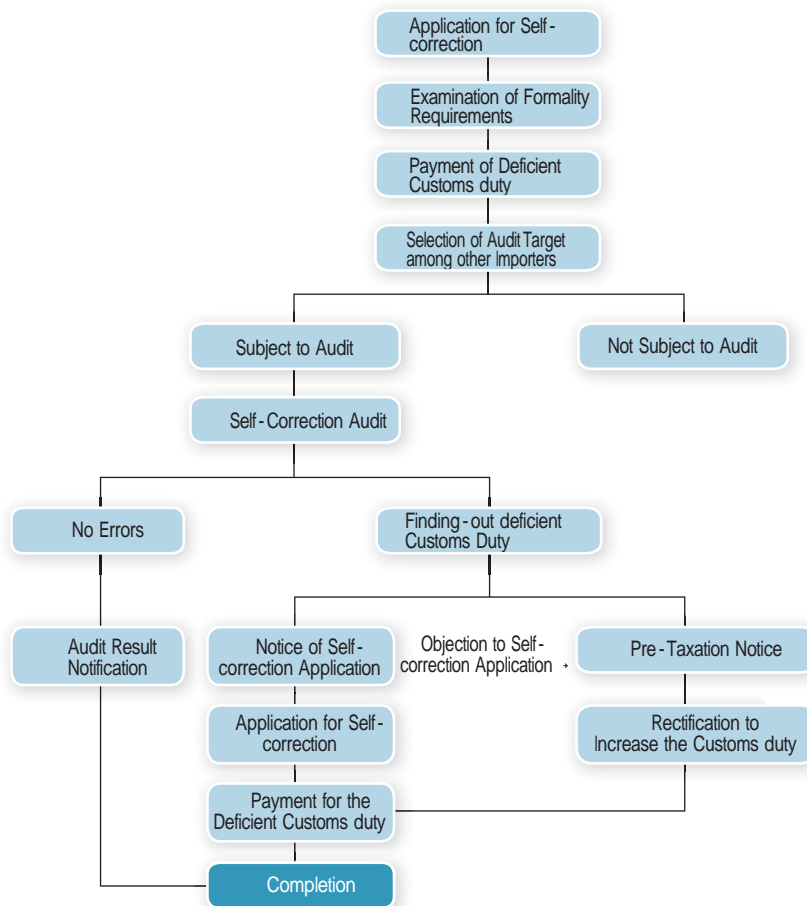
- ▲ In case of deficiency in customs duty within 6 months from the date of declaration and payment → "apply for self-correction"
- ▲ In case of the need to increase the customs duty after the self-correction period → "make an amended declaration"
- ▲ In case of the need to decrease the customs duty within 5 years from the date of declaration and payment → "make a request for rectification"

	Self-Correction	Amended Declaration	Request for Rectification
Application Period	Within 6 months from the date of payment	After the end of the self-correction period	Within 5 years from the date of declaration and payment
Increase or Decrease	Increase or decrease in the customs duty	Increase in the customs duty	Decrease in the customs duty
Interests		x	x
Additional Duties	x		x
Due Date	The day after the date of the application for self-correction	The day after the date of the amended declaration	15 days

▲ The period for calculating self-correction interests:

Before	<ul style="list-style-type: none"> From the day after the initial due date of duty payment until the date of payment for self -corrected customs Duty
After	<ul style="list-style-type: none"> From the day after the initial due date of duty payment until the date of the application for self -correction

㉠ Flow of Self-Correction Processing Procedure



For More Information ↓

Korea Customs Service, Corporation Audit Division, 042-481-7958

04 • Customs Post Audit

㉠ Customs Post Audit Checks the Appropriateness and Legality of Clearance.

▲ Customs post audit refers to examining whether the customs duty declared by export or import businesses is accurate and whether their overall export or import activities are legitimate, including if they meet export or import requirements, as prescribed in the Customs Act, the Foreign Trade Act and other laws relating to clearance and trade.

㉠ The target of Post Audit and how they are done may vary Depending on the Size of Importer and whether the Declaration Obligation has been met Faithfully.

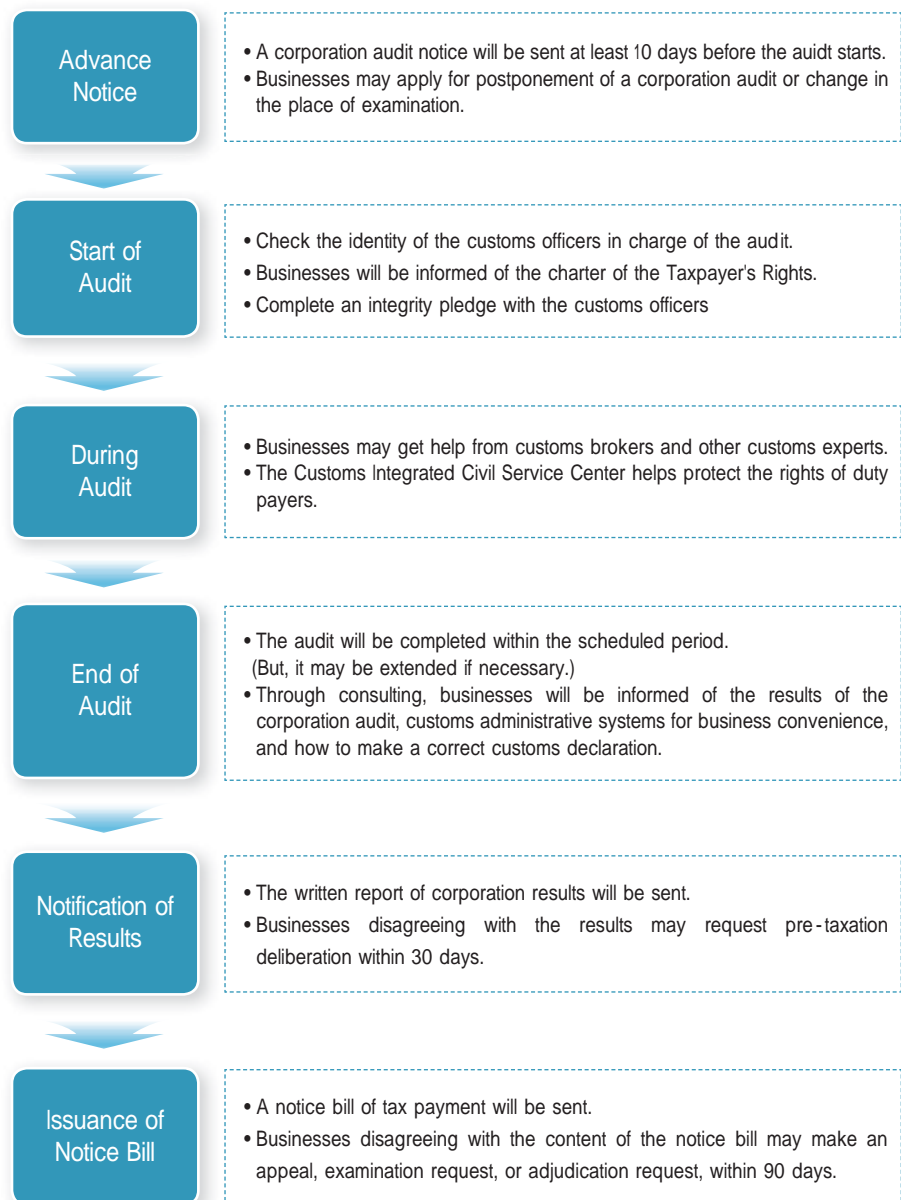
▲ Customs post audit is called as company audit in practice and classified into "corporation audit," which are done periodically, and "planned audits," which are conducted nonperiodically, according to the following accurately criteria

