



# eBook on East Asia Customs Procedures

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The Republic of Korea



An EABC Publication



# **eBook on East Asia Customs Procedures**

*An EABC Publication*

**December 2019**



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## MESSAGE FROM CHAIRMAN

Blessed with geographical proximity, cultural affinity, close business ties and natural advantages for trade and economic cooperation, East Asia is one of the regions in the world with the most potential and development prospects. Since its establishment in 2004, East Asia Business Council (EABC) has always held the belief that cross-border trade, investment liberalization and facilitation are the prerequisites and foundations for East Asian countries to



promote industrial advancement, reduce unemployment and improve the quality of economic development. EABC has long been devoting to reducing trade and investment barriers and facilitating enterprises to carry out cross-border trade and investment.

In 2018, EABC agreed to compile eBook on East Asia Customs Procedures and listed it as a top priority in the Council's annual work in 2019. Today, the eBook is officially launched, with the expectation to strengthen regional economic and trade information sharing and further improve trade facilitation and connectivity among East Asian countries.

The eBook on East Asia Customs Procedures covers the guides of Customs procedures in 13 countries in East Asia, with 24 major items related to the Customs clearance of goods such as legal system, clearance procedures,

prohibitions and restrictions, duty collection (including classification, valuation, rules of origin), trade statistics, violations and sanctions, FTAs, AEOs and etc. The eBook is published electronically in English, providing companies with practical reference for international trade.

I believe that the eBook will help enterprises in the region, especially small and medium-sized enterprises, improve their capabilities in business management, investment and financing, and international market development. We hope that enterprises will take full advantage of the eBook to actively explore the regional market and achieve development goals.

Lu Pengqi  
EABC Chairman 2019

## **ACKNOWLEDGEMENTS**

Heartfelt gratitude and sincere respects should be addressed to China Committee, East Asia Business Council (in short EABC China, also China Council for the Promotion of International Trade - CCPIT), to organize, support and sponsor the edition and publication of the eBook on East Asia Customs Procedures to provide manufactures, trader and related service-providers with comprehensive information and elaborate references on Customs procedures in 10 ASEAN member countries and China, Japan and the Republic of Korea, which is a unique, innovative and significant contribution to regional and even international trade community.

Cordial appreciations should be extended to the Trilateral Cooperation Secretariat (TCS) for supporting and partially sponsoring the eBook of China, Japan and the Republic of Korea and CCPIT Guangxi Sub-council for supporting the project.

Dedicated gratitude should also be expressed to all members of the editing team, proofreading team, project team for their arduous and continuous efforts during the process.

## EDITOR'S STATEMENT

Customs procedures in almost every country are usually very professional, diverse, technical, abstruse, ambiguous, and even trapped for cross-border manufactures, traders and related service-providers, sometimes even cause significant invisible “barriers” to trade. Thus all the stakeholders imminently need information, materials and references as comprehensive, elaborate and concrete as possible in different countries to enhance the effectiveness and efficiency of cross-border trade.

This eBook on East Asia Customs Procedures aiming to provide a general picture involves in almost all aspects of Customs procedures in 10 ASEAN member countries and China, Japan and the Republic of Korea. For each eBook, a framework of 24 parts of contents is basically followed with certain flexibility of adjustments according to specific situation of each individual country.

It is not an easy task to edit this panorama-type of eBook and during the process the editors are facing significant challenges including English language proficiency, professional competence and most importantly very limited information and materials in English for references.

The contents of each eBook are based on current publicly available information and materials in English, mainly contained in the publications and on the websites of related Customs administrations, government departments and agencies, international organizations and private professional institutions. The editors believe the selection and use of publicly available information will not affect the interests of the above-mentioned organizations and sincerely appreciate those organizations having their information and publications publicly available.

During the editing process, the biggest and greatest challenge is the lack of information and materials in English, which are very limited in almost all countries and even very deficient, very scarce in some countries. Therefore some citations from the official websites and excerpts from legal documents do exist in the eBook.

As a first remarkable pilot project in the fields, this eBook on East Asia Customs Procedures are not perfect and flawless and we are satisfied with the qualities of the majority and will keep on improving the rest.

## ABBREVIATIONS

|       |   |
|-------|---|
| AEO   | Authorized Economic Operator  |
| APEC  | Asia and Pacific Economic Cooperation   |
| APTA  | Asia Pacific Trade Agreement  |
| ASEAN | Association of Southeast Asian Nations  |
| ASEM  | Asia–Europe Meeting   |
| ATA   | A Combination of the Initial Letters of the French Words “Admission Temporaire” and the English Words “Temporary Admission” |
| CCCN  | Customs Cooperation Committee Nomenclature  |
| CITES | Convention on International Trade in Endangered Species   |
| CMAA  | Customs Mutual Assistance Agreement   |
| EDI   | Electronic Data Interchange   |
| EU    | European Union  |
| FEZ   | Free Economic Zone  |
| FTA   | Free Trade Agreement  |
| FTZ   | Free Trade Zone   |
| GATT  | General Agreement on Tariff and Trade   |
| HS    | Harmonized Commodity Description and Coding System  |
| KCS   | Korea Customs Service   |
| MFN   | Most Favored Nations  |
| MOTIE | The Ministry Trade, industry and Energy   |
| PCA   | Post-Clearance Audit  |
| TIR   | Transport International Routier   |

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|     |                              |
|-----|------------------------------|
| TFA | Trade Facilitation Agreement |
| VAT | Value-Added Tax              |
| WCO | World Customs Organization   |
| WTO | World Trade Organization     |

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# eBook on East Asia Customs Procedures

## The Republic of Korea

### 1. INTRODUCTION OF KOREA CUSTOMS

Korea Customs Service (KCS) is a governmental agency under the Ministry of Economy and Finance, Korea. The KCS was inaugurated in 1970 and ranked first in the World Bank's assessment of Customs clearance environments for three consecutive years from 2011. In recent years, the KCS adjusted the director-level in the headquarters and the agencies, reorganized the organizational system of Customs offices nationwide.

#### 1.1 Functions

With its goal of realizing the first-rate Customs administration in the world, the key functions of the KCS are:

- Customs clearance control of cargoes and passengers;
- Securing government revenue through collection of tariff and internal tax;
- Suppression of smuggling;
- Crackdown on illegal bring-ins of hazardous food, toxic chemicals and wild fauna and flora for protection of national health, safety and environment;
- Control of false origin marking and infringement of Intellectual Property Right.

## 1.2 Mission

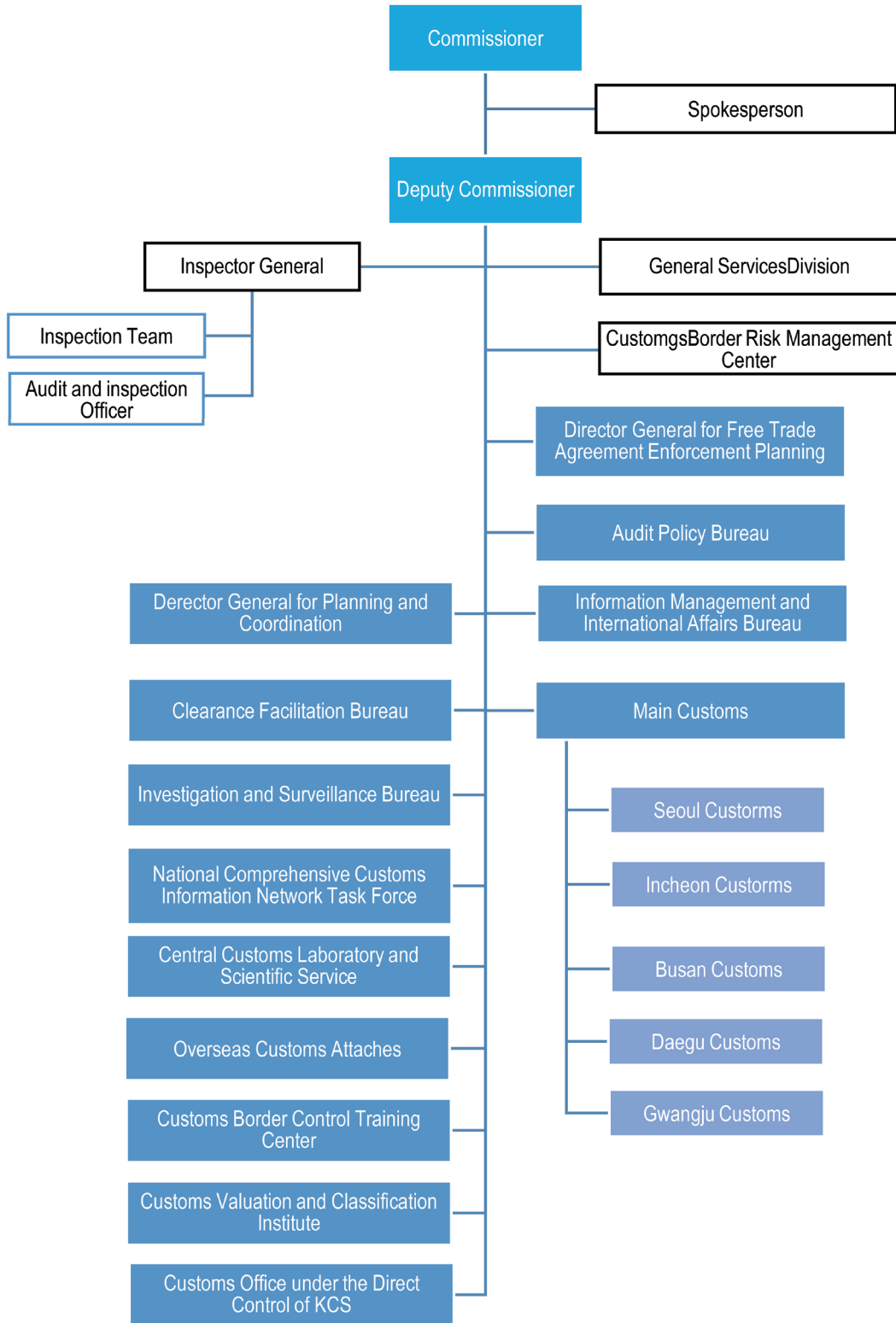
The mission of KCS is expressed as “Management of Customs border for strong economy and safe society”.

## 1.3 Organizational Structure

There are 7 Bureaus, 24 divisions, 1 spokesperson, and 321 staffs in KCS Headquarter and the KCS subsidiaries include 6 main Customs, 3 directly controlled agencies, 1 directly controlled Customs and 47 Customs houses with 4,204 staffs.

KCS is taking a persistent interest in future changes, assuming an active role to prepare for the Fourth Industrial Revolution era and is carrying out a wide spectrum of pilot projects and research development with an aim to incorporate new technologies of the Fourth Industrial Revolution such as big data, AI, and block chain into Customs areas.

Figure 1 Organizational Chart of KCS



Source: KCS website.

The Tax & Customs Office of the Ministry of Finance and Economy also takes part in the Customs affairs of Korea. The office covers policies in the categories of national tax sources including personal taxes, corporate-related taxes, consumer-related taxes, property-related taxes, and Customs taxes on imports. The office is also in charge of revenue budgeting and monthly planning for identifying and collecting tax revenue and coordinating Customs tariffs with regard to FTAs and multilateral tariff cooperation.

The Ministry Trade, industry and Energy (MOTIE) is also the government department in charge of trade in Korea, and is mainly responsible for the Korean industry and energy, trade and investment policies and economic and trade negotiations.

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## 2. CUSTOMS LEGAL SYSTEM

### 2.1 Customs Act

Korea has formulated a very comprehensive Customs legal system. The current [Customs Act of Korea](#) was enacted in 1996 firstly and has been amended several times. The newest amendment of the act was taken into force from July 2017. It is divided into 13 Chapters and 330 Articles.

The purpose of this Act is to properly administer the imposition and collection of Customs duties and the Customs clearance of exported and imported goods, and to secure revenues from Customs duties, with the aim of contributing to the development of the national economy. This Act provides not only the regulatory details on the imposition and collection of Customs, but also the matters concerning the overall Customs administrative details, such as the taxpayer's right and procedure for filing objections, bonded area, clearance procedures, and punishment of Customs criminals, etc.

The structure of the Customs Act of Korea is as follows:

- Chapter 1            General Provisions
- Chapter 2            Dutiable Value and Imposition, Collection, Etc. of Customs Duties

- Chapter 3           Tariff Rates and Tariff Classifications
- Chapter 4           Duty Reduction or Exemption, Refund, Installment Payment, etc.
- Chapter 5           Rights of Duty Payers and Procedures for Filing Objections
- Chapter 6           Means of Transportation
- Chapter 7           Bonded Areas
- Chapter 8           Transportation
- Chapter 9           Customs Clearance
- Chapter 10          Request, etc. for Presentation of Data by Customs Officers
- Chapter 11          Penalty Provisions
- Chapter 12          Investigations and Disposition
- Chapter 13          Supplementary Provisions

## 2.2 Related Laws

The Foreign Trade Act is the basic law for the Korean government to manage and revitalize foreign trade, and foreign exchange. This Act and the Customs Act, including some “revitalization laws” for specific trades, and individual administrative regulations related to trade constitute the basic framework of the Korean foreign trade legal system.

Relevant content can be found on the [Korean Legal Affairs](#) and the Legal Affairs Department's special legal inquiry [website](#).

The related laws and regulations also administered by KCS include:

- Foreign Trade Act;
- Quarantine Act;
- Trademark Act;
- Trade Insurance Act;
- Trade Infrastructure Development Act;
- Korea Trade Investment Promotion Agency Act;

- Act on Designation and Management of Free Trade Zones;
- Act on Revitalization of Direct Trade in Agricultural Products, Including Promotion of Use of Local Agricultural Products;
- Act on Special Cases of the Customs Act for the Implementation of Free Trade Agreements;
- Act on the Investigation of Unfair International Trade Practices and Remedy Against Injury to Industry;
- Monopoly Regulation and Fair-Trade Act;
- Special Act on Assistance to Farmers, Fishermen, Etc. Following the Conclusion of Free Trade Agreements;
- Special Act on the Implementation of the Agreement Establishing the World Trade Organization;
- Unfair Competition Prevention and Trade Secret Protection Act.

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## 3. CUSTOMS CLEARANCE PROCEDURES

### 3.1 Normal Procedures for Importations

Import means shipping foreign goods into Korea or consuming and using them, including the consumption and use of foreign goods within the means of transportation but excluding the consumption and use of foreign goods falling under the Customs Act.

Import Customs clearance is a series of processes where a person intending to import foreign goods files a declaration of the goods to be imported into Korea, who then checks to ascertain whether the import declaration has legally and justly been filed in accordance with the Customs Act and other laws and ordinances and, after accepting the declaration, issues an import declaration completion certificate to the import declarant to allow the release of the imported goods.

### 3.1.1 Shipping into Storage Area

After the arrival from a foreign country, the goods are stored in a bonded area.

### 3.1.2 Meeting Requirements

The owner of imported goods meets the clearance requirements and prepares a tariff rate recommendation and a Customs duty exemption recommendation in advance before filing an import declaration.

The institution responsible for ascertaining the clearance requirements and making a tariff rate recommendation and a Customs duty exemption recommendation sends the electronic documents to the Customs through the connected network.

### 3.1.3 Import Declaration

A declaration shall be filed in the name of the owner of goods or a licensed Customs broker. The import declarant completes an import declaration form and sends it to the clearance system electronically. The clearance system automatically selects goods subject to inspection and goods subject to submission of required documents and notifies the import declarant thereof.

Anyone who intends to import, export, or return goods shall declare the names, standards, quantities and prices of the relevant goods, and other matters prescribed by laws. With respect to any of the following goods, a declaration thereon required may be omitted or filed in a simplified manner:

- Personal effects, consignments or unaccompanied goods;
- Postal items;
- Goods exempted from Customs duties in accordance with the Customs Act;
- Containers used for international transportation (limited to those the basic tariff rates of which are zero in accordance with the attached Schedules of Tariff Rates).

