

# 2021 Customs Clearance in Korea

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## Confirmation of Completion of Investment-in-Kind



### Chapter 1

## Customs Clearance Procedure for Capital Goods

### • Investment notification

- ① Place of notification: KOTRA or a foreign exchange bank
- ② Required documents: 2 copies of the investment notification form (in the case of businesses subject to tax reduction/exemption, 3 copies of application for tax reduction/exemption)

### • Confirmation of specification of imported capital goods

- ① Place of application: KOTRA or a foreign exchange bank
- ② Subject of confirmation: Capital goods eligible for tariff exemption  
Required documents: 3 copies of application, documents proving the price (e.g., offer sheet)

### • Customs clearance

- ① Required documents for capital goods subject to tariff exemption
  1. A copy of the application for tariff exemption
  2. A copy of the confirmation of specification of imported capital goods
  3. A copy of a document (investment notification) proving that the capital goods imported through payment in cash or investment-in-kind. In the case of cash investment, proof of deposit is required.

4. A copy of a document (decision to grant tax reduction/exemption) certifying that a business is eligible for tax reduction/exemption
5. Invoice, declaration of price, B/L, AWB, packing list (restricted to the relevant goods), certificate of origin (restricted to the relevant goods), a document requiring certification or verification of permission, approval, etc. in accordance with Article 226 of the Customs Act, a bonded transportation declaration (only in the case of warehoused goods), and an import agency agreement (only if the importer and the payer of tariff are different)

*Customs clearance is granted by submitting a business registration certificate issued under the name of a foreign-invested company.*

- **Confirmation of completion of investment-in-kind**

- ① Place of application: The Korea Customs Service official dispatched to KOTRA
- ② Required documents: 2 copies of the application, a copy of the import declaration certificate

*Eligibility: Only when capital goods are paid (investment-in-kind) as an object of investment.*

- **Registration of company establishment**

- ① Place of application: Registry division of a district court or a registry office
- ② Required documents: Application, basic documents, and in the case of investment-in-kind, a copy of certification of investment-in-kind

*Eligibility: Only when capital goods are paid (investment-in-kind) as an object of investment.*



- **Registration of foreign-invested company**

- ① Place of application: KOTRA or a foreign exchange bank
- ② Required documents: Application, basic documents, and in the case of investment-in-kind, a copy of certification of investment-in-kind

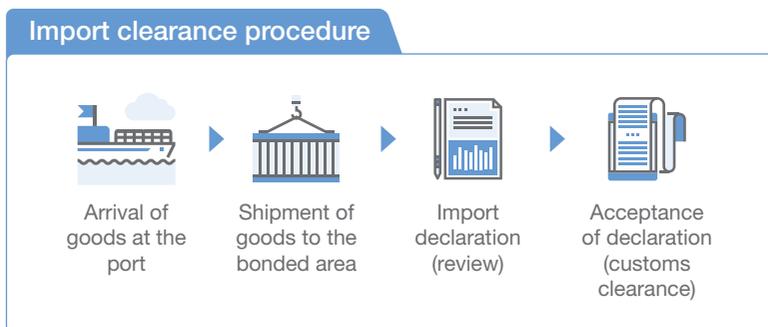
*Eligibility: Only when capital goods are paid (investment-in-kind) as an object of investment.*

**Chapter 2**

## Customs Clearance Procedure

- **Import Declaration**

According to the import customs clearance procedure for capital goods imported by a foreign investor, capital goods may be brought into the country by declaring the import directly to the Commissioner of Korea Customs Service or by delegating the task to a customs broker in the same way as the customs clearance procedure for general imported goods.



## Chapter 3

## Important Points

- **Submission of documents**

Even if capital goods are subject to exemption from tariff, etc., an application for exemption of tariff, etc. and other necessary documents should be submitted before an import declaration is accepted to actually be granted tariff exemption.

- **Registration of business before importing capital goods**

If tariffs, etc. are imposed on capital goods imported as an object of investment (investment-in-kind), business registration should be completed before importation of the capital goods to receive VAT exemption.