Corporation Audit (Article 110-3 (1) of the Customs Act)	Planned Audit (Article 110-3(2) of the Customs Act)
<ul style="list-style-type: none"> Where it is deemed that exporters or importers have been suspicious of filing a negligent declaration according to the periodical analysis of sincerity of their declarations; Where the duty payers have not been subject to customs post audits for a long period of time (at least for the preceding four years or more); and Where the head of a customs intends to conduct a sample survey on a random basis 	<ul style="list-style-type: none"> Where duty payers fail to file a declaration accurately or perform any obligation to comply with payment of customs duties; Where there is a specific suspicion etc. on duty evasion; and Where the details of a declaration contain any data corroborating a suspicion of duty evasion or error

- ▲ Businesses recognized as authorized economic operators (AEOs) are not subject to corporation audits. For such businesses with AEO certificate, is conducted for every 3 to 5 years, a "comprehensive audit" for those certified as an AEO

Business Recognized as an AEO	Business not Recognized as an AEO	
Comprehensive Audit	Corporation Audit	Planned Audit
<ul style="list-style-type: none"> • Official recognition as an AEO after certification • Comprehensive audit conducted for every 3 to 5 years since the AEO certification • Customs-private partnership 	<ul style="list-style-type: none"> • Businesses with at least USD 30 million in annual import volume over the past 2 years • Periodical audit conducted for every 4 to 5 years • All customs-related sectors can be a target of the audit (e.g. paid customs duty, foreign exchange and clearance requirements) 	<ul style="list-style-type: none"> • High-risk businesses • Frequent audit of specific issues • Joint team by divisions in charge of examination

▶▶▶ Flow of Customs Post Audit



Response Tips on Customs Post Audit

- Before a customs post audit, businesses will be informed of the audit schedule.
 - A corporation audit notice with details on the audit period and reasons will be sent 10 days before the start of the audit to protect the rights of duty payers and help them prepare for the audit.
- Businesses may postpone the investigation if inevitable reason exist.
 - Businesses may apply for postponement of the audit to the head of the customs if there is inevitable reason which makes getting an audit impossible, such as an act of God.
- Businesses are asked to be cooperative for effective customs post audit.
 - Request for submission of materials and inquiries will be made if necessary but not to the extent that they affect the work performance of businesses; and businesses may get help from certified customs brokers or lawyers whenever it is necessary.
- Customs post audit will be conducted for no longer than 20 days.
 - The audit will be undertaken for 20 days or less with the export or import size of the business, the numbers of auditors, audit methods, and the scope taken into account. The audit may be completed within 10 days for SMEs.
- Customs post audit provide an opportunity to prevent customs errors.
 - After the end of the customs post audit, "comprehensive customs consulting for a correct customs declaration" will be provided with a focus on errors found in the audit procedures.

For More Information ↓

Korea Customs Service, Corporation Audit Division, 042-481-7986, and the Planning and Audit Division, 042-481-7883

05 • Authorized Economic Operator (AEO)

㉠ Definition of the AEO

- ▲ An Authorized Economic Operator (AEO) is a business approved by the Korea Customs Service as satisfying authorization standards in compliance with the law, internal control system, financial soundness, and safety management.
- ▲ The AEO is a system based on customs-private partnership under an international principle (SAFE Framework), adopted unanimously at the General Assembly of the World Customs Organization (WCO) in June 2005. An AEO refers to a business engaging in cargo movement that has acquired reliability and safety certificates from the customs authorities.

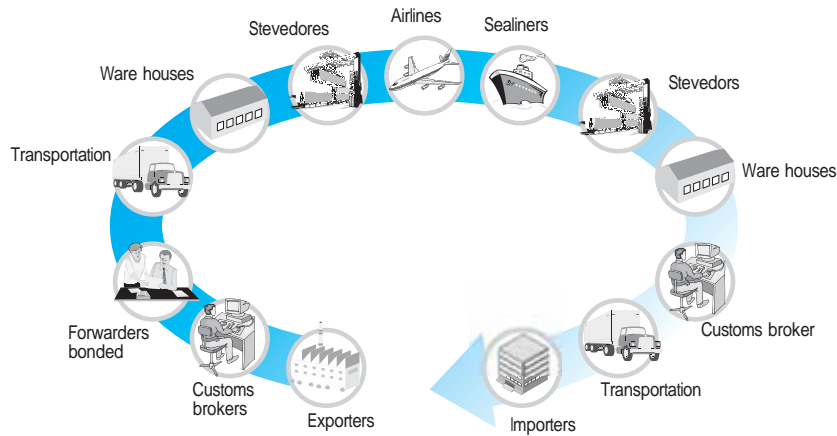
㉠ Benefits to the AEO

- ▲ Businesses recognized as an AEO enjoy various benefits, such as simplified inspections and procedures, less financial burden, and other conveniences. Also, differentiated risk management services are provided for AEO companies.
- ▲ Furthermore, a Mutual Recognition Agreement (MRA) with other countries which have adopted the AEO system would benefit AEO businesses in terms of expedited clearance, including through reduced inspection, among others.

㉠ Application for AEO Authorization

- ▲ Types of businesses eligible to apply for AEO authorization include export companies, import companies, certified customs brokers, bonded area operators, bonded transportation companies, stevedores, forwarders, shipping companies, and airlines.

