
Foreign Investment-related Customs Policy Trends

[1H 2024]

April 2024

This document focuses on the changes in customs policies in the first half of 2024 for the protection of the rights and interests of foreign investors, taxpayers, etc. and promotion of their convenience. For inquiries, please contact the Korea Customs Service officer dispatched to the Foreign Investor Support Center of KOTRA (Tel.: +82-2-3497-1061).

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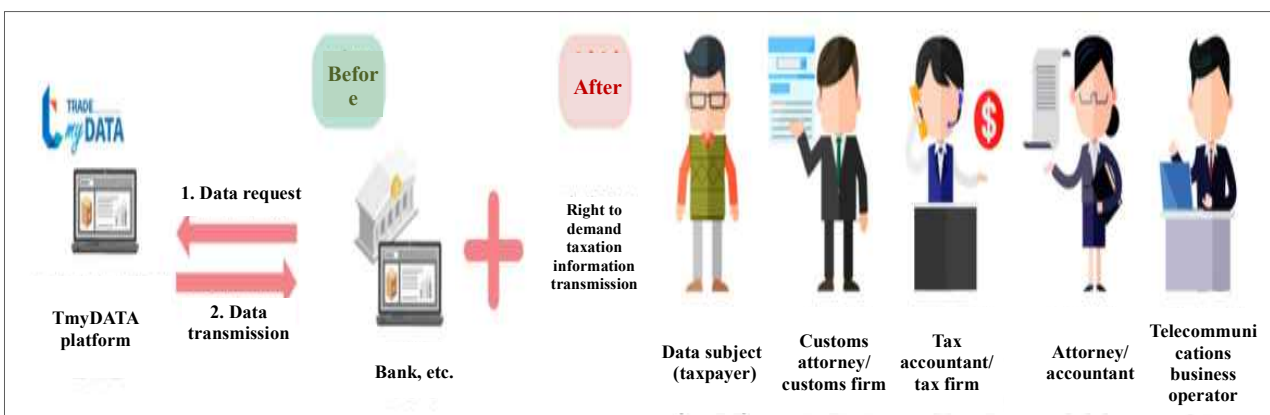
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1 Establishment of right to demand a taxpayer to send his or her taxation information

- The right for a taxpayer (enterprise) **to demand to send his or her taxation information** to a customs attorney, etc. * shall be newly established** **to improve the convenience of taxpayers** and contribute to **corporate competitiveness** by promoting corporate trade data use.

* Data subject, customs attorney, tax accountant, and telecommunications business operator prescribed by Presidential Decree

** The entities that can be provided with taxation information was previously limited to public organizations, financial institutes, etc. (private companies excluded)



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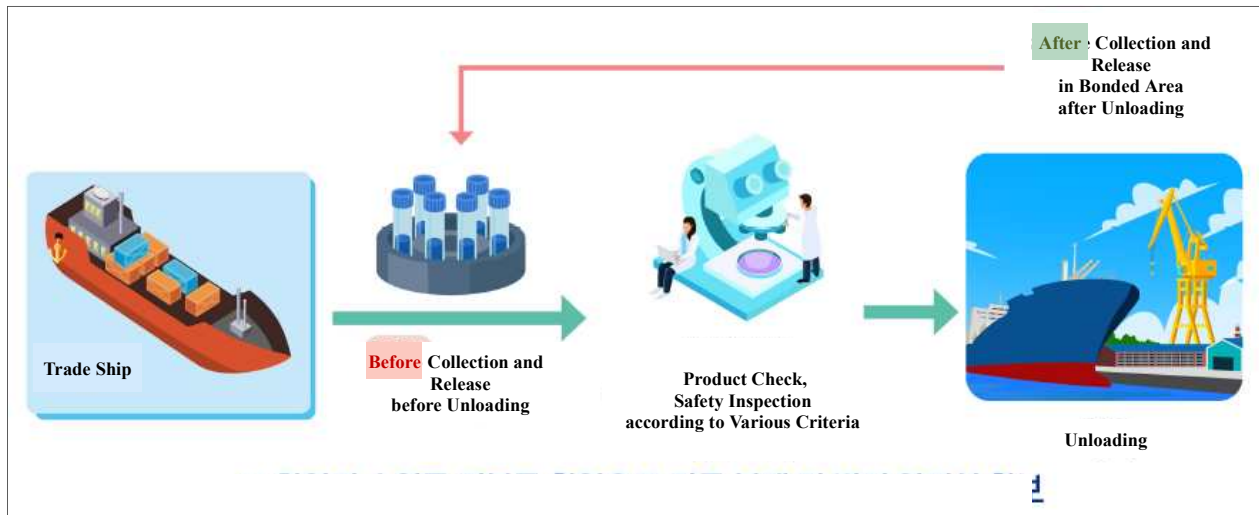
Before Amendment	<ul style="list-style-type: none"> Company S forwards provisional price declaration data downloaded directly from TmyDATA platform to customs attorney A, who implements the confirmed price declaration.
After Amendment	<ul style="list-style-type: none"> Company S accesses the TmyDATA platform and requests that the company's provisional price declaration data be sent to customs attorney A every year, and A implements fixed price declaration immediately after receiving the provisional price declaration data of S.