- **Amount of tariff reduced/exempted**

In addition to the price of machinery, etc., freight, insurance premium are included in the value of capital goods subject to reduction and exemption. Supervisor fee, installation fee, etc. are deductible from taxable value, but they are included in the reduced or exempted amount and subtracted from the total import amount. In other words, when importing capital goods, the actual amount settled by the importer – not the taxable value (i.e., CIF amount) on the import declaration – should be subtracted from the total investment notification amount.

**Capital goods = Machineries, etc. + Freight + Insurance Premium + Supervisor's fee + Installation fee**

**Deductions from the taxable price = Supervisor's fee + Installation fee**



- **Caution**

Importers should check the sum of the value of capital goods for tariff exemption on the application form for exemption of tariff, special excise tax and value added tax so that the amount does not exceed the ceiling for application for tariff exemption.

- **Check the duration of exemption when applying for tariff exemption for imported capital goods**

In accordance with the requirements provided under Article 116-5 of the Enforcement Decree of the Restriction of Special Taxation Act (exemption from customs duties), when a foreign-invested company intends to obtain an approval for extension of the exemption period due to unavoidable reasons, the import declaration (as stipulated in the Customs Act) must be completed within five years from the day on which the company files an application for foreign investment notification pursuant to Article 5 of the Foreign Investment Promotion Act.

## Chapter 4

# Confirmation of Completion of Investment-in-Kind

- **Submission of documents**

① For capital goods (contribution-in-kind) that are being brought into the country for investment purposes, after the customs clearance of capital goods the importer must submit 2 copies of the application for confirmation of completion of contribution-in-kind, along with a copy of the import declaration completion certificate, to the customs service officer dispatched to KOTRA's Invest KOREA. The officer will then issue a confirmation of the completion of contribution-in-kind.

- ② Notwithstanding Article 299 of the Commercial Act, when a foreign investor makes an investment-in-kind, the inspector's inspection report (according to the regulations provided in Article 203 of the Non-contentious Case Procedure Act) shall be regarded by the commissioner of the customs service as the confirmation report on completion of the contribution-in-kind. The report shall contain the details of the execution of the contribution-in-kind investment, and the type, quantity, and price of the goods used for the specified purpose.
- ③ In the event of capital goods being divided up and cleared in batches, the importer shall apply for a confirmation of the completion of contribution-in-kind only after all the goods have been cleared by the customs office. Upon submittal of the required documents, i.e. the application form and the import declaration completion certificate, the application will be processed immediately.

- **Notification of completion of investment**

When the commissioner of the customs service has verified the completion of the contribution-in-kind, he or she must immediately notify the governor of the Bank of Korea thereof.

- **Listing of capital and registration as a foreign investment company**

When a foreign investment company completes the importation of capital goods for the purpose of investment, it must obtain the investment completion certificate and use it when listing its capital in a judicial court, and must register the company as a foreign investment company with either a foreign exchange bank or KOTRA.



# Import and Export Clearance



## I | Import Clearance

### Chapter 1

## Purpose and Definitions

- **Purpose**

Import clearance refers to the series of processes whereby an importer declares goods to be imported to the head of a customs office, and the customs office head accepts such declaration if it has been filed in compliance with the stipulations outlined in the Customs Act and other relevant statutes, and issues a certificate of import declaration to the declarer so that goods can enter the country.

- **Definition of terms**

- ① “Audit” refers to the act of examining documents or analysis results in order to verify the appropriateness of the declared matters (e.g., tax heading, tax rate, taxable price) and whether the import requirements are met pursuant to related laws.
- ② “Inspection of goods” refers to the act of checking whether there are any concealed goods besides those included on the declared list and whether the goods are consistent with the details recorded on the import declaration list.

- ③ “Supply chain” refers to import companies that specialize in the importation of goods, import declarations, shipments, and warehousing; licensed customs brokers; bonded area operators; bonded transportation service operators; cargo transportation brokers; shipping companies, airlines; and stevedores.
- ④ “Electronic custom clearance” shall refer to a customs procedure in which the imported goods are inspected electronically in the customs system. The goods must be low-risk goods and the importer must be a company that meets certain standards.