» . Guide to Customs Audit and Investigation

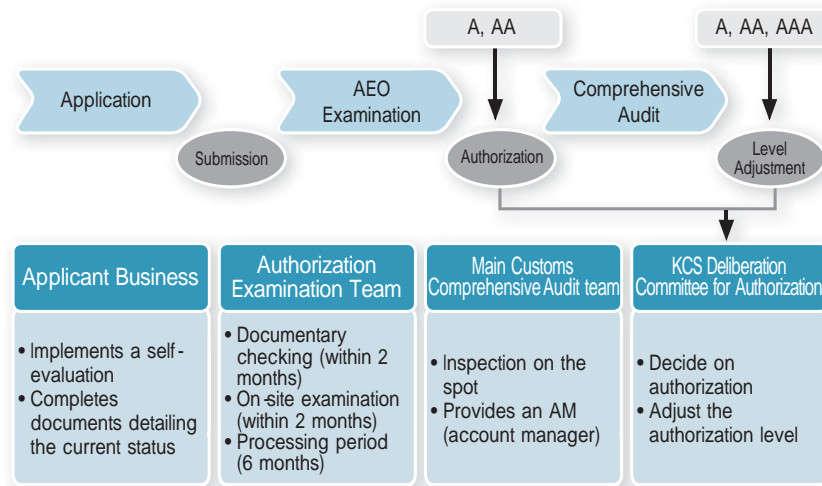


- ▲ To apply for AEO authorization, submit an application for the authorization with relevant documents through the Korea Customs Service UNI-PASS.

* Required documents : A self-evaluation list on the current status of export and import management to meet authorization standards A document which explains the current status of export and import management and supporting documents for it A copy of the business registration certificate A copy of corporation registration A document detailing the personal data of the CEO and chief manager Chief manager's certificate of education completion Best practices relating to export and import management (If there are any)

㉠ Examination Procedures for AEO Authorization

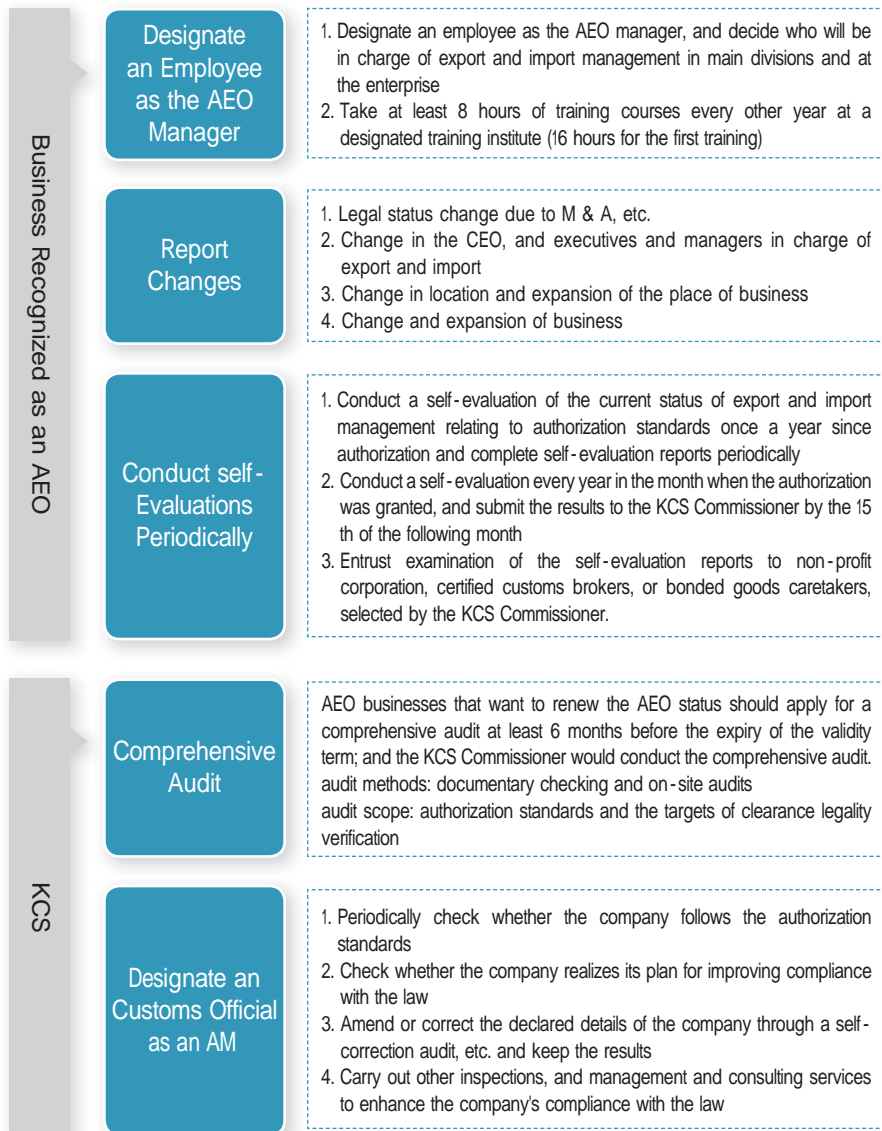
- ▲ The Commissioner of the Korea Customs Service conducts documentary checking based on the submitted documents. After on-site examination of safety management and others, whether to authorize the business as an AEO is decided at the Korea Customs Service's authorization deliberation committee.



AEO Post Management and Comprehensive Audit

- ▲ A business authorized as an AEO is required to implement post management to maintain the AEO status, and the post management includes reporting all kinds of changes that have taken place since authorization until the renewal period, conducting self-evaluations periodically, preparing for renewal and comprehensive audits, and other activities that should be done after the AEO authorization.
- ▲ An Account Manager (AM) is a customs official in charge of support for AEO companies who is designated as a partner to an internal AEO manager. A certain period of experience, or professional qualifications, in audit area, and integrity are some of the qualities considered in deciding who will become an AM.

