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# **Foreign Investment–Related Customs Regulations**

## **(Revisions in 2022)**

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July 2022

This information is provided for the convenience of foreign investors and foreign taxpayers. For inquiries, please contact the Korea Customs Service (KCS) or the KCS official dispatched to KOTRA (☎ 02-3497-1061).

# 1 Improvement of revised import tax invoice issuance system

Before	After
<p><input type="checkbox"/> Reasons for issuance under the Enforcement Decree of the Value Added Tax Act (Article 72 (4))</p> <ul style="list-style-type: none"> <li>• (Subparagraphs 1 to 5) Rectification before acceptance, error in documents confirming country of origin without attributable cause, exemption of additional duties pursuant to FTAs, result of prior examination, advance examination of tax amount</li> <li>• <u>&lt;New&gt;</u></li> </ul>	<p><input type="checkbox"/> <b>Addition of reasons for issuance</b></p> <ul style="list-style-type: none"> <li>• &lt; Same as left &gt;</li> <li>• (Subparagraph 6) Error in some import declarations</li> <li>(Subparagraph 7) Significant knowledge and attention is required for recognizing the causes for transaction price exclusion</li> <li>(Subparagraph 8) Significant knowledge and attention is required for recognizing the causes for additional elements</li> </ul>
<p><input type="checkbox"/> Guidelines on the issuance of revised import tax invoice</p>	<p><input type="checkbox"/> <b>Revision of operation guidelines</b></p>

- Stipulation of types of interpretations on “minor errors”
  - Classification: Common areas, customs value, items classification, FTA, duty abatement/exemption
  - <New>

- Addition of types of interpretation

- <Same as left>

- Addition of 10 types per classification

[Common areas]

- Where error in amount of duty occurred for a specific period or item
- Significant knowledge and attention is required for recognizing the causes for transaction price exclusion
- Where there are intense conflicting opinions due to different views on how to interpret tax laws
- Where an existing dispositions are changed or a new taxation is imposed due to audit comments

[Area of customs value]

- Due diligence on free goods
- Due diligence on deduction elements
- Verification of facts when conducting advance customs duty investigation
- Report made through head of

customs office's  
administrative guidance

[Item classification]

- Where no accountability is found through examination of legal interpretations, etc.
- Where there are various interpretations on similar items, causing difficulty in making a decision

- <New>

- Deliberation procedure for taxpayer protection committee (new)
  - In the case of non-issuance following notification of results of customs duty investigation, etc., a deliberation of the taxpayer protection committee is held on the request of the importer.

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- **【Expected effects】** Protection of taxpayers' property rights and enhancement of reliability of customs administration
  - **【Date of enforcement】** Feb. 7, 2022 (revision of operation guidelines on the issuance of revised import tax invoice)  
Article 72 (4) of the Enforcement Decree of the Value Added Tax amended Feb. 15, 2022

## 2 Revision of scope of freight bills, etc. added to customs value

Before	After
<p><input type="checkbox"/> Freight and insurance fee, and other fees related to transport that is borne by the importer are added.</p> <p>• <u>The amount borne by the importer</u> from the imported goods' arrival at the port of import until the unloading vessel unloading preparation is completed.</p>	<p><input type="checkbox"/> "The actual cost incurred" shall be added regardless of who bears the cost</p> <p>• <u>The amount incurred</u> from the imported goods' arrival at the port of import until the unloading vessel unloading preparation is completed.</p>

- **【Expected effects】** Rationalization of taxation by revising the scope of freight fee, etc. added to customs value
- **【Date of enforcement】** Applicable to goods for which import is declared on or after Feb. 15, 2022 (Amendment of Article 20 (5) of the Enforcement Decree of the Customs Act)

### 3 Removal of purchase limit for domestic persons in a bonded store

Before	After
<input type="checkbox"/> Purchase limit for domestic persons in a bonded store <ul style="list-style-type: none"><li>• Up to USD 5,000</li></ul>	<input type="checkbox"/> The purchase limit for domestic persons in a bonded store is removed

- **【Expected effects】** Transition of demand for overseas spending to domestic spending
- **【Date of enforcement】** Mar. 2022 (Repeal of Article 69-3 of the Enforcement Rules of the Customs Act and revision of Articles 3, 5, 14 of the Public Notice on the operation of bonded stores)

#### 4 Simplification of customs duty refund process when returning overseas direct purchases by individuals

Before	After
<p>□ Customs duty refund process when an individual's purchases for personal use only is exported (returned) in the same state as it was imported</p> <ul style="list-style-type: none"> <li>• The following cases within 6 months of the date of acceptance of import declaration <ul style="list-style-type: none"> <li>- Where goods are export after being shipped into a bonded area</li> <li>- Where goods are exported after receiving confirmation of the head of the customs office</li> <li>- <u>&lt; New &gt;</u></li> </ul> </li> </ul>	<p>□ <b>Expansion of eligibility and simplification of procedures</b></p> <ul style="list-style-type: none"> <li>• Within 6 months of the date of acceptance of import declaration <ul style="list-style-type: none"> <li>- &lt; Same as left &gt;</li> <li>- &lt; Same as left &gt;</li> <li>- Where goods are confirmed* by the head of the customs office as being exported (returned) as small-sum goods** after they are exported (returned)</li> </ul> </li> </ul> <p>* The documents to be submitted such as overseas invoice, return or refund receipt (issued by seller) shall be prescribed by Presidential Decree.</p> <p>** The regulation stipulating export declaration price of "not more than KRW 2 million" is prescribed by the Enforcement Rules</p>