## Chapter 2

# General Customs Clearance Procedure

## Section 1 Import Declaration



### • Import declaration timing

A party that is importing goods has the following options when it comes to the method of declaring imports: declaration prior to departure, declaration prior to arrival, declaration prior to arrival in the bonded area, or declaration after warehousing in the bonded area.

### • Customs office where the declaration is filed

- ① Declaration prior to departure and declaration prior to arrival must be filed with the head of the customs office that has jurisdiction over the port of entry of the ship carrying the goods to be imported.
- ② Declaration prior to arrival in the bonded area must be filed with the head of the customs office that has jurisdiction over the bonded area where the goods will arrive.



- ③ Declaration after warehousing in the bonded area must be filed with the head of the customs office that has jurisdiction over the bonded area where the goods are to be stored.

- **Declarer**

The import declaration or release declaration must be filed under the name of the licensed customs broker or a customs brokers' corporation or a corporation for handling clearance (i.e. a licensed customs broker), or under the name of the party importing the goods.

- **Import declaration method**

In accordance with the Notice on the Use and Operation of the National Customs Comprehensive Information Network, the party filing an import declaration must request access to the online customs clearance portal service, and such request must be approved by the head of the customs office.

- **When an import declaration comes into effect**

An import declaration takes effect from the moment the customs clearance system receives the declaration data. However, when the import declaration is filed manually, the declaration takes effect when it is received by the customs office that has jurisdiction over the residential district of the declarer.

- **Import declaration**

- ① In accordance with the rules on writing an import declaration, the import declaration in principle shall be made in a paperless format (P/L), with no attached documents.
- ② If a notification of an error in the import declaration and the required documents (hereinafter referred to as the "declaration document") is sent electronically by the declarer, the error must be corrected and returned under the same filing number. If the

declaration data has to be corrected for other reasons, the declaration must be corrected and sent again under the same filing number if the declarer has not yet received notification of receipt of the declaration.

- ③ The head of the customs office shall notify the declarer of the following matters on the date the imported goods are reported.
  1. Whether the declaration is received and whether documents should be submitted
  2. Whether audit is required
  3. The payment bill number in the case of goods subject to declaration and payment
  4. In the case of automatic distribution, the code of the employee in charge of processing the declaration

- **Cases where documents must be submitted with the declaration**

- ① Goods that meet any of the following criteria shall be classified as goods requiring document submission (including electronic documents and paper documents):
  1. Goods subject to a tax audit in advance
  2. Goods subject to duty imposition notice.
  3. Goods subject to agreed tariff
  4. Among the goods for which the importer has filed a formal request for consideration of a quota tariff/tariff concession, those goods for which documents corroborating the recommended tariff rate (set by the tariff rate recommendation agency) cannot be sent from the customs clearance system in the form of an electronic document



5. Goods that are examined by the head of a customs office and whose accompanying documents (issued by the requirements verification agency verifying that the goods meet all the requirements) cannot be sent as an electronic document to the customs clearance system
6. Goods requiring a certificate of origin. However, in cases where it is possible to verify the origin of the goods (goods manufactured in the Kaesong Industrial District and goods whose certificate of origin can be obtained from foreign countries through the electronic data exchange system), the submission of such documents are exempted.
7. Goods that have been set aside for inspections.
8. Goods which are re-declared for importation after a previous declaration has been withdrawn or dismissed.
9. Imported goods/ goods whose release has been approved before the declaration has been received/ bonded area-stored goods for use in bonded construction sites and imported vessel or airplane supplies
10. Goods imported with a temporary import customs clearance certificate (A.T.A Carnet)
11. Goods whose name and specifications are only partially stated on the import declaration
12. Goods for which submission of a certificate of security for tobacco consumption tax payment is required (under Article 71 of the Enforcement Decree of the Local Tax Act), and goods for which submission of a certificate of security for automobile tax payment is required (under Article 134-2 of the Enforcement Decree of the Local Tax Act).
13. Diamond gemstones (HS 7102.10, 7102.21, 7102.31)
14. Goods found to contain abnormalities during cargo inspections

15. Goods shipped in a container with the bill of lading (B/L) of different shippers, but with a direct port customs clearance request
16. Goods considered by the commissioner of the customs service or the head of a customs office to require the submittal of certain documents.