▲ Post management activities are as follows:



For More Information ↓

Korea Customs Service, Audit Policy Division, 042-481-7784, 7628, and Korea AEO Association, 02-701-3325

06 • Compliance Checking

Overview

- ▲ In customs audit, key areas of audit and clearance requirements are verified. Businesses themselves thus need to check requirements under the laws before making import declarations. Laws to be Checked by Area

Laws to be Checked by Area

Areas	Laws
Key Areas of Audit	Customs Act
	Act on Special Cases concerning the Drawback of Customs, etc. Levied on Raw Materials for Export
	Foreign Exchange Transactions Act
	Foreign Trade Act
	Act on Special Cases of the Customs Act for the Implementation of Free Trade Agreement
Clearance Requirements	Quality Control and Safety Management of Industrial Products Act
	Electrical Appliances Safety Control Act
	Cosmetics Act
	Wildlife Protection and Management Act
	Food Sanitation Act
	Toxic Chemicals Control Act
	Wastes Control Act
	Control of Livestock and Fish Feed Act
	Clean Air Conservation Act
	Other laws

咧 Patterns Liable to Commit an Error Frequently

- ▲ Minor errors have been caught continuously in customs Audits; and many of them have been found frequently and repeatedly.
- ▲ For example, errors in fuel surcharges or commissions are some of the examples of simple customs duty issues that can easily be prevented with a little care on the part of importers or partners (e.g. customs brokers and carriers).
 - To avoid declaration errors in advance and make correct customs declarations, importers need to establish internal work manuals, and build close communication networks among clearance, financial affairs and purchase divisions, and with partner businesses (e.g. customs brokers), sharing information on duty payments with them.

咧 Legitimacy to be Verified in Clearance

- ▲ When detecting any violation, the head of the customs would impose additional duties, fines for negligence, or impose a penalty surcharge, or issue a notice of disposition, request charge, or notify other related institutions of the violation caught.
- In clearance, there have been frequent violations not just in goods subject to customs verification of clearance requirements (and export/import requirements) but also goods subject to export or import approval under the consolidated public notice made by the Minister of Trade, Industry and Energy (not subject to customs verification of clearance requirements), so please thoroughly check whether the export and import goods constitute one of the above-mentioned goods.
- ▲ Clearance requirements are covered by a total of 57 laws: 7 in health and food sanitation; 16 in social safety; 10 in environmental conservation; 13 in agricultural, fishery and livestock fields; and 11 other laws.

57 Laws Stipulating Clearance Requirements by Subject

Clearance Requirements	Social safety (16), health and food sanitation (7), environmental conservation (10), agricultural, fishery and livestock protection (13), and others (11)
------------------------	---

- Social Safety (16)

1. Control OF Firearms, Swords, Explosives, etc. Act, 2. Nuclear Safety Act, 3. Defense Acquisition Program Act, 4. Occupational Safety and Health Act 5. Weights and Measures Act, 6. High-Pressure Gas Safety Control Act, 7. Petroleum and Petroleum Substitute Fuel Business Act/ Urban Gas Business Act, 8. Safety Control and Business of Liquefied Petroleum Gas Act, 9. Electrical Appliances Safety Control Act, 10. Quality Control and Safety Management of Industrial Products Act, 11. Act on the Control of the Manufacture, Export and Import, etc. of Specific Chemicals and Chemical Agents for the Prohibition of Chemical and Biological Weapons, 12. Act on the Control of Narcotics, etc., 13. Framework Act on Telecommunications, 14. Radio Waves Act, 15. Foreign Exchange Transactions Act, 16. Protection of Communications Secrets Act

- Health and Food Sanitation (7)

1. Quarantine Act, 2. Food Sanitation Act, 3. Pharmaceutical Affairs Act, 4. Cosmetics Act, 5. Functional Health Foods Act, 6. Safety, Management, etc. of Human Tissue Act, 7. Medical Devices Act

- Environmental Conservation (10)

1. Motor Vehicle Management Act, 2. Act on the Control, etc. of Manufacture of Specific Substances for the Protection of the Ozone Layer, 3. Clean Air Conservation Act, 4. Drinking Water Management Act, 5. Noise and Vibration Control Act, 6. Toxic Chemicals Control Act, 7. Wildlife Protection and Management Act, 8. Act on the Promotion of Saving and Recycling of Resources, 9. Act on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal, 10. Wastes Control Act

- Agricultural, Fishery and Livestock Protection (13)

1. Act on the Prevention of Contagious Animal Diseases, 2. Agricultural Products Quality Control Act, 3. Agrochemicals Control Act, 4. Fertilizer Control Act, 5. Control of Livestock and Fish Feed Act, 6. Plant Protection Act, 7. Grain Management Act, 8. Ginseng Industry Act, 9. Seed Industry Act, 10. Processing of Livestock Products Act, 11. Livestock Industry Act, 12. Aquatic Life Disease Control Act, 13. Fisheries Act

- Others (11)

1. Cultural Heritage Protection Act, 2. Promotion of the Motion Pictures and Video Products Act, 3. Publishing Industry Promotion Act, 4. Game Industry Promotion Act, 5. Music Industry Promotion Act, 6. Tobacco Business Act, 7. Inter-Korean Exchange and Cooperation Act, 8. Local Tax Act, 9. Construction Machinery Management Act, 10. Liquor Tax Act, 11. Technology Development Promotion Act

㉠ Key Errors found in Examinations Which Deserve more Attention

▲ Not declaring production assists expenses

- This is a customs error commonly found in imported goods produced in overseas factories through Original Equipment Manufacturing (OEM) or by consignment production method. One of the examples would be failing to include in the import declaration other goods supplied, or value paid, separately from the direct payment made for the imported goods.

▲ Not declaring royalty and license fees

- If any rights to trademark, technology, etc. are embodied in the imported goods, the royalties for them should be added to the customs value of the imported goods, and failing to do so would be an example of errors.

▲ Influence of conditions or considerations

- When any conditions or considerations, including from a relationship in a transaction other than the import transaction concerned, have influenced the price of the imported goods, the importer should adjust the influence, or it would constitute an error.

▲ Limited use or disposition of imported goods

- One example would be limiting the use or disposition of the imported goods under the contract between the importer and exporter, enabling the goods to be imported at a lower price compared to goods which can be freely disposed of with no conditions attached.