- [Expected Benefits]** The increased rate of private company trade data use contributes to MyData industry promotion and strengthens corporate competitiveness

- [Date of Enforcement]** Scheduled for enforcement on Jul. 1, 2024 (Article 116-6 of the Customs Act newly inserted)

2 Preparation of grounds for shipboard sampling extraction and release

- Foreign items are permitted to be **sampled and released** from an **international trade ship** to ease the difficulties experienced in the import industry and secure legal stability.



※ As samples of imported item are checked before unloading, various disputes are prevented and legal stability is secured

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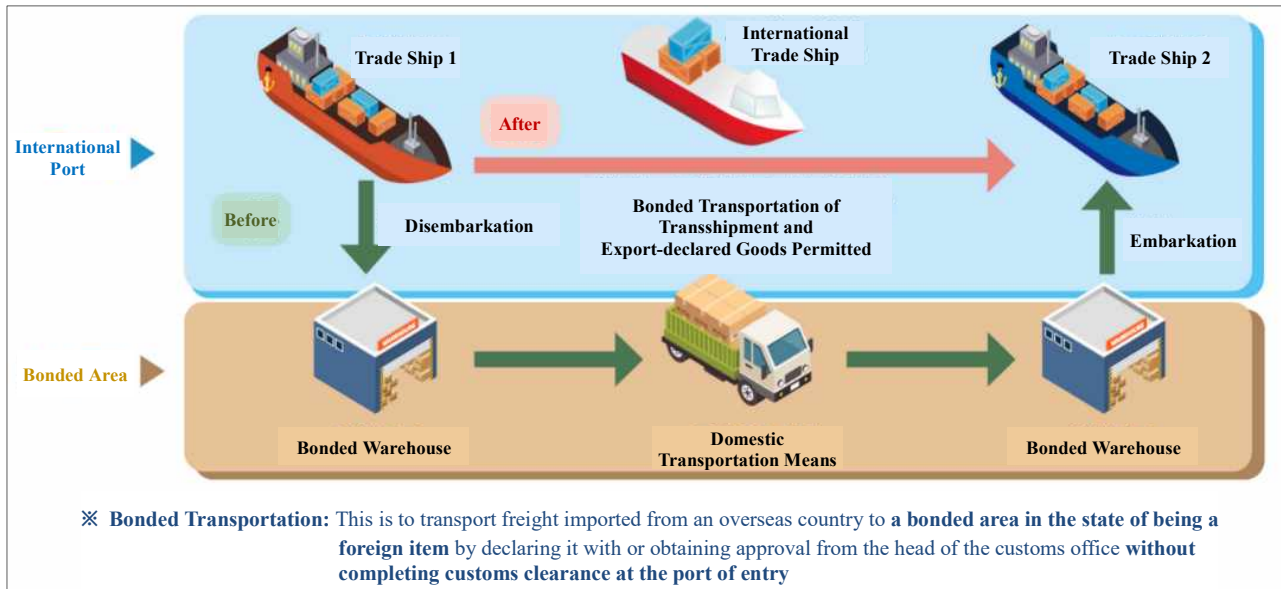
Before Amendment	<ul style="list-style-type: none"> As samples of imported crude oil are collected after the item is carried into the bonded area, it cannot be determined if the time of contamination—if the item is contaminated—is before, after, or during unloading (crude oil contamination check required for damage compensation)
After Amendment	<ul style="list-style-type: none"> As crude oil samples can also be collected on board, contamination of the item can be checked before unloading