It is noted that each person, who has shipped goods intended for import or return into a designated storage place or a bonded warehouse, or stored such goods in a place, other than a bonded area, shall file a declaration within 30 days from the date on which he/she shipped such goods into such place or

stored them in such place.

When any declaration is filed in conformity with the Customs Act, the Customs office shall accept, without delay, such declaration and issue a declaration completion certificate to the relevant declarant. If any declaration is received using the electronic data-processing system such as UNI-PASS, the relevant declarant may directly receive a declaration completion certificate.

Goods on which a declaration has been filed shall not be shipped out of any means of transportation, any Customs route, any loading and unloading passage or a storage place.

### 3.1.4 Processing Declaration

The import declaration form is examined using such methods as a screen-based audit, a documentary audit, goods inspection, etc. If the import declaration has been filed legally, it will be accepted immediately.

The inspection of imported goods means to ascertain through physical inspection whether the goods on which an import declaration has been filed match the declared matters of import exactly, whether they violate the provisions of relevant laws or regulations, etc. Differential inspection ratios may be applied by allowing for the legal compliance degree, any actual offense detection record by inspection, the country of origin of goods, etc. in relation to each importer. The inspection method to be used may be sampling inspection, whole inspection or inspection for analysis according to the goods subject to inspection.

The relevant Customs office may require the presence of the declarant during goods inspection and request the manager of the place of inspection or the owner of imported goods to make preparations for inspection, such as by securing a place and equipment needed for inspection, placing workers for opening the packaged goods unpackaging and packaging. In case it is impossible to perform an inspection because sufficient preparations have not been made for inspection, the priority of inspection will be adjusted so that an inspection may be performed when sufficient preparations have been made for inspection. The required expenses for inspection of imported goods should be paid by the owner of imported goods.

However, the Customs office may request the declarant to supplement the import declaration form or withhold the Customs clearance in any of the following cases:

### **Request for Supplementation of the Declaration Form**

- Where matters entered or to be entered in the declaration form are incomplete or missing;
- Where any accompanying documents have been omitted or the proof data need to be supplemented according to the declaration form examination results;
- Where the declarant intends to change the import declaration method from declaration in a paperless way to declaration through submission of documents.

### **Withholding of Customs Clearance**

- Where there are any incomplete or missing things that need to be supplemented, such as matters written or to be written in the declaration form or required documents submitted or to be submitted;
- Where obligations provided for by law are violated or the public health, etc. is feared to be harmed;
- Where any accusation has been filed or any investigation is being conducted on suspicion of a Customs fraud;
- Where there are any goods with a false or misleading label on their quality, etc.;
- Where it takes a long period of time to fulfill the requirements for the acceptance of the import declaration according to the results of examination for Customs clearance.

The Customs may reject a filed declaration, or the declarant may cancel the filed declaration after obtaining approval in any of the following cases:

### **Rejection**

- Where the declaration has been filed in a false way or any other illegal manner;
- Where abandonment, discard, public sale, successful auction or definite seizure of the goods, or their reversion to the National Treasury has been determined;
- Where the requirements for import declaration before departure or arrival have not been fulfilled;
- Where the goods declared before departure or arrival have not arrived;
- Where the other formal requirements for import declaration have not been fulfilled.

## Cancellation

- Where a decision has been made to return goods being different from the content of the import contract, deteriorated or damaged goods, etc. to the foreign supplier, etc.;
- Where the imported goods have been destroyed or lost or are intended to be discarded after obtaining approval from the relevant Customs office due to a disaster or for any other unavoidable causes;
- Where the imported goods are intended to be returned or discarded for such reasons as withholding of Customs clearance, failure to satisfy the clearance requirements, prohibited goods for import, etc.;
- Where it is recognized that there is any justifiable reason or reasons equivalent to any case mentioned above.

## Cases which cannot be any Justifiable Reasons for Canceling a Declaration

- The company's financial situation due to an economic recession, etc.;
- Omission of submission of an application for Customs duty exemption, a tariff rate quota recommendation, or a specific use tariff rate recommendation;
- Cancellation of a declaration in order to achieve the application of a lower tariff rate;
- Failure to secure a market in Korea, etc. due to cancellation of a contract for sales in Korea, etc.

Having accepted an import declaration, the relevant Customs office issues an import declaration completion certificate electronically stamped with the special agency seal of the Customs office for the declarant (Customs broker, etc.). In order to prevent any forgery or alteration, each import declaration certificate is equipped with various devices such as the special agency seal of the Customs office, a watermark (KCS logo), the serial number of issuances, a two-dimensional barcode, and a copy mark.

In the case of inspection, an examination for Customs clearance is performed through documents after physical inspection of the goods. In the case of submission of required documents, an examination for clearance is performed through documents. In the case of paperless declaration, an examination for clearance is performed through the computer screen. In the case of goods found without any problem as a result of examination, approval thereof is registered.

### **3.1.5 Security or Payment in Advance**

The collection of Customs duties on dutiable goods shall take precedence over the collection of other taxes, public charges and claims thereon. If Customs duties are collected in the same manner as national taxes are collected and the object of a disposition taken for recovery of arrears is property other than dutiable goods, the same priority order as national taxes shall be given to such Customs duties.

The owner of imported goods can provide the Customs with security for duty payment (or pay the Customs duty in advance) in order to receive the goods delivered from the bonded area. The financial institution notifies the Customs that it has received the duty payment through the connected computer network (in the case of payment of the duty in advance).

Where other act on taxes is conflict with the Customs Act with respect to the imposition, collection, refund, etc. of an internal tax and inclusive of surcharges, additional duties, and expenses for disposition on default, that are imposed and collected by the Customs office, the Customs Act shall prevail.

### **3.1.6 Declaration Acceptance**

If the Customs duty payment has been received or security has been put up, the clearance system automatically accepts the import declaration.

The clearance system notifies the import declarant and the cargo system (storage place) of the details of the acceptance of the import declaration.

### **3.1.7 Goods Delivery**

In response to the request of the owner of imported goods for delivery of the goods, the storage place checks to ascertain whether the import declaration has been accepted, etc. and then delivers the goods to the owner.

### **3.1.8 Post-Clearance Duty Payment**

After finished the delivery of goods, the owner of imported goods shall pay the Customs duty within 15 days after the import declaration is accepted. The financial institution notifies the Customs that it has received the duty payment through the connected computer network (in the case of Post-Clearance

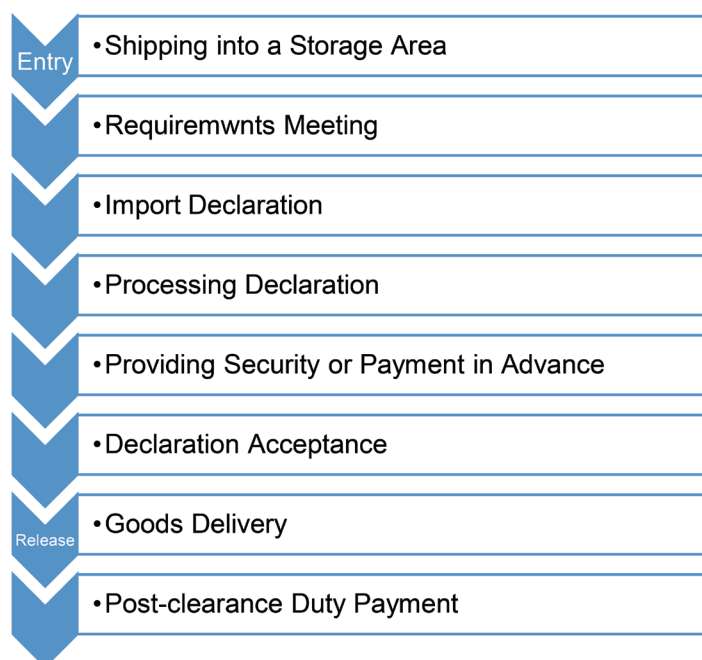
payment of the Customs duty).

In the calculation of the duty payment, if approval is granted for shipping imported goods into Korea prior to the acceptance of an import declaration filed, the date of approval shall be deemed the date on which such import declaration is accepted. If the time limit provided for in the Customs Act falls on a holiday or a day prescribed by Presidential Decree, the next day shall be such time limit.

A person liable to pay duties may pay the relevant Customs duties even before his/her import declaration is accepted. Where a bona fide duty payer, who satisfies the requirements determined based on the tax payment records, etc., the Customs office may permit him/her to make en bloc payment of duties whose time limit for payment falls in the same month by the last day of the month in which the said time limit falls. In such cases, the Customs office may require him/her to provide security equivalent to the amount of Customs duties, if deemed necessary.

Where deemed impracticable to file a declaration, an application or a request; submit other documents; give notice; or make payment or collection pursuant to the Customs Act by the specified time limit due to natural disasters and other grounds, the Customs office may extend such time limit for a specified period of up to one year. In such cases, the Customs office may require him/her to provide security equivalent to the amount of Customs duties, if deemed necessary.

Figure 2 Flow Chart of the Import Procedures



## 3.2 Simplified Procedures for Importations

### 3.2.1 Declaration before Departure or Arrival

When the prompt Customs clearance is required for the goods which a person intends to import, an import declaration thereon may be filed before a vessel or an aircraft loaded with the relevant goods enters a port or an airport. In such cases, any goods on which an import declaration prior to an entry to the port is filed shall be considered as arrival in Korea.

When the head of a Customs office decides to inspect any goods on which an import declaration prior to an entry to the port, he/she shall serve a notice thereon on a person who has filed such import declaration. The goods which are made subject to an inspection shall be shipped into a bonded area (including any place, other than a bonded area, where such goods are stored) under jurisdiction over the Customs office at which an import declaration has been filed. Provided that if an inspection of goods in a vessel or an aircraft is deemed possible, such inspection may be conducted in such vessel or such aircraft loaded with the relevant goods.

### 3.2.2 Other Simplified Procedures

Import Customs clearance is possible by submitting only an import declaration form without submission of any attached documents in the case of goods which fall under any of the following categories:

- Duty-free goods recognized as articles for personal use as the goods to be received by a domestic resident with a total dutiable value of not more than 150,000 won;
- Duty-free commercial samples as goods with a total dutiable value of not more than US\$ 250;
- Goods among design drawings which are exempt from import approval;
- Means of payment which a financial institution imports in order to engage in a foreign exchange business;

Any good which is exempted from Customs duty or subject to a zero tariff among the goods which fall under any of the following categories requires presentation of only a Bill of Lading (B/L) in order to be delivered immediately from the storage place:

- Duty-free goods which are carried in through diplomatic pouches;

- Duty-free goods which belong to the head of a foreign country visiting Korea, his or her family and entourage;
- Human remains (ashes) or corpses for funerals;
- Goods used for news reporting by organs of public opinion registered with the Ministry of Culture, Sports and Tourism, such as newspapers, films or recording tapes containing news stories;
- Data and materials sent by diplomatic missions abroad, etc.;
- Goods for official business returned from military forces stationed overseas. This applies only in cases where they have arrived in Korea after being loaded in a warship or military aircraft.

Table 1 Types of Import Declaration

| Classification  | Declaration before Departure from the Port   | Declaration before Arrival at the Port   | Declaration before Arrival at the Bonded Area                                | Declaration after Storage in the Bonded Area                                 |
|---|--|--|--|--|
| Time of declaration   | Before the vessel (aircraft) loaded with goods departs from the port of lading five days before arrival (one day before arrival in the case of an airplane) in Korea | Before arrival at the port (declaration of unloading or discharging cargo declaration) after the vessel (aircraft) departs from the port of lading five days before arrival (one day before arrival in the case of an aircraft) in Korea | Before arrival at the bonded area in which the goods will be shipped         | After storing the goods in the bonded area                                   |
| Goods subject to import declaration                                       | Goods imported in an aircraft<br>Goods imported from Japan, China, Taiwan or Hong Kong   | Not limited  | Not limited  | Not limited  |
| Customs office for import declaration                                     | Customs office in charge of the place of scheduled arrival   | Customs office in charge of the place of scheduled arrival   | Customs office having jurisdiction over the bonded area of scheduled arrival | Customs office having jurisdiction over the bonded area for the stored goods |
| Time of notification of whether there are any goods subject to inspection | At the time of submitting data (a declaration of departure and a cargo manifest) which prove that the vessel (aircraft) has departed from the port of lading         | Date of import declaration   | Date of import declaration   | Date of import declaration   |

|  |                             |  |   |                                   |
|--|-----------------------------|--|---|-----------------------------------|
| Time of acceptance of import declaration | Inspection omitted          | After submission of the cargo manifest | After reporting the arrival of goods at the bonded area | After import declaration          |
|  | Goods subject to inspection | After the end of goods inspection      | After the end of goods inspection                       | After the end of goods inspection |

Source: KCS website.

### 3.3 Normal Procedures for Exportations

Export means shipping domestic goods out of Korea to foreign countries. The exporter must first of all check to ascertain whether the goods intended for export can be exported or not under the Foreign Trade Act, relevant laws and ordinances, etc. It is also necessary to check to ascertain whether the method of receiving payments is restricted or not under the Foreign Trade Act, relevant laws and ordinances, etc.

All the goods intended for export must undergo the export clearance procedures of the Customs. Normal Customs clearance procedures for exportation are simpler than the procedures for importation. The export clearance procedures refer to the procedures from declaring the goods intended for export to the Customs, getting the export declaration accepted by the Customs to loading the goods in a means of transportation which comes and goes between Korea and the importing foreign country.

#### 3.3.1 Export Declaration

Any person who intends to export goods must file an export declaration with and have it accepted by the head of the Customs office having jurisdiction over the area where the goods intended for export are stored.

To file an export declaration, the owner of goods for export or a state-certified qualified specialist (licensed Customs broker, Customs brokers' corporation, or juristic person for handling clearance) needs only to complete and send an export declaration form to the KCS e-Clearance System electronically by means of the Electronic Data Interchange (EDI) system for export clearance or the data processing equipment of the Export Declaration Assistance Center.

If the export declarant has electronically received a notice of any errors regarding the contents of the sent export declaration or intends to correct the declared contents, he/she needs only to re-send the declaration data including the corrected contents under the original submission number. If any matters requiring correction have appeared after a submission number was granted, it is necessary to complete an export declaration correction approval application form and then electronically send it and submit evidential data to the Customs office having jurisdiction over the place of Customs clearance or the Customs office having jurisdiction over the applicant's location area. However, if such declaration contents are subject to autonomous correction or if the correction details can be verified through the export declaration correction approval application only, submission of evidential data may be omitted.

A filed export declaration takes effect when a declaration number is granted to it by the KCS e-Clearance System.

Depending on the relevant case, the methods of accepting a filed export declaration are classified into automatic acceptance, acceptance after examination by Customs officials, and acceptance after inspection. If the filed export declaration is accepted, the relevant Customs office will issue an export declaration completion certificate.

In addition, if the contents of the electronic documents kept in the KCS e-Clearance System are different from the contents of the issued export declaration completion certificate, the contents of the electronic documents kept in the KCS e-Clearance System are deemed as the original.

### **3.3.2 Declaration Acceptance**

An export declaration must be prepared by completing a declaration form prescribed by KCS in accordance with the guidelines for export declaration form completion.

There are three methods of processing the declaration form for the goods on which an export declaration has been filed: automatic acceptance, acceptance after examination, and acceptance after inspection.

#### **A. Automatic Acceptance**

This means that an export declaration is automatically accepted by data processing. An export declaration filed on goods not subject to inspection or submission of documents is also automatically accepted by the KCS e-Clearance System.