- ▲ Declaring a lower value due to a special relationship
 - Declaring a lower value than the normal value because of the influence of a special relationship between the buyer (importer) and seller (exporter) on the import value would be an example.
- ▲ Declaring a lower value for goods imported for free
 - As goods imported free of charge do not have the "value actually paid, or to be paid, for" under the Customs Act, the value of such goods should be declared based on the transaction values of the identical goods and similar goods. Declaring any arbitrary value instead would constitute an error.
- ▲ Making a false declaration due to errors in commodity classification
 - Importers are required to classify the goods accurately in accordance with the tariff nomenclature. Failing to do so may lead to declaration of the value at a lower duty rate, which would constitute an error.
- ▲ Getting an inappropriate drawback
 - When an importer gets a drawback under the Act on Special Cases concerning the Refund (Act on Special Cases concerning the Drawback of Customs, etc. Levied on Raw Materials for Export), and the amounts of the drawback is more than he/she deserves, or the way of getting a drawback is fraudulent, this would be an error.
- ▲ Failing to meet clearance requirements
 - In case that an example shall meet requirements for permission, approval, recommendation, or certification, that should be fulfilled during clearance when goods are exported or imported.
- ▲ Violating country of origin description rules
 - It is required to mark the country of origin correctly on imported goods subject to country of origin description. Failing to mark the country of origin or marking it in a wrong way would be an error in this case.

For More Information ↓

Korea Customs Service, Planning and Audit Division, 042-481-7893

07 • Customs Penalties

㉠ Imposition-Payment Notice and Forced Collection

- ▲ A notice of tax payment by customs will be issued when a customs audit, etc. finds deficiency in the value declared and paid by importers.
- ▲ In case of duty delinquency, the delinquency disposition under the National Tax Collection Act will apply mutatis mutandis, and the delinquent duties will be subject to forced collection.

㉠ Customs Penalties

- ▲ Any violation found with the Customs Act, Act on Special Cases concerning the Drawback of Customs, etc. Levied on Raw Materials for Export, Foreign Trade Act, Foreign Exchange Transactions Act, and other relevant laws will be subject to a notice or request for prosecution.

Punishment Regulations Under Key Customs Laws:

Major Customs Offences	Details of Violation	Punishment
Export/import Prohibited Goods	Exporting or importing prohibited items for export or import (e.g. obscene materials, and counterfeit money and bonds)	<ul style="list-style-type: none">- No longer than 10 years in prison or no more than KRW 20 million in fines- Confiscation of prohibited goods /enforcement penalty for prohibited goods
Smuggling in	Failing to make an import declaration or importing goods different from ones declared	<ul style="list-style-type: none">- No longer than 5 years in prison or fines no more than the higher amount between 10 times more than the customs value and the production cost of the goods- Confiscation of goods smuggled in / enforcement penalty for goods smuggled in
Smuggling out	Failing to make an export (return) declaration or exporting goods different from the ones declared	<ul style="list-style-type: none">- No longer than 3 years in prison or fines no more than the production cost of the goods- Confiscation of goods smuggled out/ enforcement penalty for goods smuggled out

Major Customs Offence	Details of Violation	Punishment
Customs Duty Evasion	Making a false declaration of the customs value or customs duty rate, or importing without making a declaration of the customs value or customs duty rate	No longer than 3 years in prison or fines no more than the higher amount between 5 times more than the evaded amounts and the production cost of the goods
Illegal Exemption	Getting duty exemption illegally or evading duty payment for the goods mitigated and exempt from customs duties	No longer than 3 years in prison or fines no more than 5 times the mitigated and exempted (evaded) duty amounts
Illegal Drawback	Getting a drawback illegally	No longer than 3 years in prison or fines no more than 5 times the drawbacked duty amounts
Illegal Export/Import	Failing to meet import requirements, or meeting them illegally, and then partially importing finished goods prohibited from export/import, or import, as parts	(Illegal import) No longer than 3 years in prison or fines no more than KRW 30 million (Illegal export) No longer than 1 year in prison or fines no more than KRW 20 million (Partial import) No longer than 3 years in prison or fines no more than the production cost of the goods
Acquisition of Contraband Goods, Etc.	Acquiring, transferring, carrying, keeping, helping to find or assessing contraband goods (or illegally exported/imported goods)	- No longer than 3 years in prison or fines no more than the production cost of the goods - Confiscation of contraband goods/ enforcement penalty for contraband goods

唛 Penalties for Negligence

- ▲ Article 277 of the Customs Act provides for penalties for negligence to ensure compliance with export and import declaration obligations. Penalties for negligence imposed on violations are stipulated in the Foreign Trade Act, the Foreign Exchange Transactions Act and other laws as well as the Customs Act.
- ▲ Penalties for negligence are imposed on non-compliance with customs administration purposes, including failure to meet declaration obligations, so they are different from customs punishment imposed on direct violation against customs purposes.

唛 Additional Duties and Additional Dues

- ▲ Additional duties refer to the duties collected in addition to the computed customs duty in case of failure to meet any obligation prescribed in the Customs Act (Article 42, etc.).
- ▲ Additional dues include the insincere additional amounts collected in addition to the duties to be paid where the duty payer fails to pay the duties by the due date, and the arrear additional amounts collected in proportion to time that has passed since the due date if the duty payer still has not paid the duties after the due date as prescribed in Article 41 of the Customs Act.

08 • Non-Issuing of VAT Receipt for Tax Deduction

㉮ Issuing Cases

- ▲ In accordance with the Customs Act, an amended VAT receipt is issued when an importer makes an amended import declaration himself/herself, etc.* before the head of the customs determines or rectifies the tax base or the customs duty, regardless of whether the causes are attributable to the importer.

* Where the importer makes a final value declaration (Article 28 of the Customs Act) after a provisional value declaration; in case of self-correction (Article 38-2 of the Customs Act), amended declaration (Article 38-3 of the Customs Act) or a request for rectification (Article 38-3 of the Customs Act); in case of rectification following adjustment of the customs value of imported goods (Article 38-4 of the Customs Act); in case of a drawback (Article 46 of the Customs Act), or recovery of an excessive refund of customs duties (Article 47 of the Customs Act); and in case of a refund of customs duties for goods, etc. different from contract terms (Article 106 of the Customs Act)

㉮ Non-issuing Cases:

- ▲ An VAT receipt bill will not be issued when the head of a customs determines or rectifies the tax base or the customs duty after a customs post audit, etc., or when the importer anticipates that the tax base or customs duty will be determined or rectified, and then makes an amended declaration, after the following:

Notice of a customs post audit or an investigation into customs offences;
In choation of on-site examination of customs officials to gather tax data
or handle civil affairs, etc.; or
The cases as listed above

» . Guide to Customs Audit and Investigation

▲ Even in or , an amended VAT receipt may be issued if the importer's simple mistake has been found to be the cause of the case, or the importer proves that the cause is not attributable to him/her. For more information

For More Information ↓

Korea Customs Service, Audit Policy Division, 042-481-7862

Suspension of Customs Audit and Investigations for Job-Creating Businesses

㉮ Customs Post Audit can be Suspended for Businesses Working hard to Create Jobs.