② The Commissioner of Korea Customs Service may order certain importers to submit documents based on the following:

1. The sincerity of the importing company
2. The sincerity of the import declaration
3. When the importer is a first-time importer and/or the goods are being imported for the first time
4. The sincerity of the parties in the supply chain of the goods declared for import
5. Other instances in which documents may be required

- **Electronic submission of trade documents**

① “Trade documents” refers to the following documents:

1. Invoice
2. Bill of lading (including air waybill)
3. Certificate of origin
4. Packing list

② Trade documents submitted online shall be accompanied by the official electronic signature and the accredited certificate of authentication of the importer. However, this shall not apply to documents submitted directly by a foreign government agency or persons designated by such agency.



- **Required documents when declaring import**

- ① For import declarations for which documents should be submitted, the declarer shall submit the following documents (a digitalized image of the document produced by scanning or an electronic version of the document) to the customs clearance system via electronic submission.
  1. Invoice. However, if the invoice does not arrive from abroad when the import declaration is filed with a provisional price, the contract may be submitted instead. (The invoice should be submitted only after declaring the final price.)
  2. Declaration of price. (Only for the relevant goods. Where the price can be checked online, the price declaration document may be excluded.)
  3. A copy of the bill of lading (B/L) or a copy of the air waybill (AWB).
  4. Packing list (the item's name (specifications) and quantity must be entered for each packing box. If the head of the customs office deems it unnecessary, the packing list may be omitted.)
  5. Certificate of origin (only for the relevant goods)
  6. Documents proving that the requirements have been met for goods checked by the head of a customs office (as required by Article 226 of the Customs Act and Article 3 of the notice on checking methods). This applies only to the relevant goods.
  7. Application form for reduction/exemption (payment in installments) of customs duties or specific use duty rate
  8. Written approval of (application for) application of the agreed duty rate
  9. Certificate of security for tobacco tax payment pursuant to Article 71 of the Enforcement Decree of the Local Tax Act (only for the relevant goods)

10. Proof of the quota tariff/tariff concession and recommended tax rate and proof of tax rate for the breeding and farming of breeding livestock and juvenile fish (only in situations where the above items cannot be ascertained online)
11. Certificate of security for automobile tax payment pursuant to Article 134-2 of the Enforcement Decree of the Local Tax Act (only for the relevant goods)
  - ② A paper document must be submitted in any of the following cases:
    1. Goods subject to submission of the Kimberley Process Certificate (original copy)
    2. Goods imported with a temporary import clearance certificate (original copy of A.T.A Carnet)
    3. Goods subject to the SOFA Agreement (the original copy or a certificate issued with an electronic signature by the US Forces Korea)
    4. Goods subject to a taxation audit in advance
    5. Goods subject to a notice of assessment
    6. Goods due to be released before their declarations are received and processed
    7. Where the document transmission system cannot be used due to a computer failure
    8. Where the Commissioner of the Korea Customs Service or the head of a customs office has determined that paper documents need to be submitted
  - ③ In situations where paper documents have to be submitted, a copy of the original or a copy certified by the importer shall be submitted (excluding situations where the original has to be submitted). However, when the head of a customs office so requires, the importer may be asked to submit the original before or after acceptance and processing of the declaration.