Goods for which an export declaration form must be submitted to the Customs when filing an export declaration (goods subject to submission of documents) are as follows:

- goods which need certification of the requirements satisfied before acceptance of the filed export declaration;
- re-export of goods which are different from the contents of the contract or export of goods cleared through Customs for import on condition of re-export;
- goods on which the exporter files an export declaration by submitting required documents or makes a request for Customs inspection for the sake of reduction or exemption of Customs duties, etc.,

refund of paid Customs duties or post management when re-importing such goods;

- goods which have been notified to the declarant by the export clearance system as goods subject to submission of documents.

## **B. Acceptance after Examination**

This method applies to goods inspection of which is omitted among the goods the declaration of which is not subject to automatic acceptance. Customs officials accept the filed declaration after examining the declared contents.

## **C. Acceptance after Inspection**

Although inspection of goods for export is generally omitted in principle, the filed export declaration is accepted after performing actual inspection of the goods for export judged to need inspection by the head of a Customs office among the goods which need to be verified as actual articles and the goods which have been sorted out as high-risk articles.

The goods whose export declaration has been accepted must be loaded in a means of transportation which comes and go between Korea and the importing foreign country within 30 days from the date of export declaration acceptance. However, in the event of any unavoidable reasons such as changes in the loading schedule, etc., the loading period may be extended after obtaining approval thereof from the head of the relevant Customs office. In addition, caution is required because unless the relevant goods are loaded in the means of transportation within the loading period, the acceptance of the export declaration may be revoked and refund of Customs duties may also be impossible.

On the other hand, there are separate procedures prescribed for the loading management of postal items or portable consignments. In addition, foreign goods shipped into a bonded area in Korea may be returned to the exporting foreign country, and in this case, the return declaration procedures must be undergone for the Customs clearance of such goods.

Figure 3 Flow Chart of the Export Procedure



Source: KCS website.

### 3.4 Documentation Requirements

A person that files an export or import declaration shall present documents in addition to the data for determination of a dutiable value. After presenting and confirming the relevant documents to a licensed Customs broker, etc., the submission of the documents may be omitted or such documents may be presented after an import declaration is accepted. Where the submission of documents is omitted or such documents are presented after an import declaration is accepted, if the Customs office requests a declarant to present documents and provide other related data determined as he/she deems it necessary to submit or present such documents and other related data, the declarant shall comply therewith.

#### 3.4.1 Customs Declaration Form

Import Declaration Form

Figure 4 Import Declaration Form

## Import Declaration

(Customs Importation Certificate)

|   |                 |                              |                     |   |                          |                                   |                     |                          |                        |  |  |
|---|-----------------|------------------------------|---------------------|---|--------------------------|-----------------------------------|---------------------|--------------------------|------------------------|--|--|
| ① Declaration No.   |                 | ② Date of Declaration        |                     | ③ Customhouse/Section                   |                          | ⑥ Date of Arrival                 |                     |                          |                        |  |  |
| ④ B/L(AWB) No.  |                 |                              | ⑤ Cargo Control No. |   |                          | ⑦ Date of Warehousing             |                     | ⑧ Type of Tax Collection |                        |  |  |
| ⑨ Declarant<br>⑩ Importer<br>⑪ Taxpayer<br>(Address)<br>(Company Name)<br>(Name)<br>⑫ Trade agent<br>⑬ Supplier |                 |                              |                     | ⑭ Type of Entry                         |                          | ⑮ Origin Certificate              | ⑯ Total Weight      |                          |                        |  |  |
|   |                 |                              |                     | ⑰ Type of Entry-filing                  |                          | ⑱ Price Statement                 |                     | ⑲ Total Package No.      |                        |  |  |
|   |                 |                              |                     | ⑳ Type of Transaction                   |                          | ㉑ Port of Arrival                 |                     | ㉒ Transport Mode         |                        |  |  |
|   |                 |                              |                     | ㉓ Purpose of Import                     |                          | ㉔ Country of Loading              |                     |                          | ㉕ Vessel/Aircraft Name |  |  |
|   |                 |                              |                     | ㉖ MASTER B/L No.                        |                          |                                   |                     | ㉗ Vessel/Aircraft Code   |                        |  |  |
|   |                 |                              |                     | ㉘ Examination(Warehousing) Site         |                          |                                   |                     |                          |                        |  |  |
| ● Description and Specification of Goods (Line No/Total Line No.: 999/999)                                      |                 |                              |                     |   |                          |                                   |                     |                          |                        |  |  |
| ㉙ General Description of Goods  |                 |                              |                     |   | ㉚ Trademarks             |                                   |                     |                          |                        |  |  |
| ㉛ Description of Goods as in Transaction Documentations   |                 |                              |                     |   |                          |                                   |                     |                          |                        |  |  |
| ㉜ Model and Specification   |                 | ㉝ Composition                |                     | ㉞ Quantity                              |                          | ㉟ Unit Price                      | ㊱ Value (XXX)       |                          |                        |  |  |
| ㊲ HS Code   |                 | 9999.99-9999                 | ㊳ Net Weight        |   | ㊴ C/S Inspection         |                                   | ㊵ Post Check Agency |                          |                        |  |  |
| ㊶ Value (CIF)   |                 | ㊷ Quantity                   |                     | ㊸ Exam. Decision                        |                          | ㊹ Tax amount specially calculated |                     |                          |                        |  |  |
| ㊺ Qty. for Drawback   |                 | ㊻ Origin Marks               |                     | ㊼ Tax amount specially calculated       |                          |                                   |                     |                          |                        |  |  |
| ㊽ Check for Import Requirements (Name of Certificate)   |                 |                              |                     |   |                          |                                   |                     |                          |                        |  |  |
| ㊾ Type of Tax   | ㊿ Tariff (Type) | ㋀ Abatement Rate             | ㋁ Tax Amount        | ㋂ Abatement/Instalment Tax Payment Code | ㋃ Tax Abatement          | ㋄ Internal Tax code               |                     |                          |                        |  |  |
| ㋅ Total Negotiated Payment for Goods (Delivery Condition-Currency-Value-Type of Payment)                        |                 |                              |                     | ㋆ Exchange rate                         |                          |                                   |                     |                          |                        |  |  |
| ㋇ Total Customs Value   |                 | ㋈ Freight                    |                     | ㋉ Addition                              |                          | ㋊ Payment code                    |                     |                          |                        |  |  |
|   |                 | ㋋ Insurance                  |                     | ㋌ Deduction                             |                          | ㋍ VAT Value                       |                     |                          |                        |  |  |
| ㋎ Type of Tax   | ㋏ Tax Amount    | ㋐ Remarks by Customs Brokers |                     |   | ㋑ Remarks by Customhouse |                                   |                     |                          |                        |  |  |
| Customs   |                 |                              |                     |   |                          |                                   |                     |                          |                        |  |  |
| Special Consumption Tax   |                 |                              |                     |   |                          |                                   |                     |                          |                        |  |  |
| Transportation tax  |                 |                              |                     |   |                          |                                   |                     |                          |                        |  |  |
| Liquor tax  |                 |                              |                     |   |                          |                                   |                     |                          |                        |  |  |
| Education tax   |                 |                              |                     |   |                          |                                   |                     |                          |                        |  |  |
| Agricultural Special Tax  |                 |                              |                     |   |                          |                                   |                     |                          |                        |  |  |
| VAT   |                 |                              |                     |   |                          |                                   |                     |                          |                        |  |  |
| Penalty Tax for Import Entry Delay  |                 |                              |                     |   |                          |                                   |                     |                          |                        |  |  |
| ㋒ Total Tax Amount Due  |                 | ㋓ Customs Officer            |                     | ㋔ Date of Entry-filing                  |                          | ㋕ Date of Customs Acceptance      |                     |                          |                        |  |  |

\* Authenticity of this Customs certificate can be verified by visit to <http://kcis.ktnet.co.kr>.

\* In case of any divergence of importation data between the Certificate and the actual transaction data, a declarant or importer/owner will be held accountable.

Source: KCS website.

## Export Declaration Form

Figure 5 Export Declaration Form

### EXPORT DECLARATION CERTIFICATE

※ Processing Period: Immediate

|  |                                   |                         |                                     |   |                    |                                |            |
|--|-----------------------------------|-------------------------|-------------------------------------|---|--------------------|--------------------------------|------------|
| Number of Submission                                     |                                   |                         |                                     | ⑦ Declaration Number                    | ⑧ Declaration Date | ⑨ Declaration Type             | ⑩ C/S Type |
| ① Name of Declarant                                      |                                   |                         |                                     | Code                                    |                    |                                |            |
| ② Name of Exporter                                       |                                   |                         |                                     |   |                    |                                |            |
| Address of Exporter/Consignor                            |                                   |                         |                                     | ⑪ Transaction Type                      | ⑫ Type             | ⑬ Payment Type                 |            |
| Name of Consignor Name                                   |                                   |                         |                                     | ⑭ Country of Destination                |                    | ⑮ Port of Lading               |            |
| Clearance Code   |                                   | Business License Number |                                     | ⑯ Transportation Type                   |                    | ⑰ Preferred Date of Inspection |            |
| ③ Name of Manufacturer                                   |                                   |                         |                                     | Clearance Code                          |                    |                                |            |
| ④ Name of Buyer  |                                   | Code                    |                                     | ⑱ Location of Goods                     |                    |                                |            |
| ⑤ Drawback Applicant                                     |                                   | Exporter/Consignor      | Manufacturer                        | ⑲ L/C Number                            |                    |                                |            |
| ⑥ Drawback Agency  |                                   | Place of Manufacture    |                                     | ⑳ Goods Status                          |                    | ㉑ Advance On-duty Notice       |            |
| ㉒ Item Description                                       |                                   |                         |                                     | ㉒ Reason of Return                      |                    |                                |            |
|  |                                   |                         |                                     | ㉔ H.S.Code                              |                    |                                |            |
|  |                                   |                         |                                     | ㉕ Product Code                          |                    |                                |            |
|  |                                   |                         |                                     | ㉖ Declared Value(FOB) \                 |                    |                                |            |
|  |                                   |                         |                                     | ㉗ Actual Weight                         |                    |                                |            |
|  |                                   |                         |                                     | ㉘ Quantity                              |                    |                                |            |
|  |                                   |                         |                                     | ㉙ Packaging Quantity/Type               |                    |                                |            |
|  |                                   |                         |                                     | H.S.Code                                |                    |                                |            |
|  |                                   |                         |                                     | Product Code                            |                    |                                |            |
|  |                                   |                         |                                     | Declared Value(FOB) \                   |                    |                                |            |
|  |                                   |                         |                                     | Actual Weight                           |                    |                                |            |
|  |                                   |                         |                                     | Quantity                                |                    |                                |            |
|  |                                   |                         |                                     | Packaging Quantity/Type                 |                    |                                |            |
| ㉚ Total Lines ( ) Lines                                  |                                   | ㉛ Total Weight          |                                     | ㉜ Total Packages                        |                    | ㉝ Total Declared Value(FOB) \  |            |
|  |                                   |                         |                                     |   |                    | \$                             |            |
| R<br>e<br>l<br>e<br>v<br>a<br>n<br>t<br>/<br>D<br>o<br>c | ㉞ Export Permit License           |                         |                                     | ㉞ Transaction Price                     |                    |                                |            |
|  | ㉞ Export Recommendation           |                         |                                     | ㉞ Freight(\ )                           |                    | ㉞ Insurance(\ )                |            |
|  | ㉞ Inspection Certificate          |                         |                                     | ㉞ Customs Only Write                    |                    |                                |            |
|  | ㉞ Quarantine Certificate          |                         |                                     |   |                    |                                |            |
|  | ㉞ Strategic Goods Export Permit   |                         |                                     |   |                    |                                |            |
| ㉞ Import Cargo Management Number                         |                                   |                         |                                     |   |                    |                                |            |
| B<br>/<br>T  | ㉞ Bonded Transportation Declarant |                         |                                     | ㉞ Date of Declaration Processing( / / ) |                    |                                |            |
| ㉞ Period / / From / / To                                 |                                   |                         | ㉞ Term of Loading Obligation( / / ) |   |                    |                                |            |

Source: KCS website.

### 3.4.2 Basic Documents

Basic documents are mainly commercial documents listed below:

- an Invoice;
- a Bill of Lading;
- a Packing List;
- a Certificate of Origin.

### 3.4.3 Import Ascertaining

The following documents shall be submitted if applicable:

- a value declaration form;
- required documents for import such as inspection, quarantine, permit and recommendation documents issued by relevant institutions;
- an application form for exemption from Customs duty;
- an application form for applying the agreed tariff, a confirmation of security for local tax payment, a Kimberley Process Certificate, and a tariff recommendation certificate;
- .....

There is a confirmation system which requires that the head of every Customs office should ascertain whether the obligations prescribed by 34 individual laws and ordinances in relation to importation are fulfilled in order to achieve the national policy goals, such as environmental protection, social security and national health protection, and accordingly this is intended to make it necessary to submit documents issued as import requirements by the relevant institutions, such as documents of inspection, quarantine, recommendation, permission and/or confirmation prescribed for pertinent goods to the relevant Customs office.

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## 4. UNI-PASS SYSTEM

The UNI-PASS system is not just a fully automated Customs administration system utilizing up-to-date IT technology, but has embedded 20 years of know-how and experience including full transfer of the technology and cumulated knowledge. Since the year 2011, the UNI-PASS system is in its 4th Generation adapting mobile concept with the goal to create an Intelligent Customs administration system based on Smart Clearance. The UNI-PASS system has been implemented partially or fully in several countries and more countries are showing interests in introducing the UNI-PASS as their Customs administration solution.

### 4.1 System Structure

The UNI-PASS system is composed of various components and modules that interact and operate as one living organism to provide an efficient Customs administration.

#### **Business Processing Component**

Composed of the Single Window portal, the Procedural business modules (i.e. Clearance Management, Cargo Management, Duty Collection, etc.) and Non-procedural business modules (i.e. Investigation, Surveillance, Audit etc.) these form the most basic Customs modules for the automation of the Customs administration.

#### **Support to the Business Processing Component**

Provides support to the Business Processing Components such as the Integrated Risk Management System, the Customs Data Warehouse, the Knowledge Management System, the Performance Management System and the Law Compliance System.

#### **Infrastructure Component**

Provides tools for an administration and control of the Customs administration system, such as the Early Warning and Control System that provides a monitoring on hardware, software, application and network; and the IT Governance, that allows management of information based on Enterprise Architecture.

## **Application of International Standards**

Considering the rise in need for interconnectivity with neighboring countries or with foreign Customs in achieving Global Single Window, the UNI-PASS system applies international standards such as the WCO DM3.0, UN codes, etc. and open technology standards.

## **4.2 Support Services**

### **Diagnosis on Current Status**

Perform a feasibility study like analysis of a Customs administration in areas of environmental analysis and current status of the business procedures, laws, documentations and IT systems.

### **Design Future Model**

Perform a Business Process Re-engineering & Information Strategy Planning for Customs modernization including detailed blueprints on future business procedures, law reform recommendations, document standardization and a new tailored IT system.

### **Development**

Perform an analysis and design of a new system and develop a tailored IT system based on the BPR/ISP results, including installation of required hardware and commercial software, testing, and deployment.

### **Knowledge Transfer**

Perform knowledge transfer in the form of documentation (deliverables) and capacity building (onsite training by sending experts and training through invitation to Korea) including the transfer of program source codes to the Customs administration.

### **Operation & Maintenance**

Provide post-development one year warranty service (maintenance) and additional operation & maintenance services of the newly built Customs administration system is provided upon request of the interested country.

## 4.3 Achievements of UNI-PASS

### Time Saving

Thanks to the development of the UNI-PASS system, the Korea Customs now spends less than 1.5 minutes for export clearance and less than 1.5 hours for import clearance.

### Cost Saving

UNI-PASS development created 3.5 billion USD in economic effect in the public and private sector while maintaining the same number of Customs staff for the past 30 years in contrast to 18 times increase in trade amount.

### Integrity in Customs Service

Work processing in 100% e-Document, clearance procedure information made public in real time leads to enhancement of transparency in the work process as well as public confidence in administration.