▲ This programme has been implemented as a customs support measure to businesses since 2013 to reflect the overall economic difficulties.

㉮ Requirements for Suspension of Customs Post Audit:

Among corporations with no more than USD 100 million in import volume and at least 70 percent in the proportion of export (export to sales ratio) in manufacturing in 2014, those that have increased, or has a plan to increase, employment of full-time workers (Article 2(2) of the Circular on the Restriction of Special Taxation Act) by 4 to 10 percent in 2015 compared to the previous year and have submitted a "job creation plan" to the Korea Customs Service.

* Employment of a young worker (aged 15 to 29), older worker (aged 60 or older), or a disabled worker is equivalent to employment of 1.5 persons in calculating the number of full-time workers.

Employment growth rate required for suspension of customs post audit

Import Volume in 2014	Less than USD 10 Million	USD 10 million to 50 million	USD 50 million to 100 million
Employment Growth Rate	4% or higher	5% or higher	10% or higher

» . Guide to Customs Audit and Investigation

㉮ Customs Post Audit will be Suspended for a Year from the Date of Approval for the Suspension.

- ▲ Establishment and submission of a job creation plan to the Korea Customs Service webpage
- ▲ Notification of approval, after confirmation of the requirements
- ▲ Suspension of customs post Audit for one year from the date of approval

For More Information ↓

Korea Customs Service, Corporation Audit Division, 042-481-7973

10 • Duty Payers' Rights

㉮ Prohibition on abuse of the Authority to Conduct Customs Audit (Article 111(1) of the Customs Act)

- ▲ Customs Audit should be carried out to the minimum extent necessary to realize fair and reasonable taxation and ensure legality in clearance.
→ It is not allowed to abuse the authority to conduct the audit for other purposes.

㉮ Rights to Reject Duplicate Customs Audit (Article 111(2) of the Customs Act)

- ▲ Duplicate customs audit into one transaction that had already audited is prohibited, except in the following cases:

Where there exists explicit evidence corroborating a suspicion of a duty evasion, etc.;

Where it is necessary to audit a trading partner of a person who has been audited;

Where an audit is conducted based on a decision to take a necessary disposition rendered as an objection, any request for evaluation or adjudication filed under this Act is deemed reasonable; or,

Where overall audit is conducted against persons who have been on suspicion of duty evasion, and other cases prescribed by Presidential Decrees.

📢 Rights to get help from Customs Brokers, etc. (Article 112 of the Customs Act)

- ▲ Those under customs audit may have lawyers, certified customs brokers, or persons with customs expertise participate in the audit or give opinions.

📢 Assumption of Duty Payers' Good Faith (Article 113 of the Customs Act)

- ▲ Customs officials should assume that duty payers would be acting in good faith and submit a declaration completed with sincerity, except in cases where the duty payer has failed to fulfill his/her obligation, including the obligation to make declarations, or where there is explicit evidence for duty evasion.

📢 Rights to get a Prior Notice (Article 114 of the Customs Act)

- ▲ Prior to a customs audit, a notice with details on the audit areas and reasons should be sent to the duty payer (including mandator) subject to the audit 7 days before the start of the audit.

(Exceptions)

In case of an investigation into a criminal violation; or
Where a prior notice may lead to destruction of evidence, etc., making it difficult to achieve the investigation goals

📢 Rights to get informed of the Audit Results (Article 115 of the Customs Act)

- ▲ After the completion of the customs audit, the audit results should be issued in writing to the duty payer, except in cases where the duty payer's business has shut down, etc.

㉮ Confidentiality of Customs audit Information (Article 116 of the Customs Act)

- ▲ Customs officials are prohibited from providing or leaking materials submitted by duty payers or obtained while doing their job, and from using them for other purposes than audit intended.

㉮ Rights to get Customs information (Article 117 of the Customs Act)

- ▲ When duty payers request information they need to exercise their rights, customs officials should immediately provide such information, and other related information deemed necessary for the duty payers as well.

㉮ Recent Revisions to Customs Laws

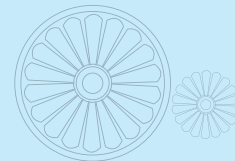
- ▲ Extension of the period for duty payers to request rectification (Articles 38-3 and 38-4 of the Customs Act):
 - 3 years → 5 years from the date of duty payment
- ▲ Extension of the extinction period of the authority to collect large amounts of customs duties (Article 22 of the Customs Act):
 - 5 years regardless the volume of the amounts of customs duties to be collected → 10 years for KRW 500 million or more; and 5 years for less than KRW 500 million in the amounts of customs duties to be collected
- ▲ Change in the grounds for calculation of the additional duty interest rate on deficient duty amounts (Article 42 of the Customs Act):
 - Time deposit interest rate (4.74% annually) → overdue loan (10.95% annually)

Expanded Exemption of Additional Duties on Deficient Duty Amounts
[Article 39-3 of the Decree of the Customs Act])

	Before Revision	After Revision
1. Amended declaration before the acceptance of the import declaration	Additional duties + interest	<No change>
2. Duty payment after a provisional value declaration	Additional duties + interest	<No change>
2-2. Amended declaration of duty amounts payable after the determination of the advance customs value ruling	Additional duties	<No change>
3. Errors in exemption target or exemption rate	Additional duties	<No change>
3-2. Amended declaration within 1 year and 6 months from the end of the self-correction period (except for cases where the duty payer anticipated that there would be rectification)	<Newly established>	- Within 6 months: 20% of additional duties - Within 1 year and 6 months: 10% of additional duties
4. Goods for the government	Additional duties + interest	<No change>
4-2. Delayed decision of pre-taxation deliberation	<Newly established>	50% of the interest during the delayed period
5. When the duty payer has a justifiable reason for deficient amounts of duties	Additional duties + interest	<No change>