- 【Expected Benefits】** Procedures for securing samples before unloading crude oil, grains, etc. from a ship are established to resolve the difficulties experienced in the import industry and secure legal stability
- 【Date of Enforcement】** Enforced on Jan. 1, 2024 (Article 161 (1) and (4) of the Customs Act amended)

3 Introduction of special procedures for bonded transportation using international trade ships within international ports

- Procedures for the **bonded transportation of transshipment goods and goods that completed export declaration using international trade ships*** within an **international port** (e.g., Busan New Port -> Busan North Port) are established to **support the inducement of transshipment goods** and strengthen **export competitiveness**.

* In the past, bonded transportation was possible only through domestic transportation means (truck, domestically operated ship, etc.)



<Case>

Before Amendment	<ul style="list-style-type: none"> • For the bonded transportation of transshipment containers from Busan New Port to Busan North Port, Company A can only use vehicles
After Amendment	<ul style="list-style-type: none"> • For the bonded transportation of transshipment containers from Busan New Port to Busan North Port, Company A can use international trade ships in addition to vehicles; thus saving transportation time and cost

- 【Expected Benefits】** As bonded transportation for transshipment goods, etc. using international trade ships within an international port is permitted, inducement of transshipment goods is supported and export competitiveness is strengthened

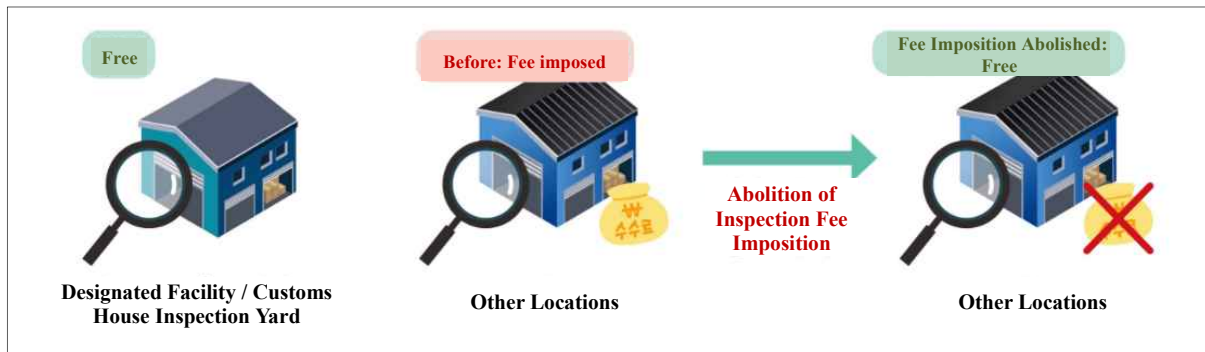
- 【Date of Enforcement】** Enforced on Jan. 1, 2024 (Article 220-2 of the Customs Act, newly inserted)

※ Applied to bonded transportation declarations after the enforcement date of the Enforcement Rules

4 Abolition of imposition of import and export goods inspection fee

- The **import and export goods inspection fee*** imposed on the declarer when a customs officer inspects the item in a location other than the customs house inspection yard is **abolished** to **ease the burden of inspection fees** on import and export companies operating bonded warehouses.