Please visit [here](#) for more information of UNI-PASS.

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## 5. CUSTOMS BROKERAGE SERVICE

In Korea, a licensed Customs broker is a person who has been granted a license to file import declarations after being entrusted with Customs clearance by others in accordance with the Licensed Customs Broker Act. Licensed Customs brokers are classified into following categories according to the types of practice:

- Customs service corporations;
- Customs clearance handling corporations;

- joint Customs brokers;
- individual Customs brokers.

## 5.1 Licensed Customs Brokers

Each licensed Customs broker shall perform the following services commissioned by clients:

- Classification of HS codes and tariff rates, ascertainment of dutiable values and calculation of Customs duties on imports or exports;
- Voluntary review and preparation of the report thereon;
- Declarations, etc. of exportation, importation or return of goods or transportation and implementation of the procedures related thereto;
- Applications for certification or confirmation to certify that goods to be exported or imported are permitted, approved or labeled or that other conditions are met;
- Raising objections and applying for review and trial on behalf of clients;
- Counseling or advice on Customs;
- Counseling or advice on declarations of exportation or importation;
- Requesting refunds on behalf of clients;
- Providing opinions on investigations, dispositions, etc. by Customs houses for and on behalf of shippers;
- Declarations, reporting, applications, etc. and implementation of the procedures related thereto under the Customs Act.

The following are noted that:

- No person, other than a licensed Customs broker or Customs service corporation may perform services commissioned by clients;
- No person shall recommend or assist a licensed Customs broker and/or any other entity to perform the services in order to receive or request payment for such recommendation or assistance;
- No person, other than a licensed Customs broker, shall share in any remuneration or other profit derived from rendering services which may be performed only by the licensed Customs broker.

## 5.2 Qualifications and Examination

A person who passes the examination for licensed Customs brokers shall be qualified as a licensed Customs broker. None of the following persons may serve as a licensed Customs broker:

- A minor;
- A person under adult guardianship or a person under limited guardianship;
- A person declared bankrupt who has not been reinstated;
- A person in whose case three years have not elapsed since his/her imprisonment with labor declared by a court for any violation of the Customs Brokers Act or the Customs Act was completely executed or he/she was exempted from such sentence;
- A person who is under suspension of execution of his/her imprisonment with labor declared by a court for any violation of the Customs Brokers Act or the Customs Act;
- A person who has been punished by a fine or subject to a disposition of notification under the Customs Act and for whom two years have not elapsed since he/she was punished by such fine or complied with such disposition of notification;
- A person in whose case two years have not elapsed since he/she was removed or dismissed from office by disciplinary action.

The examination for licensed Customs brokers shall be classified into a first-stage examination and a second-stage examination. A person who passes a first-stage examination shall be exempted from the first-stage examination in the next round, only once. Each person who has been engaged in Customs administration shall be exempted from some subjects of the examination for licensed Customs brokers.

A Committee for Licensed Customs Broker Qualification Deliberation and Disciplinary Action was established under the Korea Customs Service to deliberate and resolve on qualifications, disciplinary action and registration.

## 5.3 Registration and Commencement

After receiving in-service training for at least six months, any person qualified as a licensed Customs broker may be registered with KCS. The registration may be renewed at least three years.

- A licensed Customs broker shall establish a single office to provide his/her services. When a licensed Customs broker suspends or discontinues providing services or relocates or closes his/her office, he/she shall report this to the head of the relevant Customs office without delay;
- Licensed Customs brokers may establish a joint office in order to provide services on a systematic basis as well as to enhance public confidence. In such cases, a single joint office shall be established;
- A licensed Customs broker may employ any other licensed Customs broker or have an assistant;
- A licensed Customs broker shall be responsible for guiding and supervising other licensed Customs brokers employed by him/her, as well as his/her assistants.

A licensed Customs broker who intends to commence providing services shall file a report thereon to the Customs office.

## 5.4 Obligations

A licensed Customs broker shall comply with the Customs Broker Act and the Customs Act and shall provide Customs clearance services in good faith and in a fair manner.

If any licensed Customs broker prepares a declaration, application, request, report or any other document (including any electronic document) in connection with his/her provision of services and submits it to a relevant institution, he/she shall affix his/her name and seal thereto or sign it (referring to electronic signature, in cases of electronic documents).

- Any licensed Customs broker shall be prohibited from allowing any other person to provide Customs clearance services using his/her name or office name, or from lending his/her qualification or registration certificate;
- No licensed Customs broker shall engage in offering money, valuables, or entertainments, or promising to offer such to public officials;
- No person who is or has been a licensed Customs broker, nor his/her assistant shall disclose any confidential information which comes to his/her knowledge in the course of providing services to a third party.

Where a licensed Customs broker (excluding any licensed Customs broker who belongs to a Customs service corporation or a Customs clearance handling corporation, etc.) causes damage to a client by

intention or negligence while providing his/her services, he/she shall take necessary measures such as subscription to insurance in order to indemnify against liability for such damage.

## 5.5 Customs Service Corporations

Licensed Customs brokers may establish a Customs service corporation in order to provide their services systematically and professionally as well as to enhance public confidence. If a Customs service corporation intends to provide its services, it shall be registered with KCS. A Customs service corporation which desires to be registered shall meet the requirements for membership and for capital:

- Each member of a Customs service corporation shall be a licensed Customs broker;
- A Customs service corporation shall have at least three directors;
- Each Customs service corporation shall have at least five licensed Customs brokers, including directors;
- A Customs service corporation shall have a chief executive officer.

A Customs service corporation shall have a starting capital of at least 200 million won. If an amount determined by subtracting total liabilities from total assets on the balance sheet as at the end of the immediately preceding year of service is less than the capital requirement, a Customs service corporation shall compensate for the shortfall with donations from members or increase its capital, within six months after the end of each service year. Any donation shall be included in extraordinary income.

- In order to indemnify against liability for any damage caused to a client in the course of performing its services, a Customs service corporation shall accumulate a damage reserve or take out damage liability insurance for each year of service;
- No Customs service corporation shall invest in any other corporation nor guarantee the obligations of another person in excess of an amount determined by multiplying equity capital by a ratio;

A Customs service corporation shall use the expression "Customs service corporation" as its name or part thereof.

A Customs service corporation may have a branch in addition to its main office.

- At least two licensed Customs brokers who are directors shall work full-time in the main office of a

Customs service corporation, and at least one licensed Customs broker who is a director shall work full-time in a branch office thereof;

- A director and an affiliated licensed Customs broker of a Customs service corporation may not have any office, other than the Customs service corporation.

## 5.6 Customs Clearance Handling Corporation

Any of the following persons, registered with KCS may provide Customs clearance services:

- A corporation that engages in the business of providing transportation, storage, or loading and unloading services;
- A corporation, at least 50/100 of the capital of which is invested by a corporation;
- A general logistics company certified under the Framework Act on Logistics Policies.

A Customs clearance handling corporation, etc. may provide clearance services only for the goods for which transportation services, etc. are entrusted by a third party to a Customs clearance handling corporation, etc. or a corporation that has invested in a Customs clearance handling corporation.

When a Customs clearance handling corporation, etc. provides Customs clearance services for the goods, it shall directly provide transportation services, etc. for the goods with its own facilities or equipment. A Customs clearance handling corporation, etc. shall have at least one licensed Customs broker in each office in which it intends to provide Customs clearance services.

## 5.7 Customs Brokers Association

Licensed Customs brokers have established the Korea Customs Brokers Association in order to enhance their dignity and capability, to foster their professional ethics and to establish order for sound Customs clearance. The Korea Customs Brokers Association is under the supervision of the Commissioner of the Korea Customs Service.

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## 6. CUSTOMS SECURITY

When the Customs office accepts a declaration on any dutiable goods, a security equivalent to the relevant duty may be requested if:

- A person who was punished by imprisonment with labor for violation of the Customs Act on Special Cases concerning the Refund of Customs Duties, etc. Levied on Raw Materials for Export and for whom two years have not elapsed since the execution was terminated (including cases where the execution deems to be terminated) or exempted;
- A person under the suspension of the sentence of imprisonment with labor, in violation of the Customs Act on Special Cases concerning the Refund of Customs Duties, etc. Levied on Raw Materials for Export;
- A person who has been punished by a fine or who received a notification of a disposition under the Customs Act on Special Cases concerning the Refund of Customs Duties, etc. Levied on Raw Materials for Export and for whom two years have not lapsed since the fine was sentenced or the notification of disposition was imposed;
- A person who has any record of delinquent taxes, such as Customs duties, etc. for the latest two years, as of the date on which an import declaration was filed;
- A person who has difficulty in securing claims on Customs duties, taking into consideration the results of importation, tariff rate of imported goods, etc.

### 6.1 Types of Security

Types of security offered pursuant to the Customs Act shall be as follows:

- Money;
- Government bonds or municipal bonds;
- Securities approved by the head of a Customs office;
- Guarantee insurance policy on duty payment;
- Land;
- Registered or recorded buildings, factory foundations, mining foundations, vessels, aircraft or

construction machinery which have been covered by insurance;

- Letters of guarantee for payment of Customs duties by guarantors approved by the head of a Customs office.

Securities approved by the Customs office shall be as follows:

- Bonds issued by corporations established in accordance with Special Acts;
- Convertible bonds or guaranteed bond among debentures of corporations listed in Korea Exchange;
- Securities with trade records among securities listed in Korea Exchange;
- Certificate of deposit;
- Profit-making securities, which are possible to claim for redemption, to supply or transfer security for tax payment, among profit-making securities in accordance with the Financial Investment Services and Capital Markets Act.

Letters of guarantee for payment of Customs duties by guarantors approved by the Customs office shall be as follows:

- A letter of guarantee issued by a bank established with the authorization of banking business in accordance with the Banking Act;
- A letter of guarantee issued by Korea Credit Guarantee Fund in accordance with the Credit Guarantee Fund Act;
- A letter of guarantee issued by Korean Federation of Credit Guarantee Foundations in accordance with the Regional Credit Guarantee Foundation Act;
- A letter of guarantee issued by Korea Technology Finance Corporation in accordance with regulations of the Korea Technology Credit Guarantee Fund Act;
- ATA Carnet;
- International Road Transport Bond under Cover of TIR Carnets;
- A letter of guarantee a person who registered in accordance with subparagraph 5 of paragraph 1 of Article 222 of the Customs Act;
- A letter of guarantee by a person who the customs office approves to have sufficient ability to carry

out a guaranteed obligation.

## 6.2 Comprehensive Security

Any person who intends to furnish a comprehensive security shall file an application for furnishing of security and a security with a regional competent Customs house.

As for a comprehensive security, only the collaterals that fall under any of the following headings can be furnished:

- Money;
- Bonds and stocks a country or a local government has issued;
- Bank guarantee;
- Guarantee Insurance Policy on duty Payment;
- Korea Credit Guarantee Fund or a letter of guarantee issued by Korean Federation of Credit Guarantee Foundations;
- A letter of guarantee issued by Korea Technology Finance Corporation.

The comprehensive collaterals to be used for an integrated payment of tariff and etc. shall be in comparable amount as the tax amount to be paid in lump sum. The same collaterals can be furnished by each business unit or can be lumped and furnished by a major office. However, refund of tariff and etc., shall be furnished by corporate units.

When Customs duties, surcharges and expenses for disposition on default for which security for payment was offered have been paid, the Customs office shall take procedures for the cancellation of security without delay.

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## 7. PROHIBITIONS AND RESTRICTIONS

According to the Foreign Trade Act and its enforcement decree, the Minister of Trade, Industry and Energy may restrict or ban exportation or importation of goods, etc. designated and publicly notified, as deemed necessary for the implementation, etc. of any of the following matters:

- Fulfilling the obligations under treaties signed and promulgated pursuant to the Constitution of the Republic of Korea and generally accepted international laws and regulations;
- Protecting biological resources;
- Promoting economic cooperation with trading partner countries;
- Seamless supply and demand of materials for national defense;
- Development of science and technology;
- Strategic items;
- Any other matters prescribed by Presidential Decree as necessary for trade and industrial policies.

In the process of examining the submitted export or import declaration data, the relevant Customs office must confirm whether the relevant goods for export or import meet the conditions of permission, approval, labeling and others (required conditions for export and import).

### 7.1 Export Control

#### 7.1.1 Export License

An exporter needs to obtain an export license if a product and/or technology involved in the transaction is classified as strategic. All export control-related tasks, including applying for export licenses, can be processed online.

#### 7.1.2 Compliance Program Application

The Compliance Program application service allows a company to submit a request to MOTIE to be certified as a CP participant, and to submit regular reports after the designation. MOTIE certifies companies that incorporate a compliance program into their business operations to abide by export

control regulations, and those companies are entitled to apply for comprehensive export licenses and other benefits.

### **CP Participant (Voluntarily Compliant Traders)**

A Compliance Program (CP) participant is a trader with the capacity to comply with export control by classifying their own items, checking the validity of end-user, thoroughly reviewing transaction details and conducting regular audits.

#### **Application Documents**

- CP application;
- Company profile;
- Structure of compliance personnel;
- Internal compliance policies, etc.

#### **Benefits**

- Qualification for comprehensive export license;
- Ex-post submission of supplementary documents for individual export license;
- Reduction of administrative sanctions considered for unintentional violation of export control regulations;
- Partial or full exemption from the need for supplementary documents when submitting an individual and/or comprehensive export license application with the same end-user to which an export license was granted in a previous transaction or with an end-user that is a subsidiary residing overseas.

Please visit [Compliance Program Guidance, Korea Strategic Trade Institute](#), and [Yestrade](#) for more details.

#### **7.1.3 Self-classification**

The self-classification service enables companies to determine by themselves whether the company's products or services are subject to control. It should be noted that self-classification for strategic technologies does not hold legal force. Therefore, when applying for export licenses for technologies,

only the results of classification conducted by a classification agency can be verified as a supplementary document.

#### **7.1.4 Classification**

When companies have difficulty determining if their items are controlled or not, they can submit a request for classification service to the Korea Strategic Trade Institute.

#### **7.1.5 Import Certificate**

When a foreign exporter requires a certificate proving the credibility of an end-use/user from an importing party, the importer can apply for an Import Certificate issued by the Korean Government. The government issues Korea Import Certificates to confirm that the supply in question is imported and used by Korea as declared in the contract.

### **7.2 Import Control**

According to the Korean Foreign Trade Act, since 2000, the foreign trade has been completely liberalized, and any individual or enterprise can freely engage in foreign trade activities. Just to facilitate Customs clearance and Customs statistics, KCS and MOTIE encourage the implementation of the “numbering system”, that is, encourage foreign trade enterprises to apply for a fixed number corresponding to the enterprise to the Korea Trade Association, and fill in the Customs clearance. However, the import of special commodities such as drugs, pesticides, hazardous chemicals, petroleum, cigarettes, ginseng, designated agricultural and aquatic products, and foreign periodicals and films must still be licensed in accordance with relevant laws.

In accordance with WTO rules, Korea has basically eliminated hard controls on agricultural imports. At the same time, Korea has effectively established a quality and safety management system for agricultural products using quarantine and health standards.

For imported industrial products, Korea mainly implements safety certification according to domestic laws. Among them, some textiles, chemicals, machinery, civil works and daily necessities must be submitted to the certification body for the Compliance Program application after passing the inspection by the inspection agency, and Korea also enforces compulsory certification for imported industrial products.

### 7.3 Protection of Wild Animals and Plants

KCS is contributing to international protection of wild animals and plants in danger of extinction by confirming whether the relevant exporter or importer has obtained an export certificate or a permit certificate when exporting or importing endangered wild animals and plants and also comparing and checking them against actual goods, thereby detecting and punishing smuggling disguised under the cloak of legality, etc.