*Additional duty: 10% of the deficiency

Guide to Appeal and Dispute Settlement



Overview 01

Request for Review over Audit
Result Prior to Tax Notification 02

Procedures of Appeal and
Dispute Settlement 03



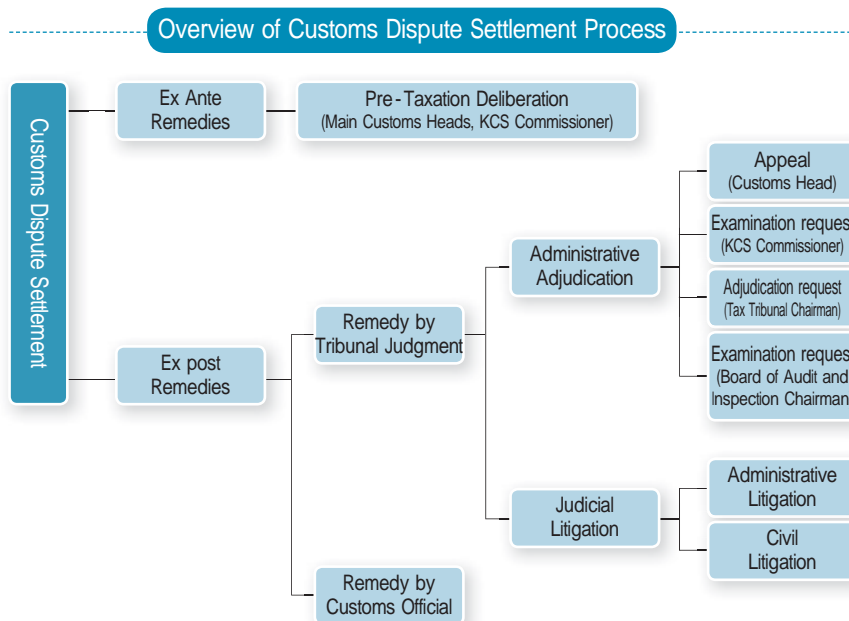




01 • Overview

㉠ Remedies in customs Dispute

- ▲ Remedies in customs dispute are divided into ex ante remedies and ex post remedies, and here is how they work:



📌 Procedures of Objection to an Administrative Disposition:

	Pre - Taxation Deliberation	Ex Post Remedy
Common Features	<ul style="list-style-type: none">• Start by request• Ex officio trial examination; nemo iudex sine actore; and verbot der reformatio in peius• Adversary system; committee deliberation; and the results with binding effects on the office in charge of the disposition	
Differences	<ul style="list-style-type: none">• Ex ante administrative procedures• Suspension of execution (except in cases where the end of the limitation period has arrived)• objection allowed not to the deliberation results itself but to the disposition based on the deliberation results	<ul style="list-style-type: none">• ex post administrative procedures• non-suspension of execution

㉠ You will get written Notice before Taxation.

- ▲ The head of the customs should notify the duty payer in writing before imposing deficient duties; but there are cases where the head of the customs may skip the notification, such as when the limitation period comes to an end within 3 months.

㉠ Requirements to Request for Pre-Taxation Deliberation

- ▲ (Request period) Apply for pre-taxation deliberation within 30 days from the date on which you receive pre-taxation notice.
- ▲ (Requesting agency) In principle, a pre-taxation deliberation request should be made to the head of a main customs; but the request can be made to the Commissioner of the Korea Customs Service in exceptional cases.
Duty payers may appoint a lawyer or customs broker as their representative.

㉠ Effects of a Pre-Taxation Deliberation Application

- ▲ The head of the customs would have to postpone rectification and notification until the institution in charge of final determination makes a decision, but the postponement may not continue if the limitation period ends.
- ▲ The head of the customs or the Commissioner of the Korea Customs Service should decide what to do with the request within 30 days from the date of the request through deliberation at the Customs Appeal Committee.

㉠ Effects of the Decision on a Pre-taxation Deliberation Request

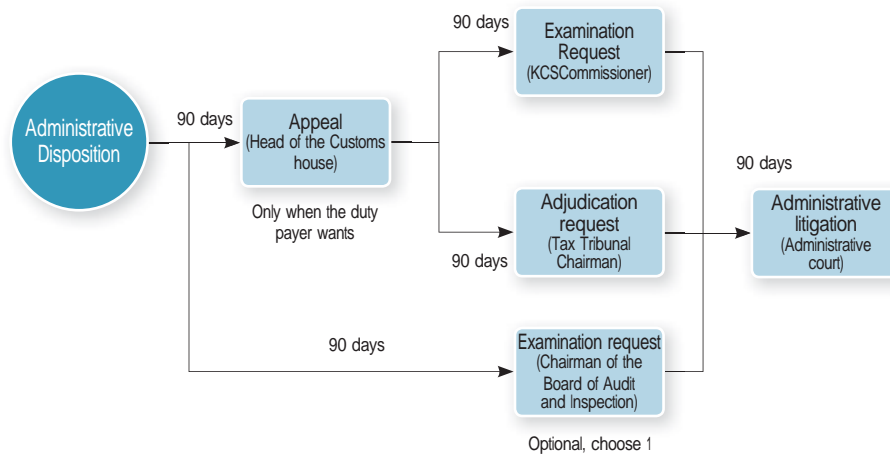
- ▲ The decision made on an request for pre-taxation deliberation has binding effects just like the decision on an appeal or an examination request.

The claimant may not raise an objection to taxation disposition based on the decision made on the pre-taxation deliberation request.

03

Procedures of Appeal and Dispute Settlement

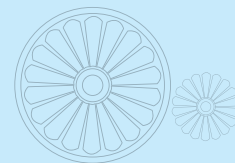
- ▲ When disagreeing with the customs administrative disposition of the customs, duty payers can secure their rights through customs administrative remedies.



- ▲ The period and institution for request by type of remedies are as follows:

Remedy Type	Request Period	Institution	Decision Period	Note
Pre - taxation Deliberation	30 days	Heads of main Customs/ KCS Commissioner	30 days	(KCS Commissioner) KRW 500 million or more
Appeal	90 days	Heads of Customs	30 days	If the Duty Payer wants
Examination Request	90 days	KCS Commissioner	90 days	Optional/ Choose 1
Examination Request to the Board of Audit and Inspection	90 days	Chairman of the Board of Audit and Inspection	3 months	
Adjudication Request	90 days	Chairman of the Tax Tribunal	90 days	
Administrative Litigation	90 days	Administrative Court	-	3 - Tiered Judicial System

Self-Checking and Customs Counselling



Self-Checking List 01

Customs Counselling Services for Traders 02







01 • Self-Checking List

Check yourself by stage (e.g. production, contract, purchase, transportation, clearance and sale) for risk management.