* Basic fee (KRW 2,000 per hour) + amount equivalent to actual cost



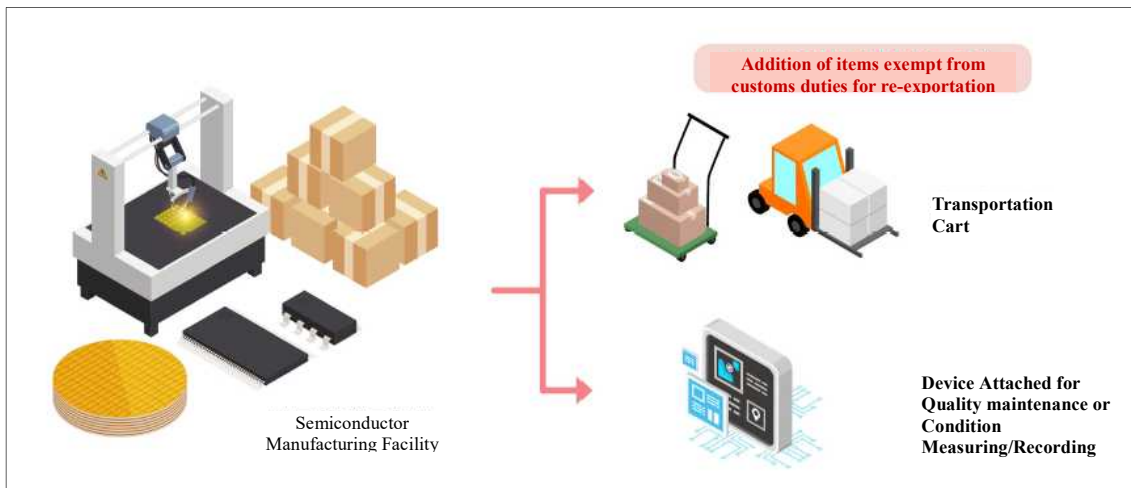
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Before Amendment	<ul style="list-style-type: none"> A, a company operating a bonded warehouse, pays a set amount as inspection fee each time it undergoes import (return) inspection and needs to pay attention not to omit the fee payment
After Amendment	<ul style="list-style-type: none"> Company A need not pay the inspection fee, and the declarer or bonded warehouse operator need not check for the issuance of the bill for inspection fee

- 【Expected Benefits】** The burden of inspection fees on import and export companies operating bonded warehouses is eased, and the inconvenience in operation processing is resolved
- 【Date of Enforcement】** Enforced on Jan. 1, 2024 (Article 247 (3) of the Customs Act amended)

5 Addition of items subject to exemption of customs duties for re-exportation

- In the scope of items subject to exemption of customs duties for re-exportation,** transportation carts imported together with semiconductor manufacturing facilities and devices attached to the facilities to maintain their quality or measure and record their conditions in the course of transportation were added in order to strengthen the export competitiveness of the semiconductor manufacturing facility industry.