Table 2 Export and/or Import Restrictions subject to CITES in Korea

| Classification    | Animals and Plants Subject to CITES Restrictions   | Export and/or Import Restrictions of Korea  |
|-------------------|--|---|
| Annex I species   | Internationally endangered animals and plants;<br>556 species including lions, tigers and agaves   | International trade in such animals for commercial purposes is prohibited.<br>Obtainment of an export certificate or an import permit is required.                                    |
| Annex II species  | Animals and plants which are not in danger of extinction now but are feared to fall in danger of extinction in future;<br>262 species including deer, owls and cactuses    | International trade in such animals and plants for commercial purposes is permitted.<br>However, obtainment of an export certificate or an import permit is required.                 |
| Annex III species | Animals and plants designated by individual countries concerned in order to protect their own animals and plants;<br>241 species including Indian vipers and Nepal poppies | International trade in such animals and plants for commercial purposes is permitted.<br>Obtainment of an export certificate, an import permit or a certificate of origin is required. |

Source: KCS website.

Major endangered animals and plants illegally shipped or carried into Korea and detected by the Customs:

- Tiger bones and flesh;
- Tiger skins;
- Ivories;
- Bear gallbladders;

- Pangolins.

Any person who ships CITES species into or out of Korea without filing an import or export declaration will be punished. Any person who prepares false required documents for Customs clearance of species subject to CITES restrictions and gets them cleared through Customs by fraudulent means or any other illegal means will be punished.

## 8. CUSTOMS DUTIES AND TAXES

### 8.1 Summary of Import Duties

According to the WTO, the overview of import Duty in Korea is shown in the table below.

Table 3 Summary of Korea Tariffs

| Summary                   | Total               |      |      | Ag             |       |       | Non-Ag |      |     |
|---------------------------|---------------------|------|------|----------------|-------|-------|--------|------|-----|
|                           | 13.7                |      |      | 56.9           |       |       | 6.8    |      |     |
| Frequency Distribution    | free                | 0~5  | 5~10 | 10~15          | 15~25 | 25~50 | 50~100 | >100 | NAV |
|                           | Tariff lines (in %) |      |      |                |       |       |        |      |     |
| Ag MFN applied            | 5.5                 | 17.7 | 22.4 | 1.2            | 12.9  | 28.1  | 2.0    | 10.0 | 3.2 |
| Non-Ag MFN applied        | 16.6                | 12.1 | 61.1 | 6.4            | 3.8   | 0.0   | 0.0    | 0    | 0.0 |
| Product groups            | MFN applied duties  |      |      |                |       |       |        |      |     |
|                           | AVG                 |      |      | Duty-free in % |       |       | Max    |      |     |
| Animal products           | 21.5                |      |      | 3.1            |       |       | 89     |      |     |
| Dairy products            | 66.0                |      |      | 0              |       |       | 176    |      |     |
| Fruit, vegetables, plants | 59.3                |      |      | 0.2            |       |       | 887    |      |     |
| Coffee, tea               | 56.4                |      |      | 0              |       |       | 514    |      |     |
| Cereals & preparations    | 187.1               |      |      | 0.2            |       |       | 800    |      |     |

|                             |      |       |     |
|-----------------------------|------|-------|-----|
| Oilseeds, fats & oils       | 40.7 | 3.6   | 630 |
| Sugars and confectionery    | 15.7 | 0     | 243 |
| Beverages & tobacco         | 31.4 | 0     | 270 |
| Cotton                      | 0.0  | 100.0 | 0   |
| Other agricultural products | 20.4 | 21.5  | 754 |
| Fish & fish products        | 16.7 | 0.4   | 32  |
| Minerals & metals           | 4.6  | 27.0  | 8   |
| Petroleum                   | 4.5  | 3.3   | 8   |
| Chemicals                   | 5.6  | 6.4   | 59  |
| Wood, paper, etc.           | 2.4  | 64.5  | 13  |
| Textiles                    | 9.0  | 1.5   | 13  |
| Clothing                    | 12.5 | 0     | 13  |
| Leather, footwear, etc.     | 7.6  | 2.7   | 16  |
| Non-electrical machinery    | 5.9  | 22.6  | 13  |
| Electrical machinery        | 6.0  | 21.2  | 13  |
| Transport equipment         | 5.7  | 24.9  | 10  |
| Manufactures                | 6.1  | 16.8  | 13  |

Source: WTO Statistics.

## 8.2 Duty Rates

The rates of Customs duties imposed on imported goods shall be as follows:

- Basic duty rates;
- Provisional duty rates;
- Other duty rates prescribed by Presidential Decree or Ordinance of the Ministry of Economy and Finance.

Basic duty rates and provisional duty rates shall be governed by Schedules of Tariff Rates and provisional duty rates shall take priority over the basic duty rates in the application thereof. Other duty rates

prescribed by Presidential Decree or Ordinance of the Ministry of Economy and Finance shall take priority over any other duty rates.

Duty rates shall be preferentially applied only if such duty rates are lower than basic duty rates, provisional duty rates and other duty rates. Provided that, the rates of tariff concessions made at a rate equivalent to the difference between domestic and foreign prices in tariff negotiations with an international organization and the rates of tariff concessions (including the rates of tariff concessions made to the market access quota) made to goods prescribed by Presidential Decree among agricultural, forest and livestock products to which a tariff concession was made at a rate higher than basic tariff rates in the process of opening the domestic market shall take priority over basic tariff rates and provisional tariff rates in the application thereof.

### **Adjustment of Duty Rates**

- Anti-Dumping Duties;
- Countervailing Duties;
- Retaliatory Duties;
- Emergency Duties and Provisional Emergency Duties;
- Special Emergency Duties on Agricultural, Forest and Livestock Products;
- Adjusted Duties;
- Quota Duties;
- Seasonal Duties.

### **International Cooperation Tariffs**

- Beneficial Tariffs  
With respect to goods imported to Korea from any country which does not enjoy benefits granted under any tariff treaty, benefits regarding tariffs within the limit of the benefits granted under any treaty already concluded with a foreign country may be granted to such goods.
- General Preferential Duties  
With respect to goods from developing countries, Customs duties may be imposed on such goods at a rate lower than the basic tariff rate.

## Application of Tariff Rates

Notwithstanding other statutes, simplified tariff rates may be applied to goods prescribed by Presidential Decree among the following goods:

- Goods imported by travelers or crew of any means of transportation navigating overseas as their personal effects;
- Postal items;
- Goods used to repair or replace part of any vessel and aircraft overseas;
- Consignments or unaccompanied goods.

Where goods, on which an import declaration is filed en block, are different from each other in tariff rate by item, the highest tariff rate may be imposed upon request from a person who files such import declaration.

## 8.3 Exemption or Reduction

In Korea, import duties may be exempted and reduced on following goods:

### A. Goods for Diplomats

### B. Goods subject to Uneven Duty Rates

Goods mainly include the parts and raw materials (including re-imported parts that are repaired or manufactured in a foreign country after having been exported and raw materials that are processed and repaired) used by a small or medium enterprise under the Restriction of Special Taxation Act to manufacture or repair any of the following goods at a factory designated by the head of a Customs office: aircraft (including parts); equipment used to manufacture semiconductors (including accessory machinery thereof).

### C. Goods Used for Scientific Research

If Customs duties are reduced or exempted, the reduction and exemption rate thereof shall be determined by Ordinance of the Ministry of Economy and Finance.

#### **D. Goods for Religion, Charity and Disabled**

Customs duties may be exempted on any of the imported goods, which had been:

- donated by foreign countries to churches, temples and religious organizations, and for the purposes of charity and relief;
- donated to charity and relief establishments or social welfare establishments;
- donated by the International Foundation of the Red Cross, foreign Red Cross associations and international organizations for the purposes of international peace service activities or international amity activities;
- specially made or manufactured for the use by the hearing, visually or speech impaired, physically disabled, chronic renal failure patients, patients with rare or incurable diseases, etc.

#### **E. Goods Used by Government**

- goods donated to the State agencies or local governments for official use;
- military goods imported by the Government;
- goods used for the security service for the head of the State; goods returned from military forces stationed overseas or overseas diplomatic missions, which were used for official business;
- goods imported for the purposes of emergency communications and radio wave controls that such goods are critically necessary for national security;
- publications, records, recorded tapes, recorded slides, exposed films and other goods and materials similar thereto which have been imported directly by the government;
- goods from among machinery, appliances, etc. imported by the State or local governments to measure or analyze environmental pollution (including noise and vibration);
- goods imported by the State and local governments (including corporations established, invested or contributed by the State or local governments) to measure, conserve or improve the quality of drinking water;
- goods imported by the Director of the National Intelligence Service or a person entrusted by the Director of the National Intelligence Service determined as critically necessary for national security.

## F. Specific Goods

- used for breeding animals and plants and improving seeds;
- imported by participants for the exhibitions at fairs, international sports competitions and other events similar thereto;
- goods which are donated by foreign countries for the purposes of restoration support and rescues in cases of nuclear accidents or radioactive emergencies;
- fish and marine life (including fishery products processed or manufactured using such fish and marine life in Korean fishing boats) collected or caught by Korean fishing boats in the territorial waters of any foreign country by obtaining permission from the government of such foreign country;
- fish and marine life which are collected or caught by any Korean fishing boat in cooperation with foreign fishing boat;
- fish and marine life that a person collects or catches through a joint venture with any foreigner by obtaining permission and conforming with the requirements;
- non-recyclable goods which are used to pack fish and marine life collected or caught by Korean fishing boats, etc.;
- goods which are used as raw materials for a pilot production to verify whether machinery and appliances manufactured by a domestic small and medium enterprise, upon a request by a foreign vendee, are in conformity with specifications and functions specified by such foreign vendee;
- goods which belong to the head of a foreign country, his/her family and entourage members who visit Korea;
- parts and equipment of a dismantled Korean ship or means of transportation which has been wrecked;
- goods necessary to construct or repair bridges, communications facilities, undersea tunnels and other facilities corresponding thereto, to link Korea and foreign countries;
- goods as certificates to be placed on exported goods, indicating that such exported goods are in conformity with conditions, including but not limited to the quality, standard and safety specified by the competent agency of any importing country;
- goods used for restoring damage caused by an accident to any Korean ship or aircraft overseas at the expense of any foreign insurance company or foreign offender;
- goods imported as parts used to repair the breakdown of any Korean ship or aircraft, which is

caused by an accident overseas during a warranty period at the expense of any foreign vendor, which is specified in a sales contract;

- goods which are imported as sporting goods (including their components) for the Olympic Games, Paralympics, Deaflympics, Asian Games and Disabled Asian Games;
- materials necessary to construct, maintain and ornament national cemeteries and funeral goods used to make coffins of those who are buried in national cemeteries and the boxes of remains;
- personal belongings of any predecessor that are inherited to any person residing in Korea following the death of such predecessor.

### **G. Small-sum Goods**

- medals, testimonials or citations and awards corresponding thereto which have been granted to residents in Korea;
- records and other documents;
- goods determined by Ordinance of the Ministry of Economy and Finance as commercial samples or advertising materials;
- goods determined by Ordinance of the Ministry of Economy and Finance as small-sum goods received by residents in Korea.

### **H. Goods Used to Prevent Environmental Pollution**

Customs duties may be reduced or exempted on any of the following imported goods, which are difficult to be manufactured in Korea:

- machinery, appliances, facilities and equipment as goods used to prevent emissions of pollutants (including noise and vibration) or treat pollutants;
- machinery and appliances as goods used to treat wastes (including recycling);
- factory automation machines, appliances, facilities and equipment (including its component appliances) and their key parts as machinery or electronic technology-applied goods or data-processing technology-applied goods.

### **I. Goods for Re-exportation**

Customs duties may be exempted on goods re-exported within particular periods from the date on which an import declaration thereon has been accepted.

### **J. Goods for Re-importation**

Customs duties may be exempted on goods exported from Korea (including bonded processing exports) that are reimported without being manufactured, processed, repaired or used in any foreign country within two years from the date on which an export declaration was approved.

### **K. Reduction due to Deterioration**

When goods are deteriorated or damaged before an import declaration thereon is accepted, Customs duties thereon may be reduced.

Where Customs duties are additionally collected on goods, whose Customs duties have been reduced or exempted, if such goods are deteriorated or used, thereby diminishing their value, such additional Customs duties may be reduced.

### **L. Overseas Trusted and Processed Goods**

Goods which are manufactured or processed overseas using domestic raw materials and components exported for such purpose such as processing or repairing.

## **8.4 Additional Duties**

When the head of a Customs office collects underpaid Customs duties, he/she shall collect the aggregate of the following amounts as additional duties:

- 10/100 of the relevant shortage of Customs duties;
- The amount calculated by applying the following formula:
- Relevant shortage of Customs duties × period from the date following the time limit for payment to the date on which a revised return is filed or a duty payment notice is served × interest rate.

Where a duty payer has under-reported Customs duties by an unjustifiable means, the Customs shall collect the aggregate of the amount equivalent to 40/100 of the relevant shortage of Customs duties and the amount as additional duties.

In imposing and collecting Customs duties on goods imported without filing an import declaration thereon, the Customs shall collect the aggregate of the following amounts as additional duties:

- 20/100 of the relevant amount of Customs duties (40/100, if the duty payer has been punished for committing an offense or received a disposition by notice);
- The amount calculated by applying the following calculation formula:
- Relevant amount of Customs duties × Period from the date of import to the date on which a duty payment notice was served × Interest rate.

## 8.5 VAT and Special Excise Tax

Korea has a flat 10 percent Value Added Tax (VAT) on all imports and domestically manufactured goods.

A Special Excise Tax of 10-20 percent is also levied on the importation of certain luxury items and durable consumer goods.

Duties and taxes must be paid in Korean Won within 15 days after goods have cleared Customs.

## 8.6 Customs Fees and Surcharges

If Customs duties are not fully paid by the specified time limit, a surcharge equivalent to 3/100 of such Customs duties in arrears shall be collected from the date on which the said time limit expires.

If Customs duties in arrears are not paid, a surcharge equivalent to 12/1000 of such Customs duties in arrears plus the surcharge imposed shall apply per month elapsed from the date on which the time limit for payment expires. In such cases, the period for which the increased surcharge is additionally collected shall not exceed 60 months.

The surcharge of Customs duties in arrears (including an internal tax collected by the Customs, if any) shall less than one million won. The surcharge shall not apply to any goods directly imported by the State or local governments.

When the Customs pays or appropriates Customs refunds, an amount calculated according to the interest rate accruing for a period from the initial date in calculating on the refund of Customs duties, to the date a determination of refund or determination of appropriation is made, shall be added as a surcharge to such Customs refunds.

The collection of Customs duties in cases of absence of security shall apply mutatis mutandis to the collection of a penalty surcharge where a person liable to pay a penalty surcharge by the payment deadline.

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## 9. HS CLASSIFICATION

Korea is a contracting party of the international convention on the WCO Harmonized System and follows the rules of commodity classification of the Harmonized System.

The Minister of Strategy and Finance may establish standards necessary for applying tariff classifications. A Tariff Classification Committee was established in the Korea Customs Service to deliberate on the matters with new establishment or modification of standards for the application of the tariff classifications.

Please visit the [website](#) using the description of the goods or Harmonized System (HS) code for more details and visit the [website](#) where HS System of Korea can be downloaded in an excel format and only available in Korean.

## 10. CUSTOMS VALUATION

### 10.1 First Method

The first method is the principled method that determines the dutiable value of goods. Most dutiable values are determined by the first method that determines the dutiable value of imported goods based on their transaction price.