* Customs risk : " " - there is a risk of customs errors; 'x' - there is no risk of customs errors; and 'n' - not related to customs duties

Stage	Item	Customs Risk	Other Risks	Risk Management
Production	Production costs of the producer			
	Profits and general expenses			
	Production assists expenses (Goods and services)			
	Export subsidies	n	Imposition of countervailing duties	
Contract Purchase	Commissions and brokerage fees (Purchase commissions not included)			Pre-Examination of customs value (APR/ACVA)
	Abnormal advertisement costs, and business management services			
	Debt repayment			
	Costs of obligatory overseas training under sales conditions			
	Separate indirect payment			
	General commercial transaction price discount	x		
	Advance payments not made			
	Royalties and licence fees			

» . Self-Checking and Customs Counselling

Stage	Item	Customs Risk	Other Risks	Risk Management
Contract purchase	Illegal issuance of a certificate of origin		Supplementary collection	Compliance with regulations
Packaging	Separately paid box and packing charges (Including labor costs and materials expenses)			Correct declaration
	Country of origin description (False, misleading, damaged and modified or negative descriptions, or non - descriptions)	n	Administrative sanction, and punishment	Compliance with regulations
Transportation	Freight (Including for carriage within the exporting country and international carriage)			Correct declaration
	Insurance premiums			Correct declaration
	Export clearance costs			Correct declaration
Arrival and Cargo Handling	Costs incurred until the completion of preparation for loading the ship			Correct declaration
	Costs incurred after the completion of loading the ship	x		
Clearance	Clearance fees	x		
	Taxes and public utilities' charges in the importing country	x		
	errors in tariff classification			Advance classificationruling
	Undervalued declaration			APR and ACVA, and sharing the company's internal taxation information
	Illegal exemption of customs duties			Checking exemption and mitigation requirements
	Application of additional value or methods 2 through 6 for customs value determination			Correct declaration

Stage	Item	Customs Risk	Other Risks	Risk Management
Clearance	- Not considering the fact that import goods are not sold for export to Korea (goods imported for free, goods imported on consignment, goods sold under the exporter's responsibility, goods imported by a branch, etc., goods on lease, and goods whose destruction cost is borne by the shipper)			
	- Not considering the influence of conditions and circumstances (e.g. the value determined under the condition that other goods be purchased, the value determined based on the price of the seller's other goods, condition that goods that have already been used be returned, condition that part of finished goods be given after supply of half-finished goods, compensation trade, and compensation deal, etc.) on the price			
	- Not considering the influence of limited disposal and use (E.g. for ads, exhibitions, education, or selling or leasing only to a particular person) on the price			
	- Not considering the influence of a special relationship on the price			ACVA
	Customs value audit before the acceptance of the import declaration		Withholding of clearance	Correct declaration
	Failure to meet requirements for importing goods subject to customs verification	n	Withholding of clearance	AEO
	Selection of items to be controlled and stricter import clearance inspection	n	Goods inspection	
	Protection of intellectual property rights	n	Withholding of clearance	Parallel import

» . Self-Checking and Customs Counselling

Stage	Item	Customs Risk	Other Risks	Risk Management
Foreign Exchange	Failure to recover debt; capital movement in the disguise of trade; failure to report a setoff (between the creditor and the debtor); failure to report payment and receipt by a person other than the party concerned (repayment in a different currency, and payment and receipt by a third party); failure to report payment and receipt which do not involve a foreign exchange bank; flight of domestic properties abroad; and money laundering	n	Administrative sanction, and punishment	Report to the foreign exchange authorities
Duty Payment	Unfairly enjoying the FTA preferential tariff			Certificate of origin
	Failure to declare freight, insurance premiums, commissions, production assists expenses, or box and packing expenses			Correct declaration
	Declaration of the deficient amounts and revision of the value		Interest for the period	Within 6 months
	Amended declaration of the duty amounts not paid		Additional duties	Correct declaration
	Claim for rectification		Overpayment	Within 2 years
Domestic Carriage	Freight after importation	x		
	Insurance premiums	x		
Installation	Costs of installation, repair, maintenance, etc. incurred after importation	x		
Domestic Sale	General commissions (goods on consignment)	x		
	Profits and general expenses (purchased goods)	x		
	Post-import benefits (subsequent proceeds)			Provisional value declaration
	Post management of goods mitigated and exempted from duties	n	Supplementary collection of the mitigated and exempted duty amounts	Compliance with post management requirements

Stage	Item	Customs Risk	Other Risks	Risk Management
Customs Post Audit	Failure to meet export/import requirements and comply with the procedures - Violations of 57 laws on health and food sanitation, social safety, environmental protection, agricultural, fishery and livestock protection, etc. (including violation of import requirements for goods subject to customs verification of clearance requirements)	n		Checking import requirements for each HS code
	Failure to declare the customs value, etc.			APR and ACVA
	Control of country of origin description violations, comprehensive audit, foreign exchange investigations, and customs crime investigations	n	Administrative sanction, and punishment	Compliance with regulations
Remedy	Dissatisfaction at customs dispositions and administrative dispositions	n		Remedies
Export	Unfair or excessive drawback		Administrative sanction, and punishment	Checking errors, including in calculation of the yield ratio
	Foreign customs' request for country of origin investigations or verification	n	Loss of export customers	Approved exporter
	High customs inspection rates and delayed clearance process in the importing country	n	loss of export customers	AEO

02 • Customs Counselling Services for Traders

㉠ Get Customs Counselling Services from the Customs Customer Service Center.

- ▲ The Customs Customer Service Center provides a "one-call, total service" in all customs administration fields (e.g. export and import clearance, FTA, commodity classification, valuation and exemption, express cargo and passenger personal effects clearance, bonded cargo, and drawback).

㉠ If you want Telephone Counselling Services,

- ▲ Call 125 without an area code wherever you are in Korea (overseas : 82-2-3438-5199).
- ▲ Since December 2014, the smuggling report center has been integrated into the Korea Customs Service 125 call center: extension 10 for smuggling report; and extension 20 for customs counselling.
- ▲ The service is provided from 9 AM to 6 PM on weekdays (closed on holidays, and Saturdays and Sundays). At night, make a reservation through an automatic response system, and you can get the first counselling services the next day.

㉠ If you want Online Counselling Services,

- ▲ Go to the Customs Customer Service Center webpage (<http://call.customs.go.kr>) and post your question on the online counselling section.
- ▲ Search Q&A and FAQ of the online counselling section of the webpage for similar counselling cases.

🗣️ If you want face-to-face counselling services,

▲ Make a reservation over the phone (02-3438-5113) and then visit the Customer Service Center to get counselling services in person.

▲ Address : Room# 706, Building 2, Government Complex-Gwacheon 47 Gwanmun-ro, Gwacheon-si, Gyeonggi-do



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TEL : (042)481-7973 FAX : (042)481-7989

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TEL : (02)545-6188

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