- **【Expected effects】** Taxpayers purchasing directly from overseas will have more convenience when refunding customs duty, and the matters governed by the guidelines of the Korea Customs Service shall be stipulated by law.
- **【Date of enforcement】** Scheduled Mar. 2022 (Article 58-2 of the Enforcement Rules of the Customs Act, newly inserted)



## 5 Improvement of procedure for application of specific use duty rate

Before	After
<p><input type="checkbox"/> Applied when application for specific use duty rate is “approved”</p> <ul style="list-style-type: none"> <li>• If intending to have the specific use duty rate applied, an application should be submitted to the head of the customs office before acceptance of import declaration and be approved.</li> </ul>	<p><input type="checkbox"/> Can be applied when “submitting application” for specific use duty rate</p> <ul style="list-style-type: none"> <li>• Specific use duty rate can be applied just by submitting an application, without obtaining the head of the customs office’s approval.</li> </ul>

- **【Expected effects】** Taxpayers’ convenience is improved by enabling application of specific use duty rate by only submitting an application.
- **【Date of enforcement】** Applicable from the goods for which import is declared on or after Jan. 1, 2022 (Amended, Article 83 (1) of the Customs Act)

## 6 Regional Comprehensive Economic Partnership (RCEP) enters into effect

Before	After
<p>□ Korea has signed 17 FTAs with 57 countries</p> <ul style="list-style-type: none"> <li>• FTA counterparts <ul style="list-style-type: none"> <li>- Chile, Singapore, EFTA, ASEAN, India, EU, Peru, US, Turkey, Columbia, Australia, Canada, New Zealand, Vietnam, China, UK</li> <li>- &lt;New&gt;</li> </ul> </li> </ul>	<p>□ RCEP, the world's largest mega-FTA, enters into effect</p> <ul style="list-style-type: none"> <li>• &lt;Same as left&gt;</li> <li>- &lt;Same as left&gt;</li> <li>- Regional Comprehensive Economic Partnership (<u>RCEP</u>) <ul style="list-style-type: none"> <li>* Member states: Korea, Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines,</li> </ul> </li> </ul>

- **【Expected effects】** More convenient use of FTAs for importers & exporters through stipulation of unified regulations on country of origin among major trade counterparts, signing of new trade agreement with Japan, etc.
- **【Date of enforcement】** Entered into effect on Feb. 1, 2022 in Korea (Addenda of Enforcement Decree of Act on Special Cases of the Customs Act for the Implementation of Free Trade Agreements)

※ Malaysia (effective Mar. 18, 2022), Indonesia, the Philippines and Myanmar (not in effect)

→ The date of effect of the above three countries\* shall be notified through the FTA portal of Korea Customs Service ([www.customs.go.kr/ftafortalkor/main.do](http://www.customs.go.kr/ftafortalkor/main.do))

\* The 60<sup>th</sup> day from the day on which ratification documents are submitted to the Secretary General of ASEAN

## **7 Exemption of submission of certificate of origin when using electronic information exchange system for country of origin**

Before	After
<p><input type="checkbox"/> Certificate of origin should be submitted when applying for ex post facto application of FTA conventional tariffs</p> <ul style="list-style-type: none"> <li>• Where an importer who has not requested ex post facto application of FTA conventional tariffs within one year of acceptance of import declaration, the following documents shall be submitted. <ul style="list-style-type: none"> <li>– Request for rectification pursuant to Article 34 (1) of the Enforcement Decree of the Customs Act</li> <li>– Documents certifying certificate of origin*</li> </ul> </li> </ul> <p>* Certificate of origin and documents and information required for verification of country of origin</p>	<p><input type="checkbox"/> Where information on country of origin is exchanged electronically, submission of certificate of origin can be exempted.</p> <ul style="list-style-type: none"> <li>• &lt;Same as left&gt;</li> <li>– &lt;Same as left&gt;</li> <li>– Where information on certificate of origin is exchanged between countries through the electronic exchange system for information on country of origin, the submission of certificate of origin can be exempted.</li> </ul>

\* Currently, exchange of information on country of origin is in effect with China (Korea–China FTA, Asia–Pacific Trade Agreement) and Indonesia (Korea–ASEAN FTA)

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- **【Expected effects】** More convenience for companies by simplifying the document submission requirements when applying conventional duties.
- **【Date of enforcement】** Jan. 1, 2022 (Proviso of Article 9 (3) of the Act on Special Cases for the Customs Act for the Implementation of Free Trade Agreements, newly inserted)

## 8 Legislation of legal ground for applying the Customs Act in free trade zones

Before	After
<input type="checkbox"/> Where the Customs Act is applied in a free trade zone  – Where a control facility is not established in a free trade zone	<input type="checkbox"/> The cases in which the Customs Act is applied in a free trade zone are added  – <Same as left>  – Where procedures that are essential for customs clearance such as entry and departure from port are not prescribed by the Act on Designation and Management of Free Trade Zones  – Where it is more advantageous for a tenant company to apply the Customs Act instead of the Act on Designation and Management of Free Trade Zones in regard to customs clearance of goods.

- **【Expected effects】** Resolution of legal gap in free trade zones and to apply the special procedures under the Customs Act to tenant companies in free trade zones.
- **【Date of enforcement】** Dec. 28, 2021 (Amendment of Article 3 of the Act on Designation and Management of Free Trade Zones)

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## Foreign Investment-Related Customs Regulations

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