The dutiable value of imported goods shall be the transaction price adjusted by adding up the following amount to the price of goods sold for export to Korea that has been actually paid or is to be paid by a vendee provided that the following amount shall be added based on the objective and quantifiable data, and if such data are unavailable, the dutiable value shall be determined by other methods instead of:

- Commissions and brokerage fees to be borne by a vendee except the buying commissions shall be excluded;
- Cost involved in containers handled in the same manner as the relevant imported goods, labor cost and material cost incurred in packing the relevant imported goods, all of which to be borne by a vendee;
- The amount calculated by appropriately allocating the price or the balance of the discount for the goods and services in consideration of factors, such as the total production of the relevant imported goods, if a vendee supplies directly or indirectly, the goods and services, free of charge or at a discounted price, for the production and exportation of the relevant imported goods;
- The amount computed, which is paid for the patent right, the utility model right, the design right, the trademark right and other rights similar thereto;
- The amount which, directly or indirectly, is paid to a vendor, among the proceeds accruing from the resale, disposal or use of the relevant imported goods;
- The amount determined, which are freight, insurance bill and other costs involved in transportation to the port of entry.

"The price that has been actually paid or is to be paid by a vendee" means the total amount paid or to be paid by the vendee for the relevant imported goods, including the amount offsetting the debt of a vendor by the price of the relevant imported goods, the amount of a vendor's debt to be repaid by the vendee,

and other indirect payment

If any of the following amount is clearly separated from the total amount paid or to be paid by a vendee, the amount computed shall be deducted from the dutiable value:

- Costs involved in the construction, installation, assembling, repair and maintenance of the relevant imported goods, which are undertaken after importation thereof, or costs involved in providing the technical support for the relevant imported goods;
- Freight and insurance fees necessary for transporting the relevant imported goods after their arrival at the port of entry and other costs involved in their transportation;
- Customs duties and public charges imposed on the relevant imported goods in Korea;
- If the relevant goods are imported on a deferred payment basis, the interest rate on such deferred payment.

In any of the following cases, the dutiable value of the relevant imported goods shall not be the transaction price but shall be determined by the methods provided for in the Customs Act. In such cases, the head of a Customs office shall give a prior written notice to a person liable for duty payment of the grounds that give rise to the occurrence of any of the following cases, and provide them with an opportunity to propose their opinion:

- Where the disposal or use of the relevant goods is restricted except that cases, such as where there is a restriction deemed by the Customs office as not practically affecting the transaction price;
- Where the effectuation of transaction or the determination of price of the relevant goods is affected by conditions or circumstances which cannot be counted in terms of money;
- Where some of the proceeds accruing from the resale, disposal or use of the relevant goods after importation thereof is paid, directly or indirectly, to a vendor except that this shall not apply where a proper adjustment can be made;
- Where a special relationship between a vendee and a vendor affects the determination of the price of the relevant goods except that cases, such as where it is determined in the manner consistent with a normal pricing practice in the relevant industry sector.

The head of a Customs office may request the person liable for duty payment to provide data attesting that the relevant declared dutiable value is correct. The head of the Customs office shall endeavor to

achieve appropriate cooperation, such as information exchange, with a person liable for duty payment in order to determine the dutiable value as soon as possible and notify the relevant person liable for duty payment of the reason why it is impractical to recognize the declared value as the dutiable value, along with the dutiable value determined.

## **10.2 Second Method**

In case where the first method cannot be applied, the second method is used to determine the dutiable value of goods based on the transaction price of goods of the same kind and quality that has previously been recognized as a dutiable value and satisfies certain requirements.

## **10.3 Third Method**

In case where neither of the first and second methods can be applied, the third method is used to determine the dutiable value of goods based on the transaction price of similar goods that has previously been deemed as a dutiable value and satisfies certain requirements.

## **10.4 Fourth Method**

In case where none of the first, second and third methods can be applied, the domestic sale price after import clearance minus certain costs, etc. is determined to be the dutiable value of the relevant goods.

## **10.5 Fifth Method**

In case where none of the first to fourth methods can be applied, the dutiable value of imported goods is determined based on the price obtained by calculating the costs incurred in the production of such goods based on the cost statement of the product presented by the manufacturer of the exporting country.

## **10.6 Sixth Method**

In case where none of the first to fifth methods can be applied, the dutiable value of goods is determined based on the reasonable standards which conform to the principles of the first to fifth methods.

Above methods must be applied sequentially starting with the first method, and any evaluation method of lower priority can be applied only when the dutiable value determined by the method of higher priority cannot be applied. However, the fifth method may be applied in advance of the fourth method in case

where the person liable for duty payment makes a request for it.

## 10.7 Value Disapproval

- In case where any dutiable value declared by any person liable for duty payment is substantially different from the dutiable value of the goods of the same kind and quality or the similar goods;
- In case where dutiable values declared by a person liable for duty payment have substantially fluctuated although such person has continued to import goods from the same supplier;
- In case where declared goods are crude oil, minerals, grains, etc., the international market prices of which are published, and the declared values are substantially different from their published international market prices;
- In case where there is a substantial difference between the previously declared value and the newly declared value after the relevant person liable for duty payment changes his/her customer;
- In case where a person liable for duty payment fails to submit any related data or in case where it is difficult to recognize the declared value as the dutiable value, the head of the relevant Customs office shall not apply the first method but determine the dutiable value by means of one of the second to sixth methods.

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## 11. RULES OF ORIGIN

In general, a country of origin refers to the country or region where all of the relevant goods are produced, processed or manufactured; where the relevant goods are produced, processed or manufactured in at least two countries, a country where the final process of producing, processing and manufacturing the relevant goods is practically undertaken to the extent that such goods are fully given with their essential characteristics. Under the Foreign Trade Act of Korea, most of the changes are based on HS change standards, and some process items or value-added standards may be applied.

Imported goods to Korea are required to carry the country of origin labels in accordance with statutes.

If a violation is insignificant, the goods in question may be permitted to undergo the Customs clearance procedure after having such insignificant violation supplemented or corrected.

In Korea, the criteria for determining the country of origin include Preferential Rules of Origin, which provides tariff benefits over Customs goods in other countries. It is a binary system that defines Non-Preferential Rules of Origin which refers to purposes other than those for the application of preferential tariffs, such as the purpose of indicating the country of origin for protection of consumers and the exclusion of anti-dumping tariffs.

## 11.1 Determination Criterion

### A. Wholly Produced Criterion

When a product is fully acquired, produced, reared, or propagated in one country, this system recognizes the country of origin.

### B. Substantial Transformation Criterion

If the goods are produced in more than one country, this is the criterion to recognize the country of origin where more important processes have been performed.

The specific judgment on the substantial transformation is mainly based on the HS code change, but for the goods defined by the value-added criterion or the processing criterion, the country of origin is determined by applying those criteria. However, a country that has only performed simple processes such as packaging, labeling, cutting, assembly and screening for transportation and preservation is not recognized as origin.

### C. Value-added Criterion (or Value Ratio of Parts)

It recognizes the country of origin in a country that occupies value added above a certain ratio after calculating the price ratio (value added rate) of raw materials and components in the goods. The Foreign Trade Act gives origin to countries that produce more than 35% of the value-added rate.

## D. Processing Criterion

Using this criterion, the country of origin is a country that processes important textiles, livestock and meat (such as clothes, towels, socks and ties).

Please visit the [website](#) for more details.

## 11.2 Certificate of Origin

### 11.2.1 Types of Certificate of Origin

#### A. Certificate of Origin of Form (Form A)

Certificate issued when it is proved to conform to the origin standard of the country (arrangement) that grants preferential tariff benefits to certain goods produced in a particular country, in accordance with the GSP or agreement of the preferential donor country. Issued by an authority having the right to issue preferential certificates, such as national agencies, and symbols that prove that they conform to the standards of origin, such as agreements (A, B, C, D, etc.), although the forms vary somewhat depending on each agreement. And value added (%) are listed.

#### B. General Certificate of Origin

Generally used for purposes other than the application of preferential tariffs, such as labeling of origin, issued by the Chamber of Commerce and Industry, the shape, nature, form or use of natural products or raw materials used in the manufacturing process of a particular country is permanent in any particular country. In the event of a substantial change, a certificate will be issued by recognizing that the goods are domestic.

#### C. Certificate of Origin / Processing

This certificate is issued when the manufacturing process performed in a particular country is insufficient and cannot be made in that country, which means that it has been processed in that country.

## **D. Certificate of Origin / Re-Export**

This is a certificate issued when imported goods from other countries are re-exported without separate processing.

### **11.2.2 Usage of Certificate of Origin**

A certificate of origin shall be submitted under the following to cases:

- Firstly, anyone who intends to receive bound tariffs subject to the legal regulations or agreement shall submit a Certificate of Origin for Preferential Cases.
- Secondly, for items that fall under the following paragraph shall submit the general Certificate of Origin.

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## **12. CUSTOMS ADVANCE RULINGS**

### **12.1 Tariff Classification**

A person who intends to import or export goods, a manufacturer of goods to be exported, a licensed Customs broker, a Customs brokers' corporation, or a corporation for handling clearance may file an application for a prior examination on the tariff classification prior to filing an export or import declaration.

Upon receipt of an application for examination, the Commissioner of KCS shall examine the tariff classification and notify the applicant of the results thereof. If it is impracticable to examine such tariff classification due to the insufficiency, etc. of documents presented, a notice of such fact shall be given to the applicant.

KCS shall publicly announce or publish the tariff classification to be applied to the goods for which the tariff classification is examined and the goods for which the applicable tariff classification is modified. The

Customs may choose not to publicly announce or publish the tariff classification to be applicable to the relevant goods if he/she deems it inappropriate to publicly announce or publish the tariff classification for such reason that it contains trade secret of the applicant.

## 12.2 Customs Valuation

### 12.2.1 Prior Examination of Methods for Determining Dutiable Value

A person who intends to import or export goods, a manufacturer of goods to be exported, a licensed Customs broker, a Customs brokers' corporation, or a corporation for handling clearance may apply for a prior examination before he/she files a value report.

Upon receipt of a written request, the Customs shall examine the method for determining the dutiable value and notify the applicant of the result within the period.

### 12.2.2 Advance Pricing Arrangement

A person, who files an application for advance pricing arrangement because of his/her inquiry about the matter may simultaneously file an application for the prior approval of the method of calculating the arm's length price prescribed in the Adjustment of International Taxes Act. In such cases, the Customs shall arrange in advance the dutiable value of Customs duties and the arm's length price for a national tax in consultation with the National Tax Service.

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## 13. FREE TRADE AGREEMENTS

Traditionally, Korea has prioritized multilateral trade negotiations under the WTO system. However, with the rise of regional FTAs, Korea has developed rapidly in this field and achieved remarkable results.

Table 4 Current Status of FTAs

| Classification  | Countries Having Concluded or Expected to Conclude FTAs with Korea | Progress Situation   |
|---|--|--|
| FTAs having become effective<br>(15 FTAs, 52 countries) | Chile  | Became effective (April 1, 2004)                                   |
|   | Singapore  | Became effective (March 2, 2006)                                   |
|   | EFTA (4)   | Became effective (September 1, 2006)                               |
|   | ASEAN (10)   | Became effective (June 1, 2007)                                    |
|   | India  | Became effective (January 1, 2010)                                 |
|   | EU (28)  | Became effective (July 1, 2011)                                    |
|   | Peru   | Became effective (August 1, 2011)                                  |
|   | USA  | Became effective (March 15, 2012)                                  |
|   | Turkey   | Became effective (May 1, 2013)                                     |
|   | Australia  | Became effective (December 12, 2014)                               |
|   | Canada   | Became effective (January 1, 2015)                                 |
|   | China  | Became effective (December 20, 2015)                               |
|   | New Zealand  | Became effective (December 20, 2015)                               |
|   | Vietnam  | Became effective (December 20, 2015)                               |
| Colombia  | Became effective (July 15, 2016)                                   |  |
| Agreement reached<br>(1 FTAs, 6 countries)              | *Central America (6)   | Declaration of a substantial agreement reached (November 16, 2016) |
| Negotiation in progress                                 | Korea-China-Japan  | 10th working-level negotiation (April 2016)                        |
|   | *RCEP  | 17th negotiation (February 2017)                                   |
|   | Ecuador  | 5th negotiation (November 2016)                                    |
|   | Israel   | 2nd negotiation (December 2016)                                    |
| Creation of conditions<br>for resuming<br>negotiations  | Indonesia  | 7th negotiation (February 2014)                                    |
|   | Japan  | 6th negotiation (November 2004)                                    |
|   | Mexico   | 2nd negotiation (June 2008)  |
|   | *GCC   | 3rd negotiation (July 2009)  |

\* RCEP (Regional Comprehensive Economic Partnership): 10 countries including ASEAN, Republic of Korea, China, Japan, India, New Zealand, and Australia

\* Central America: 6 countries including Panama, Costa Rica, Guatemala, Honduras, El Salvador, and Nicaragua

\* GCC (Gulf Cooperation Council): Saudi Arabia, Kuwait, UAE, Bahrain, Oman, and Qatar

Source: KCS website.

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## 14. BONDED SYSTEM

### 14.1 Bonded Area

A bonded area is a place designated or licensed by the Customs because of the necessity of efficient cargo management and Customs administration. It is a place used for the storage of exported, imported or returned foreign goods intended for Customs clearance; manufacturing, processing or other similar work using foreign goods or foreign and domestic goods as raw materials; exhibition of foreign goods; construction works using foreign goods; sale of foreign goods; inspection of exported or imported goods, etc.

#### Types of Bonded Areas

Bonded areas are classified into designated bonded areas, licensed bonded areas and general bonded areas. The designated bonded areas are further categorized into the designated storage places and the Customs inspection places; the licensed bonded areas are categorized into the bonded warehouse, the bonded factory, the bonded exhibition, the bonded construction work site and the bonded store.

In order to ensure the smooth distribution and swift clearance of bonded goods for the owner, a period of storing the goods is set and operated in a bonded area. In order to secure duty claims, maintain order, etc. in the bonded area, the cargo manager is responsible for keeping goods in custody in a designated bonded area and the operator is responsible for keeping goods in custody in a licensed bonded area.

When shipping goods into or out of a bonded area, if its cargo manager or operator intends to file a shipment declaration or carry out the bonded work, he or she must fulfill the required Customs formalities including obtainment of permission from the Customs office.

In addition, in the case of a bonded area recognized as free from any impediment to Customs monitoring and the control of goods, direct Customs restrictions are eased, thus making it possible to carry out Customs administration duties efficiently and maintain order, by implementing the self-managed bonded area system which entrusts the management of goods to the operator or cargo manager so that he or she may manage goods autonomously.

The self-managed bonded area must by all means employ a bonded goods caretaker as a professional cargo manager in charge of managing goods stored in the bonded area.

A bonded goods caretaker performs such duties as monitoring and confirming bonded cargos and domestic goods shipped into or out of a bonded area, etc. To qualify as a bonded goods caretaker, one must be a person who has served as a general public official in charge of Customs administration affairs for five years or more or a person who has passed a qualification examination in the management of bonded goods. Any person who has passed the test will be issued with a bonded goods caretaker certificate.

The bonded goods caretaker qualification examination covers five subjects: export and import clearance procedures, management of bonded areas, management of bonded goods, self-management and Customs penal provisions, and export and import security management.