- ④ The importer may have a valid reason for not submitting the required documents before acceptance of the declaration, or there may be no problems when an honest importer submits the declaration after acceptance. If this is the case, the head of the customs office might decide to allow the importer to submit the documents after acceptance and processing of the declaration.
  - ⑤ Electronic documents must be the original copy. However, if the submitted document is confirmed to be a counterfeit, it will lose its validity as an original copy.
- **B/L declaration by installments and B/L acceptance**
    - ① An import declaration is needed for each B/L case. However, under the following circumstances, the B/L declaration may be filed and accepted in installments. If the head of the customs office judges that the goods kept in the bonded warehouse pose no particular issues regarding the management of the bonded cargo (pursuant to Notice on Bonded Cargo Management), goods associated with several B/L cases may be bundled together in a single import declaration.
      1. Where the inspection of the goods and the calculation of the dutiable price are difficult even if the B/L declaration is made by installments.
      2. If only some of the goods are cleared by customs and the rest are held up.
      3. If the inspections and quarantine result in some goods being withheld by customs and the rest being cleared, or if the goods are cleared after only a portion of the goods has been inspected and/or quarantined.
      4. If goods eligible for post-payment (as a lump-sum) of customs duties are to be declared separately from goods that are ineligible.

- ② When imported goods are subject to inspection at the import declaration stage, all B/L goods must be inspected before the payment of duties in installments. Goods which are declared for payment in installments afterward may be exempted from inspection.

- **Withdrawal of a declaration**

- ① A party that wishes to withdraw its import declaration must fill out the import declaration withdrawal approval (request) form and send it to the head of the customs office having jurisdiction over the port of entry.
- ② The head of the customs office that receives the import declaration withdrawal approval (request) form must approve the withdrawal if any of the following cases:
  1. In cases where the goods will be returned to their foreign supplier because the details do not match those described in the import contract, the goods have been wrongly delivered, or the goods are damaged and/or altered.
  2. In cases where the imported goods that have been destroyed by a disaster or other unavoidable reasons. Furthermore, such imported goods will be discarded with the approval of the customs office.
  3. In cases where the importer tries to return or discard the goods because they have been held up at the customs office, because they fail to satisfy the clearance requirements, or because they are on the list of items prohibited from importation into the country.
  4. Whenever the reason for doing so is justified.
- ③ When the withdrawal of the import declaration is approved, the acceptance of the import declaration and the import declaration itself are no longer valid.



- **Dismissal of a declaration**

- ① The head of the customs office may dismiss the import declaration if any of the following cases:
  1. When the declaration has been made by dishonest or corrupt means.
  2. If a decision has been made to destroy, discard, sell/auction off, confiscate, or revert the goods to the National Treasury.
  3. When the declaration does not meet the requirements of the declaration prior to departure or the declaration prior to arrival.
  4. When the cargo declared prior to departure or declared prior to arrival has not yet arrived.
  5. When the declaration fails to meet other formal requirements of an import declaration.
- ② After dismissing a declaration, the head of the customs office must immediately notify the declarer of the dismissal and register it in the customs clearance system.

## Section 2 Declaration Form Processing Method and Items to Be Reviewed



- **Declaration form processing method**

- ① The processing of the declaration form for imported goods that are declared consists of the following:
  1. Inspection of goods and review
  2. Review
  3. Electronic customs clearance
- ② The head of the customs office may request the submittal of documents if he or she deems it necessary for reviewing the declaration or for inspecting the goods after an examination of the details of the P/L declared items. In this case, the declarer must be notified of the obligation to submit the documents.

- **Commission analysis**

- ① If the analysis of a declared good requires professional knowledge and skills, for example when verifying its contents through physical and chemical experiments, the customs office may commission the customs analysis lab to conduct an analysis of the good, or it may seek the advice of an expert to resolve the case.
- ② Samples for analysis must be collected, sealed, and submitted to the staff in charge of the case, in order to prevent the arbitrary replacement and/or loss of samples. However, when dealing with samples that need to be handled by experts, such as dangerous substances, experts may be invited to take the place of the staff during the sample collection process.
- ③ The general rule for analysis is that it should be conducted after acceptance of the declaration. However, under the following circumstances, an analysis may be begun before acceptance.
  1. When important materials such as the declaration data or the documentation required for declaration are lacking and have to be supplemented.
  2. When an obligation under the relevant law has been infringed or there are concerns about public health risks.
  3. When an importer is being investigated or a complaint has been filed against an importer on suspicion of a customs related offense.
- ④ The head of the customs office shall send the product category code (to be determined based on the results of an analysis conducted before receiving the declaration) to the importer or the declarer. The code may be sent using a quick and simple method such as e-mail, FAX, or the electronic customs clearance system (UNI-PASS).