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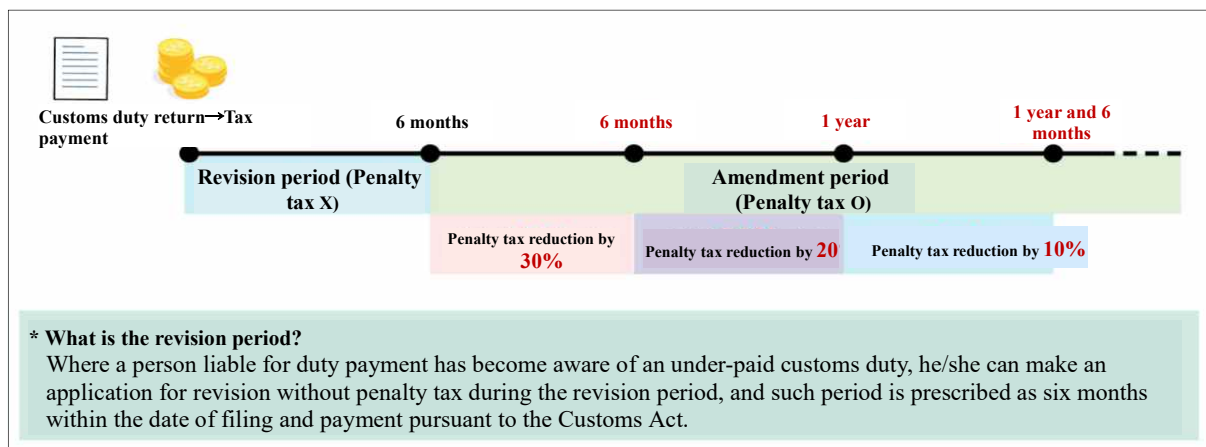
Before Amendment	<ul style="list-style-type: none"> • While importing A, a device attached to a semiconductor manufacturing facility to maintain the quality of the facility in the course of transportation, Company H paid tariffs for the transportation container for A along with A
After Amendment	<ul style="list-style-type: none"> • Company H reduced production costs by receiving tariff exemption on transportation containers used to transport goods and A attached to facilities for quality maintenance.

- 【Expected Benefits】** The export competitiveness of the semiconductor manufacturing facility industry is strengthened
- 【Date of Enforcement】** Enforced on Jan. 1, 2024 (Article 50 of the Enforcement Rules of the Customs Act amended)

6 Raise of penalty tax reduction rate for under-declaration of customs duty when filing an amended duty return

- For customs duties not paid by the due date for payment (unpaid customs duty) and the amount of customs duties that is under-filed (under-filed amount), the reduction rate of penalty tax additionally collected shall be raised according to the time elapsed.
- In detail, if amended duty return is filed ① **within 6 months** of expiration of the **revision period**^{*}, the penalty tax reduction rate is raised from the existing **20% to 30%**; if the amended duty return is filed ② **after 6 months and within 1 year**, the penalty tax reduction rate is raised from the existing **10% to 20%** to ease taxpayers' burden.

* Within 6 months of the date of customs duty filing and payment



<Case>

Before Amendment	<ul style="list-style-type: none"> • Company S applied for a revision three months after the revision period and received a reduction of KRW 16 million, which is 20% of the penalty tax (KRW 80 million) on the under-paid amount (KRW 800 million)
After Amendment	<ul style="list-style-type: none"> • Company S applied for a revision three months after the revision period, and received a reduction of KRW 24 million, which is 30% of the penalty tax (KRW 80 million) on the under-paid amount (KRW 800 million)

- 【Expected Benefits】** Taxpayers' rights and interests are protected as the reduction rate of penalty tax for under-filed customs duty is raised.
- 【Date of Enforcement】** Enforced on Jan. 1, 2024 (Amendment of Article 42-2 of the Customs Act)

7 Expansion of items subject to compensation for damage during goods inspection

- For damage done to goods during goods **inspections** conducted by the customs office, the goods subject to compensation shall be expanded to include the **packaging containers, transportation means, etc.** in addition to the goods subject to inspection in order to **protect the rights and interests of taxpayers.**