Table 5 Classification of Bonded Areas

| Classification | Concept   | Type  | Purposes of Establishment  | Feature |
|----------------|---|---|--|---------|
| Designated     | <ul style="list-style-type: none"> <li>- Designating any land, building or other facilities owned or managed by the State, a local government or a corporation in charge of administering airport (harbor) facilities as a bonded area</li> <li>- Designator: Head of a Customs office</li> </ul> | <ul style="list-style-type: none"> <li>- Designated storage place</li> <li>- Customs inspection place</li> </ul>  | <ul style="list-style-type: none"> <li>- For the convenience of Customs clearance, temporary storage, and inspection</li> <li>- For the public purposes of administration</li> </ul> | Passive |
|                | <ul style="list-style-type: none"> <li>- Applying for a license for establishing and operating a licensed bonded area on any privately-owned land or building</li> <li>- Licensor: Head of a Customs office</li> </ul>  | <ul style="list-style-type: none"> <li>- Bonded warehouse</li> <li>- Bonded factory</li> <li>- Bonded construction site</li> <li>- Bonded exhibition place</li> <li>- Bonded store</li> </ul> | <ul style="list-style-type: none"> <li>- For storage, manufacture, exhibition, construction, and sale</li> <li>- Pursuit of private profits</li> </ul>                               | Active  |
| General        | <ul style="list-style-type: none"> <li>- Designating a general bonded area from among particular areas</li> <li>- Licensor: Commissioner of the Korea Customs Service</li> </ul>  | <ul style="list-style-type: none"> <li>- General bonded area</li> </ul>   | <ul style="list-style-type: none"> <li>- Exportation and promotion of logistics</li> <li>- Private and public profits (harmonization through investment promotion, etc.)</li> </ul>  | Active  |

## 14.2 Bonded Transportation

Bonded transportation means transporting cargos imported from a foreign country into another bonded area in the original form of foreign goods after filing a declaration with or obtaining approval from the relevant Customs office without clearing them through Customs in the port of entry. Such bonded transportation is accompanied by constraints because goods are transported under the condition of deferment of payment of Customs duties.

For example, an owner of goods who has a factory in Seoul has two methods to clear goods which have arrived in Busan through Customs. One is to transport such goods to Seoul after clearing them through Customs in Busan, and the other method is to file a bonded transportation declaration or apply for approval, carry out bonded transportation from Busan to Seoul, and then clear the goods through Customs.

Table 6 Bonded Transportation Declaration and Approval

|  |  |
|--|--|
| Bonded transportation declarant / approval applicant | Owner of the goods, a licensed Customs broker, a bonded transportation operator  |
| Declaration on bonded transportation (in principle)  | Any person who intends to carry out bonded transportation shall file a declaration.  |
| Approval of bonded transportation                    | <p>Approval shall be obtained in any of the following cases where such approval is deemed necessary for monitoring goods, etc.: Provided, That with respect to goods whose bonded transportation is not deemed an impediment to the control of cargoes and the prevention of illegal export and import even if they are not subjected to approval, from among the goods described below, such goods may be transported in a bonded manner upon a report:</p> <ol style="list-style-type: none"> <li>1) Goods intended to be again transported in a bonded manner into other bonded area from among goods which are transported in a bonded manner</li> <li>2) Goods subject to quarantine provided for in the Quarantine Act, the Plant Protection Act and the Act on the Prevention of Livestock Epidemics</li> <li>3) Dangerous substances provided for in the Safety Control of Dangerous Substances Act, and toxic chemicals provided for in the Toxic Chemicals Control Act</li> <li>4) Non-metallic elements</li> <li>5) Goods for which 30 days have elapsed from the day on which they were shipped into a bonded area for the first time after arriving in Korea</li> <li>6) Goods whose Customs clearance is withheld or whose import declaration cannot be accepted</li> <li>7) Goods which are under transportation into a non-bonded area upon approval for storing them therein under Article 156 of the Customs Act</li> <li>8) Non-bulky and high-priced goods such as rare stones, semi-rare stones, precious metals, oriental medicines, medicines and perfumes, etc.</li> <li>9) Goods which the owner or the title holder of the cargo directly transports in a bonded manner</li> <li>10) Goods whose place for Customs clearance is limited under Article 236 of the Customs Act</li> <li>11) Goods which are transported in a bonded manner by dividing up the goods on the basis of the Bill of Lading of the same owner on the cargo manifest</li> <li>12) Goods designated by the head of the relevant Customs office for the purpose of preventing illegal export and import</li> <li>13) Goods transported by the operator of a bonded transportation business who is under investigation or is waiting for a final judgment after being charged with violating the Act or any order given by the head of a Customs office in accordance with the Act</li> </ol> |

Source: KCS website.

### **Carried-in Declaration**

Moving such goods through bonded transportation and then clearing them through Customs just as in the case mentioned above provides some conveniences for the owner of the goods, but it is necessary for him/her to file a declaration on the goods subject to bonded transportation (an application for approval) with the relevant Customs office, carry out bonded transportation of them, ship them into the bonded area, etc. of the Customs office in charge of the destination, and then submit a report of arrival.

### **Bonded Transportation Declaration**

In principle, a bonded transportation declaration or an application for approval should be filed after a cargo manifest of imported goods is submitted and the goods is shipped into the place of unloading, but it can be filed even before the vessel or the aircraft arrives at the port (airport).

In principle, all the foreign goods can be transported only by bonded transportation in Korea. However, the bonded transportation procedure is not required in the case of goods which are transported under the control of a postal service office in accordance with the Postal Service Act, goods subject to quarantine which are transported to the mooring or quarantine facility of the quarantine station after being taken over by a quarantine service office in accordance with the Quarantine Act, and the seized goods which are transported by a national agency.

### **Means of Bonded Transportation**

Any bonded transportation operator who intends to carry out bonded transportation of imported goods may use his/her own means of transportation or another bonded transportation operator's means of transportation. Any owner of goods can also use not only his/her own vehicle but also any other means of transportation without limitation if he/she carries out bonded transportation of his/her cargos directly. In this case, the owner of goods can perform the bonded transportation to the bonded area of the destination under his/her own responsibility after offering security equivalent to the relevant Customs duties.

### **Simplified Bonded Transportation**

The Customs may take any of the following measures by designating a bonded transportation business entity or goods, in consideration of the nature and form of goods subject to the bonded transportation and the credit rating, etc. of a bonded transportation business entity: the simplification of procedures for filing

any report, the omission of inspections, and the exemption from providing security.

### 14.3 Bonded Processing

In any bonded factory, manufacturing, processing or similar work thereto may be performed using foreign goods as raw materials or materials, or using foreign goods and domestic goods as raw materials or materials. No manufacturing, processing and similar work thereto may be performed using only domestic goods as raw materials or materials in any bonded factory without obtaining approval.

The business types of bonded factories in which imported goods are manufactured and processed, from among bonded factories, may be limited. The Customs may permit an import declaration on goods to be used in a bonded factory after undergoing Customs clearance to be filed after the goods are shipped into the bonded factory.

An operator shall file a report on the use of goods shipped into his/her bonded factory before the goods are used. In such cases, a Customs officer may inspect such goods. When foreign goods, the use of which shall be reported are determined and publicly notified as those that need to meet the requirements for permission, approval, labels and other requirements pursuant to any other Act and subordinate statutes, such as narcotics and firearms, the fulfillment of such requirements shall be verified.

When it is deemed necessary to develop processing trade or the domestic industry, the Customs may permit the work to be conducted outside the relevant bonded factory by determining a period, a place, goods, etc. A Customs officer may inspect the relevant goods when they are shipped out of the bonded factory. Foreign goods shipped into a designated place with permission granted shall be deemed to exist in a bonded factory until a designated period expires.

The Customs may permit the shipment of goods to be used for the bonded work directly to a workplace, other than a bonded factory. Where foreign goods or other goods manufactured using such foreign goods remain at the workplace, other than a bonded factory after the designated period expires, Customs duties on such goods shall be promptly collected from the operator of the relevant bonded factory who has been granted with permission for the relevant goods.

Where the work is done using foreign goods or using foreign goods and domestic goods as raw materials or materials, any goods therefrom shall be deemed goods which arrive in Korea from a foreign country. Any goods corresponding to the quantity and price of the foreign goods from among the goods therefrom

shall be deemed goods which arrive in Korea from a foreign country.

When any goods manufactured in a bonded factory are imported and an application for taxation on the foreign goods, which are raw materials of the relevant goods, has been filed in advance before a use report, Customs duties shall be imposed in accordance with the nature and quantity of the raw materials at the time the use report is filed. The Customs may permit the bonded factory satisfying the standards to file an application by raw material or goods, or for the entire bonded factory within the extent of one year.

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## 15. FEZS AND FTZS

### 15.1 FEZs

The Korean Government adopted the "Special Act on Designation and Management of Free Economic Zones" in December 2002 in order to create a more business-friendly environment by upgrading the country's industrial and economic systems to a world-class level and eliminating unnecessary regulations. The government has since led a nationwide expansion of FEZs by designating Incheon (2003), Busan-Jinhae, Gwangyang Bay Area (2003), Yellow Sea, Saemangeum-Gunsan, Daegu/Gyeongbuk (2008), East Coast and Chungbuk (2013) as FEZs.

FEZs guarantee freer and more extensive enterprise activities through a variety of tax benefits as well as relaxed regulations, favorable living environments, and swift administrative services.

#### **Tax Benefits**

For manufacturing firms (investing \$10 million or more), logistics businesses (investing \$5 million or more), tourism companies (investing \$10 million or more), project developers (investing \$50 million or more) and medical institutions (investing \$5 million or more), income tax and corporate tax are exempted for three years from the date of operating revenue generation and reduced 50% for two years thereafter.

Tariffs on imported capital goods are exempted, and local taxes such as acquisition tax and registration

tax are exempted for the first three years and 50% reduced for the following two years. The period of exemption can be extended up to 15 years and the reduction amount can also be increased in accordance with local government regulations.

### Financial Supports

Up to 50% of the construction costs for infrastructure facilities (e.g. provincial roads, utility conduits) within FEZs are borne by the government. In the case of anchor universities and research facilities established to attract foreign educational and research institutions, the central government provides local governments with financial support through a matching fund scheme during the preparation period and for up to five years after completion in order to cover rent costs, installation costs, labor costs, travel and settlement expenses for foreigners, and operating costs.

Please visit the [website](#) of MOTIE for more publications and the following FEZs official website:

- [Korean Free Economic Zones](#)
- [Incheon Free Economic Zone](#)
- [Busan-Jinhae Free Economic Zone](#)
- [Gwangyang Bay Area Free Economic Zone](#)
- [Yeallow Sea Free Economic Zone](#)
- [Daegul-Gyeongbuk Free Economic Zone](#)
- [Chungbuk Free Economic Zone](#)
- [East Coast Free Economic Zone](#)

## 15.2 FTZs

Free Trade Zones (FTZs) refer to local areas designated for the promotion of trade, global logistics and regional development. The Korean Government supports manufacturing, logistics, distribution, and trade activities within FTZs by using various measures such as tariff exemption and tax reduction. There are 13 FTZs in Korea, including seven industrial complexes, five seaports and one airport.

**Industrial Complex-type FTZs**

- Masan;
- Gunsan;
- Daebul;
- Donghae;
- Yulchon;
- Ulsan;
- Gimjae.

**Industrial Complex-type FTZs (seaports and airport)**

- Busan Port;
- Gwangyang Port;
- Incheon Port;
- Pohang Port;
- Pyeongtaek-Dangjin Port;
- Incheon International Airport.

**Incentives**

- **Tariff Exemption**  
Foreign goods brought into an FTZ are tariff-free, and tariffs are imposed when they leave the FTZ. No VAT is charged on foreign goods and services exchanged among tenants or on raw materials for export.
- **Low Rent**  
Rent is around 1% of land price (versus 2.5% set by the State Property Act) and qualifying foreign-invested companies are also offered rent-free leases.
- **Tax Breaks for Foreign-invested Firms**  
Eligible industries are entitled to a reduction of national and local taxes for up to seven and 15 years, respectively, in accordance with the size of investment.

- Ease of Regulations

Tenants have no obligation to employ the physically challenged, “persons of national merit” and senior citizens. They are also entitled to lease extensions (50 years → 100 years) and exemption from the Traffic Inducement Charge.

Please visit the [website](#) for brochure of FTZs and the following some FTZs official website:

- [Masan Free Trade Zone](#)
- [Gunsan Free Trade Zone](#)
- [Daebul Free Trade Zone](#)
- [Donghae Free Trade Zone](#)
- [Yulchon Free Trade Zone](#)
- [Ulsan Free Trade Zone](#)
- [Gimje Free Trade Zone](#)

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## 16. CUSTOMS POST-CLEARANCE AUDIT

In July 1996, KCS introduced the Post-Clearance Audit to deal with the rapid increase in the volume of imports and exports, and to expedite Customs clearance procedures. Within 90 days after acceptance of import declaration, KCS examines, on case-by-case basis, correctness of payment of duties and taxes on selected import cases, which are electronically selected by risk management methods. This is mainly a paper-based audit. As a consequence, there was a sharp decline in the time taken for Customs clearance, which has also contributed to cost savings for businesses as well as for the government. The scope of the audit covers all import/export/drawback activities including HS classification and Customs valuation for the past 5 years. KCS aims to screen each and every transaction over that 5 years period rather than only sampling some transactions so that additional duties can be maximized.

There are three main types of Customs Post-Clearance Audits in Korea:

- Corporate Audit: Regularly conducted (typically every 4 years);
- Planned Audit: Irregularly conducted (normally targeting an industry);
- Comprehensive Audit: Regularly conducted for AEO licensed companies (typically every 5 years).

### **Common Errors**

KCS has identified some of the more common reasons for reduced compliance:

- Failure to retain adequate records  
All relevant commercial documents must be retained for five years from the date of the transaction with Customs.
- Imports incorrectly entered  
All imported goods must be declared to Customs in accordance with the approved form, be accurately described and correctly classified using the Harmonized Tariff, and any surplus goods reported. Items not ordered, samples and promotional merchandise must also be entered.
- Customs value does not include all associated costs  
All costs associated with the goods are legally required to be considered when determining the dutiable value. These may include costs relating to advertising, assists, commissions, credits, escalation charges, indirect payments, rebates, research and development or royalties.
- Origin incorrectly identified  
Confirmation of country of origin is required in order to claim preferential rates of duty.
- Failure to disclose related transactions  
The value of goods can be influenced by related party transactions. An adjustment for the value may be needed.
- Incomplete information passed to Customs Brokers  
Errors may occur if all relevant information is not passed on to the person selected to assist in clearance.

- Self-Assessment

Every person dealing with Customs has a chance of being audited.

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## 17. CUSTOMS OFFENCES AND APPEALS

### 17.1 Smuggling

Any person who exports or imports any goods referred to prohibition on export and import, shall be punished.

Each of the following persons shall be punished:

- who import goods without filing an import declaration;
- who import goods which are different from those on which an import declaration is filed.

Each of the following persons shall be punished:

- who export or returns goods without filing a declaration;
- who export or returns goods different from those on which a declaration is filed.

### 17.2 Falsifying and Altering Electronic Documents

Any person who falsifies or alters relevant information, including electronic documents, etc. stored in the electronic data-processing system or electronic document brokerage business entity, or a person who uses such falsified or altered information shall be punished.

Each of the following persons shall be punished:

- who operate the duties information network without having been designated;

- who conduct electronic document brokerage without having been designated;
- who harm relevant information, including electronic documents, etc. stored in the electronic equipment of the duty information network or any electronic document brokerage business entity or violates the confidentiality thereof;
- who disclose or steal the relevant confidential information, including electronic documents, etc. which he/she has learned while performing his/her business affairs.

### 17.3 Evading Customs Duties

Each of the following persons who have filed import declarations, shall be punished:

- who file a false dutiable value or a false tariff rate, etc. or fail to file a dutiable value or a tariff rate, etc. in order to exercise influence on the determination of the amount of duty;
- who apply for prior examination or reexamination on false documents in order to exercise an influence on the determination of the amount of duty;
- who import goods as components and other unfinished, incomplete or finished goods having major characteristics as partial components for the purpose of avoiding import restrictions imposed under statutes.

Each of the following persons shall be punished:

- who file an import declaration and imports goods without meeting requirements by any illegal means;
- who file an export declaration and exports goods without meeting requirements by any illegal means;
- who receive the reduction of, or is exempt from, Customs duties by any illegal means or evades the collection of the Customs duties reduced or exempted;
- who has Customs duties refunded by any illegal means;
- who forge the price of goods for the purpose of acquiring, or making a third party acquire, any property or proprietary interests.

## 17.4 Attempted Crime

A person who knowingly abets or aids any offense prohibited shall be punished as committing any principal offense. A person who commits any criminal attempt shall be punished as committing any principal offense. The punishment against a person who prepares to commit any offense shall be mitigated by half the punishment against a principal offender.

## 17.5 Appeals

The person who is subject to an illegal and unfair disposition, or whose rights or interests are infringed on by a lack of the necessary disposition may file a request for evaluation or a request for adjudication to cancel or modify such disposition, or for a necessary disposition.

The person may file an objection before he/she files a request for an evaluation or a request for adjudication, except where such disposition is investigated, determined or dealt with, or must be dealt with by the Customs.

According to the Customs Act, a Customs Appeal Committee is established in KCS to deliberate on the pre-assessment review, request and objections, respectively.

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## 18. CUSTOMS IPR BORDER PROTECTION

No goods which infringe on any of the following intellectual property rights may be imported or exported:

- Trademark rights, the enactment of which is registered;
- Copyrights and neighboring rights;
- Variety protection rights created and registered;
- Geographical indications rights or geographical indications registered under related acts or designated for the protection under treaties, agreements, etc.;

- Patent rights, the enactment of which is registered;
- Design rights, the enactment of which is registered.

The Customs may require the person, etc. who has registered the intellectual property right in question or the enactment thereof pursuant to the relevant statutes to file a report on the matters concerning the intellectual property right in question.

The Customs office shall notify the person who has reported that the export or import declaration on the relevant goods, the declaration on transshipment, combined transshipment, shipment into a bonded area, bonded transportation, or on temporary unloading has been filed.

In such cases, the person in receipt of a notification may provide security to the Customs office and request him/her to withhold a Customs clearance for the relevant goods or to keep them in custody. A person who intends to keep his/her intellectual property right under protection may also offer security to the Customs and request him/her to withhold Customs clearance for the relevant goods or to keep them in custody.

The Customs office in a receipt of a request shall withhold a Customs clearance for the relevant goods or keep them in custody unless special grounds exist that prevent him/her from doing so. The person who has filed an export or import declaration, etc. provides security and requests a Customs clearance, or release of custody, such Customs clearance or custody of the relevant goods may be permitted except for the following goods:

- Goods which bear a forged or similar trademark, thus infringing on a trademark right;
- Illegally reproduced goods that infringe on a copyright, etc.;
- Goods using the same or similar variety name, thus infringing on a variety protection right;
- Goods using a forged or similar geographical indication, thus infringing on a geographical indication right, etc.;
- Goods using the invention, the establishment of which is patented, thus infringing on a patent right;
- Goods using the same or similar design, thus infringing on a design right.

If it is obvious that goods have infringed on any intellectual property right, the Customs office may withhold Customs clearance for such goods or keep them in custody ex officio. In such cases, the head of

the Customs office shall promptly notify the person who has filed an import or export declaration, etc. on the goods in question.

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## 19. AUTHORIZED ECONOMIC OPERATOR (AEO)

AEO<sup>1</sup> stands for “Authorized Economic Operator”, and an AEO means a company that KCS has officially certified as an excellent business entity after examining its suitability as such in accordance with the authorization criteria of legal compliance, internal control system, financial solvency and security management.

In line with the changing global Customs environment, Korea also implemented a full-fledged AEO program in April 2009 after going through a process of preparations that included performing research on the system, enacting laws and ordinances, and conducting a pilot project. There are totally 9 categories of parties concerned: exporters, importers, Customs brokers, (bonded) warehouse operators, (bonded) transporters, freight forwarders, sea carriers, air carriers and ground handlers.

### 19.1 Authorization Criteria and Rating

The AEO authorization criteria consist of four areas: legal compliance, internal control system, financial

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<sup>1</sup> The World Customs Organization (WCO) had long discussed the security of international logistics flow, i.e. supply chain security, from producers to ultimate consumers. Meanwhile, the September 11 terrorist attacks hit the USA, thus claiming so many lives in 2001, which led the USA to implement a new logistics security system and regulations for trade security. As it focused on security intensively at the initial stage, this system started to work as a non-tariff barrier causing lead time delays. In order to improve this problem, WCO established the SAFE Framework of Standards to Secure and Facilitate Global Trade (WCO SAFE Framework) in June 2005. The core concept of this international framework is the AEO program. Customs authorities certify companies as AEOs in accordance with the authorization criteria and perform risk management for AEOs differently from the way they do for non-AEOs. Among the World Customs Organization (WCO) members, over 170 countries have submitted letters of intent to implement the AEO system. This system is currently in operation in major advanced countries and regions such as the USA, Japan and the EU, and a growing number of countries are adopting it.

solvency and security management. The main points of each area are summarized as follows:

First, any company desiring to acquire the AEO status must be free from any reason for disqualification as specified by the Commissioner of the Korea Customs Service and maintain itself above a certain level in terms of legal compliance.

Second, a company's internal control system is a system of its own established to enhance its legal compliance and must be maintained above a certain level as prescribed in the Public Notification of AEO Authorization and Management Affairs.

Third, to be recognized as financially sound, a company must not be in arrears with any payment. If any debt does exist, it must reflect a debt ratio less than 200% of the average debt ratio for its corresponding industry, or the enterprise must be an investment-grade company.

Fourth, security management consists of 8 criteria: management of business partners, transportation means, etc.; access control; personnel management; handling procedure management; facilities & equipment management; information & technology management; and education & training. Any company desiring to acquire the AEO status must maintain itself above a certain level in each area as specified by the Commissioner of the Korea Customs Service.

AEO certificate classes are determined as follows by measuring the legal compliance of companies which meet the criteria of financial solvency and security management and have an assessment score of not less than 80 points in terms of their internal control systems. However, companies with an assessment score of less than 70 points in legal compliance are not eligible for AEO authorization.

- **CLASS "A"**: Companies with an assessment score of 80 or more points in legal compliance
- **CLASS "AA"**: Companies with an assessment score of 90 or more points in legal compliance
- **CLASS "AAA"**: Companies with an assessment score of 95 or more points in legal compliance which are recognized as having one or more exemplary cases that may be applied to other enterprises in relation to such areas as legal compliance, according to the results of a comprehensive audit among authorized economic operators (AEOs).

## 19.2 Necessity and Benefits

Necessity may be said to be the highest value of all systems. The necessity of AEO authorization is based

on the following requirements:

### **First: Terms and Conditions of Trade**

As the international society has recently been getting more and more interested in logistics security, the terms and conditions of trade are also becoming more and more complicated. In addition to requiring fulfillment of the existing trade conditions, a growing number of companies define AEO authorization as a prerequisite for trade. Therefore, companies failing to satisfy the AEO criteria may experience the scope of their trading partners or activities getting narrower or face unexpected disadvantages.

### **Second: Enhancement of Export Competitiveness**

Swift Customs clearance is a matter of greatest concern for exporters. A private company has limitations in its ability to solve the Customs clearance problems by itself because it is difficult for private companies to control these problems, they lack understanding of local laws and regulations or systems, and different countries implement different Customs administrations and have different logistics infrastructure environments. However, AEOs can solve these problems. Since AEO-certified companies are trusted by the Korea Customs Service and recognized by the international society, we can resolve trade barriers and enhance our export comprehensiveness through AEOs.

### **Third: Various Benefits for AEOs**

As AEOs are state-certified reliable companies, they can be guaranteed swifter and more simplified trade procedures when exporting or importing goods. In addition, once mutual recognition arrangements (MRA) are concluded with other countries implementing the AEO system, AEOs will be provided with diverse benefits including the convenience of swift Customs clearance such as reduced inspection rates also in the MRA counterpart countries. As a result, AEOs can reduce the lead times and various costs for international trade.

The Korea Customs Service provides AEO companies with a variety of benefits including simplified inspections and procedures, eased financial burdens and diverse conveniences. Through these benefits, KCS implements differentiated risk management for AEOs compared to non-AEO companies. In addition, KCS is exerting efforts to unearth further benefits for AEO companies. If you have any good ideas for unearthing additional benefits, suggesting them to KCS is a good method to unearth various new benefits.

### 19.3 Post Management

Post management is what AEO-certified companies should do after the AEO authorization in order to maintain its validity. More specifically, it means management of post-authorization acts such as reporting any changes, conducting regular self-inspections, performing comprehensive audits, etc.

And the validity of the AEO authorization granted to a company is three years from the date when the AEO certificate is issued by the Commissioner of the Korea Customs Service, and any company that wishes to maintain its AEO status even after the validity period must renew its AEO authorization.

### 19.4 AEO Mutual Recognition Arrangement

An AEO Mutual Recognition Arrangement (AEO MRA) means that each of the countries signing it accepts its counterpart country's as equal to its own AEO system. In other words, if a mutual recognition arrangement is concluded between two countries implementing the AEO system, each such country's AEO companies receive the same benefits from its counterpart country's Customs authorities as they receive from their own country's Customs authorities. Although the AEO system is based on the WCO SAFE Framework, since the Framework is not legally binding, each country introduces the AEO system in such a way as to make it suitable for its actual circumstances. Accordingly, different countries have more or less different AEO systems. As a result, difficulties arise in that in order to receive benefits related to Customs clearance in a foreign country with which they trade, export and/or import-related companies have to join the country's AEO system even if they have obtained the AEO authorization in their own country or countries. Therefore, MRAs were developed in order to connect the AEO systems implemented by the Customs authorities of different countries.

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## 20. INTERNATIONAL CUSTOMS COOPERATION

Joined WCO in 1968, Korea actively participates in various international organizations and activities related to Customs. KCS has involved in international Customs affairs such as in ASEAN+3, APEC,

ASEM, WCO and WTO. As an emerging economy, Korea joined the OECD in 1996. Korea joined WTO in 1997 and has decided to designate all provisions of the Agreement under Category A of WTO TFA agreement.

WCO adopted a model bilateral convention on mutual administrative assistance for countries to implement as part of a national Customs policy. KCS has used this model as a basis for negotiating Customs Mutual Assistance Agreements (CMAAs) with other foreign administrations.

Following are main International Conventions related to the Customs Administration that Korea took part in:

*Table 7 International Conventions related to the Customs Administration*

| International Conventions related to the Customs Administration  | Related agencies |
|--|------------------|
| General Agreement on Tariff and Trade (GATT)   | WTO              |
| Marrakech Agreement for the Establishment of World Trade Organization  | "                |
| 1994 General Agreement on Tariff and Trade (GATT)  | "                |
| Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade  | "                |
| Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade and the Protocol Thereto                          | "                |
| Agreement on Subsidies and Countervailing Measures   | "                |
| Agreement on Trade-Related Aspects of Intellectual Property Rights   | "                |
| Agreement on Trade Facilitation  | "                |
| Convention establishing a Customs Co-operation Council   | WCO              |
| Customs Convention on the Temporary Importation of Packings  | "                |
| Customs Convention concerning Facilities for the Importation of Goods for Display or Use at Exhibitions, Fairs, Meetings or Similar Events | "                |
| Customs Convention concerning Welfare Material for Seafarers   | "                |
| Customs Convention on the Temporary Importation of Professional Equipment  | "                |
| Customs Convention on the A.T.A. Carnet for Temporary Admission of Goods (A.T.A. Convention)   | "                |

| International Conventions related to the Customs Administration   | Related agencies |
|---|------------------|
| Customs Convention on the Temporary Importation of Scientific Equipment   | "                |
| Customs Convention on the Temporary Importation of Pedagogic Material   | "                |
| International Convention on the Simplification and Harmonization of Customs Procedures  | "                |
| Customs Convention on Containers, 1972  | "                |
| International Convention on the Harmonized Commodity Description and Coding System and Amending Protocol                        | "                |
| Protocol of Amendment to the International Convention on the Simplification and Harmonization of Customs Procedures             | "                |
| Single Convention on Narcotic Drugs, 1961   | UN and others    |
| International Convention to Facilitate the Importation for Commercial Samples and Advertising Material                          | "                |
| Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property | "                |
| Convention on International Trade in Endangered Species of Wild Fauna and Flora   | "                |
| Protocol Amending the Single Convention on Narcotic Drugs, 1961   | "                |
| Convention on the Psychotropic Substances   | "                |
| Customs Convention on the International Transport of Goods under Cover of TIR Carnets (TIR Convention)                          | "                |
| Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal                               | "                |
| United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances                                 | "                |
| Convention Establishing the World Intellectual Property Organization (WIPO)   | WIPO             |
| Paris Convention for the Protection of Industrial Property  | "                |
| Convention on International Civil Aviation  | ICAO             |
| Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matters   | IMO              |

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## 21. TRADE STATISTICS

Every product which increases or reduces the physical resources of the country by being smuggled (imported) or carried out (exported) to the economic territory of another country is recorded. Items, which are simply passing (passing goods) and temporarily carried in and out, are not included in the trade statistics.

### 21.1 Common Trade Statistics

Common trade statistics is the statistics on all products which are physically relocating between Korea and foreign countries or are scheduled to be relocated, appropriated to the trade statistics.

National classification is based on the ISO code classification standard on the trade statistics, the export countries are the countries of final destination and the import countries are the country of origin.

The representation of the amount will be in U.S. dollar by principle and the export will be based on the price ex ship (FOB) and import, cost insurance and freight (CIF).

### 21.2 Special Trade Statistics

#### Merchandise Statistics

Merchandise statistics (import/export cargo statistics) is the statistics of the consignments leaving for the country by passing through Korea when they arrive (port entry) in Korea to be carried in (imported) or carried out (exported).

#### Transit Trade Statistics

Transit trade statistics refer to the statistics of the items which were originally carried in from the overseas, to be transported to other countries without going through Customs in Korea by temporarily landing in the bonded areas or the docks for loading or by being transferred to other means of transportation without landing. As for items for transit trades, it is a rule that the shipper is located overseas. Transit trade statistics are appropriated on the date of port entry or the departure date.

## Intermediate Trade Statistics

Intermediate trade statistics refer to the statistics of the items which were imported for the purpose going through the export Customs and exported to the third country without being carried into Korea outside the bonded areas and place permitted for storage outside the bonded areas. As for the intermediate trade items, it is a rule that the shipper is located in Korea.

## 21.3 Standards for Complementation and Methods

### Basic Principles

Korea also uses UN's concept and principles of international trade statistics used as the international index. Trade statistics include the movement of items which pass through the boundaries which increase the amount of resources for Korea.

### Commodities Classification

HSK is used to classify the items for import and export.

### Scope of Appropriation

The following transactions are exempted from the trade statistics:

- Items carried into and out of the bonded sales area;
- Returned items before the acceptance of the import declaration;
- Gold, silver, securities, monetary coins and paper money currently being used;
- ATA Carnet items;
- Items carried in or smuggled for inspection or repair purpose;
- Items temporarily imported and exported for the international events, competitions and exhibitions;
- Diplomat's items;
- Leased items for less than a year;
- Items for commercial samples or advertisements;
- Items generally unrelated to trade;

- Regional scope: Items carried in and out of North Korea are exempted from the trade statistics.

### Conversion of Currency

The currency of each country should be converted into won according to the exchange rate announced every week and the amount in won will be converted to US \$ and that amount will be applied for the import/export declaration.

### Error Correction

Checking the errors in the entered data are done using the average unit price per HSK. With this method, the data with errors are collected and checked. The data confirmed as errors are corrected before presenting the statistics by month/year through the error correction system.

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## 22. SCHEDULE AND WORKING TIME

Please visit the website for the Schedule of KCS.

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## 23. OFFICIAL WEBSITE

- KCS official website: <http://www.customs.go.kr>.

## REFERENCE

1. KCS: <http://www.customs.go.kr>.
2. WCO: <http://www.wcoomd.org>.
3. FTA KOREA: <http://fta.go.kr>.
4. ROK/WTO: [https://www.wto.org/english/thewto\\_e/countries\\_e/korea\\_republic\\_e.htm](https://www.wto.org/english/thewto_e/countries_e/korea_republic_e.htm).
5. Ministry of Trade, Industry and Energy: <http://english.motie.go.kr>.

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