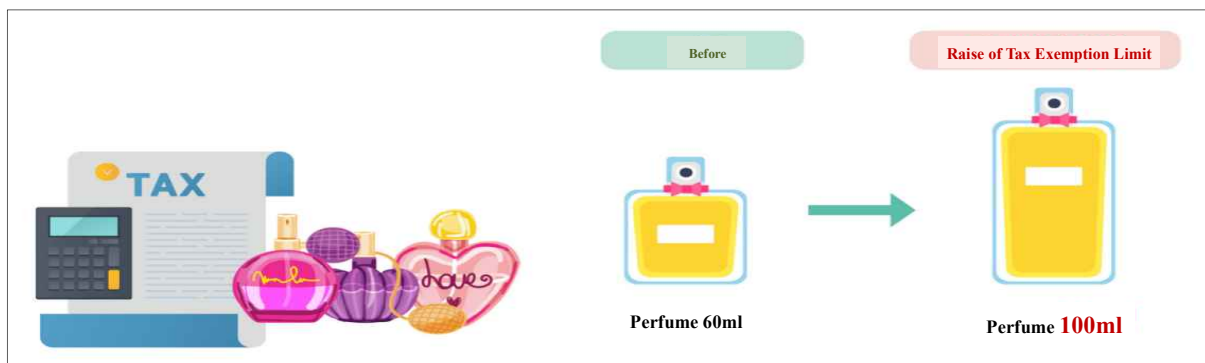
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Before Amendment	<ul style="list-style-type: none"> • For an item that Company A intends to import, a damage occurred in the goods and container subject to inspection while inspection was conducted by OO customs office. However, A was compensated only for the damaged goods.
After Amendment	<ul style="list-style-type: none"> • For the same case, Company A was compensated for the damage of not only the goods but also the container where the goods are loaded.

- **【Expected Benefits】** With the expansion of goods subject to compensation, customs duty payers’ rights are protected and customs officers can more actively engage in goods inspection.
- **【Date of Enforcement】** Enforced on Mar. 1, 2024 (Amended Article 246-2 (1) and (2) of the Customs Act amended)

8 Raise of customs duty exemption limit for perfume, an item subject to separate customs duty exemption as travelers' personal effects

- In line with the changes in the economic conditions such as increase in the national income and raise of the customs duty exemption limits for travelers' personal effects, the **tax exemption limit for perfume – an item subject to separate customs duty exemption as travelers' personal effects - is upgraded** from 60 ml to **100 ml** to **improve citizens' convenience** and support duty-free businesses.



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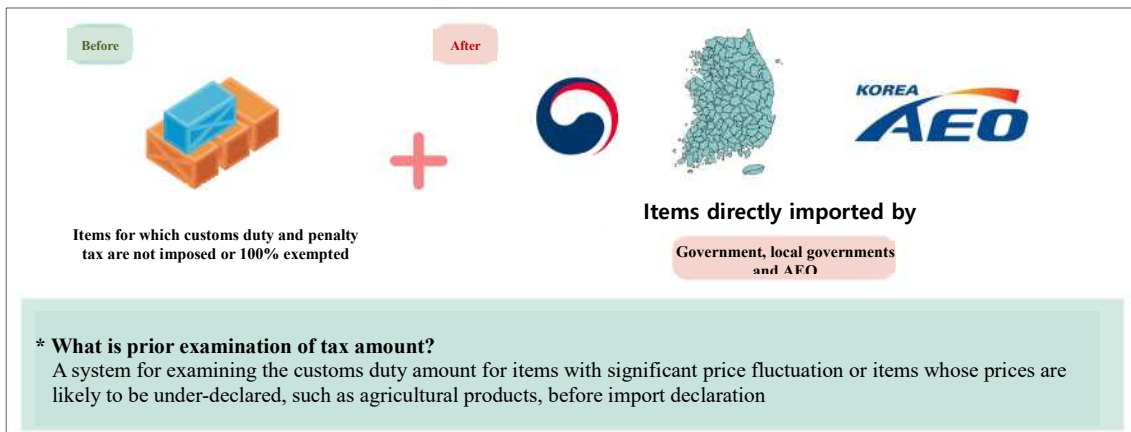
Before Amendment	<ul style="list-style-type: none"> Traveler A visited OO duty-free store to buy perfumes before his departure for overseas travel. Due to the customs duty exemption limit on perfumes, however, he only purchased a 50 ml perfume, which is within the customs duty exemption limit.
After Amendment	<ul style="list-style-type: none"> Traveler A can buy not only the 30ml and 50ml perfumes but also the 100 ml perfume from OO duty-free store. As such, various options are guaranteed, and the benefits of customs duty exemption are increased.

- 【Expected Benefits】** The customs exemption limit for perfumes, which has been fixed since 1979, is raised to improve citizens' convenience and support duty-free businesses.
- 【Date of Enforcement】** Enforced on Jan. 1, 2024 (Amended Article 48 (3) of the Enforcement Rules of the Customs Act)

9 Expansion of eligibility for omission of prior examination of tax amount

- Improve taxpayers' convenience by expanding the eligibility for omission of prior examination of tax amount to include items directly imported by the government (including institute recommending concession tariff applied to the WTO TRQ and recommendation agency), local governments, and AEO* (limited to import).

* Authorized economic operator (AEO) refers to any of the excellent companies certified by the Korea Customs Service through a review on legal compliance, internal control system, financial integrity, and appropriateness of safety management certification criteria



<Case>

Before Amendment	<ul style="list-style-type: none"> • Company C, an AEO for import and export safety management in the import category, received various swift customs clearance benefits. For the importation of an item subject to prior examination of tax amount, however, company C experienced the inconvenience of having to go through the prior examination of tax amount before customs clearance without exception.
After Amendment	<ul style="list-style-type: none"> • When company C, an AEO for import and export safety management in the import category, imports an item subject to prior examination of tax amount, swift customs clearance is possible because prior examination of tax amount is omitted.

- 【Expected Benefits】** Taxpayers' convenience is improved and administrative waste is prevented as the eligibility for omission of prior examination of tax amount is expanded.
- 【Date of Enforcement】** Enforced on Dec. 27, 2023 (Amended Tax Payment Processing Instructions)

10 Preparation of legal grounds for the establishment of a dedicated institute for UNI-PASS operation

- The **publicness, responsibility, and expertise** of the **customs information system (UNI-PASS*) operation** are improved as the legal grounds for system operation was established by changing the UNI-PASS operation from the current private consignment system (designated operator) to **operation by a public organization**.

* An integrated system of data processing facilities, database, and information and communication network is established with the goal of improving the convenience of electronic customs clearance, facilitating import and export processing, and enhancing trade safety.

※ With the designation of a public organization, management and supervision by the National Assembly and citizens are strengthened such as through the Parliamentary inspection of the Administration and management disclosure

<Case>

Before Amendment	<ul style="list-style-type: none"> • The Korea Customs Service designated A, an eligible private company, as a UNI-PASS operator and entrusted it with system operation and maintenance
After Amendment	<ul style="list-style-type: none"> • As a special-purpose entity dedicated to UNI-PASS operation and maintenance, the Korea Customs Information Center is established to improve the stability of system operation

- 【Expected Benefits】** The publicness, responsibility, and expertise of UNI-PASS operation are strengthened through the establishment of the Korea Customs Information Center, a special-purpose entity.

- 【Date of Enforcement】** Scheduled for enforcement on Jul. 1, 2024 (Amended Article 327-2 of the Customs Act)

11 Establishment of clause for administrative fine imposition on bonded transportation using transportation means different from one that was declared

- The legal grounds for **banning bonded transportation using transportation means other than the one declared before departure** from the bonded area and imposing administrative fines for violation have been established.
- As a result, the **stability of bonded transportation management is strengthened by blocking illegal conducts that disrupt customs order** such as changing items during transport, the **risk of smuggling** of unauthorized items is **removed**, and **citizens' health and social safety** are consequently **enhanced**.

<Case>

Before Amendment	<ul style="list-style-type: none">• Bonded transportation company A declared bonded transportation using a vehicle numbered 1234 but actually used a vehicle numbered 5678, but was not imposed with any administrative disposition.
After Amendment	<ul style="list-style-type: none">• Bonded transportation company A declared bonded transportation using a vehicle numbered 1234 but actually used a vehicle numbered 5678, and was imposed with an administrative fine.

- 【Expected Benefits】** Bonded transportation management safety is strengthened, and the risk of smuggling is prevented as bonded transportation using unregistered vehicles is prevented.
- 【Date of Enforcement】** Enforced on Jan. 1, 2024 (Amended Article 216 and Article 277 (5) of the Customs Act)

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