- **Requesting corrections**

- ① In the following situations, where it is difficult to make decisions on the items of review based on the materials and documents submitted by the declarer, the customs office may request the declarer to enter corrections into the customs clearance system. A formal correction request must be sent to the declarer in the form an electronic document.
  1. When the information entered on the declaration form is inadequate (request corrections).
  2. When the results of the declaration review indicate that the sender has failed to attach the required documents, or additional documents are needed (request additional documents).
  3. When the declarer wishes to change the P/L declaration with the document submission reporting (request changes to attached documents).
- ② When a request for correction is made, information about the items that must be corrected, the reason for requesting such corrections, and the amount of time required to make the corrections must be described in detail in the correction request form.
- ③ When the head of the customs office decides that the corrections needed are minor enough that they can be rectified later on, after accepting and processing the declaration, the head of the customs office may allow (if this option is requested by the importer or the declarer) the corrections to be made after receiving the declaration. In this case, the declarer or the importer must submit the necessary documents within the period designated by the head of the customs office.

- ④ If the importer or the declarer does not make the corrections within the specified period, the head of the customs office may suspend the customs clearance. Or, in compliance with the “Directive on the Handling of Customs Clearance Tasks”, the head of the customs office may ask the commissioner of the customs service to designate the declarer for a taxation audit in advance
- ⑤ Concerning parts destined for the repair of defects that are brought into the country free of charge, the head of the customs office shall not require the submission of a certificate of completion of import declaration for the first imported machinery. The first import declaration number that the declarer enters in the declarer section of the declaration form must be confirmed on the computer system.

- **Withholding customs clearance**

- ① If, after a review of imported goods, one of the following is found to be the case, the head of the customs office may withhold customs clearance. If customs clearance is withheld, this fact must be recorded in the customs clearance system and a notice of withheld customs clearance must be sent to the declarer in the form of an electronic document.
  1. When important materials such as the declaration data or the documentation required for declaration are lacking and have to be supplemented.
  2. When an obligation under the relevant law has been infringed or there are concerns about public health risks.
  3. When an importer is being investigated or a complaint has been filed against an importer on suspicion of a customs related offense.



4. When goods are found to contain false or misleading labels on such factors as quality.
5. When the customs clearance audit has revealed that it will take an excessive amount of time to meet the requirements for processing a declaration of import.
6. When a delinquent taxpayer entrusted to the head of the custom office to dispose of them in arrears is the party that is trying to import goods into the country.

### Section 3 Inspection of Goods



- **Notice on inspection subjects**
  - ① If the notice on inspection subjects has been changed, the declarer must be notified of this fact through the entry of this change in the customs system.
  - ② If the declarer is not an importer but a licensed customs broker, the importer must be immediately notified when a notice on inspection subjects is received.
- **Attendance of inspection and inspection procedures**
  - ① When the head of the customs office deems it necessary for the declarer to be present in order to assist in the efficient inspection of the goods, he or she shall notify the declarer of the date, time, and place of the inspection in order that the declarer attend the inspection.
  - ② When the head of the customs office receives an application to attend an inspection, he or she shall issue a notice that specifies the date and place of the inspection.
  - ③ The inspection must be attended by either the declarer or an employee thereof.

- ④ If the importer or the declarer (including employees) fails to attend the inspection at the time specified in the notice sent by the head of the customs office, the inspection shall be conducted in the presence of the manager of the place where the goods are warehoused or an employee who represents the manager.
- ⑤ When inspecting goods, the inspector may request the manager of the inspection site or the owner of the imported goods to make preparations for the inspection, such as securing the location and equipment needed, and the placement of the workers who will open and pack the goods. If it is not possible to carry out an inspection due to a lack of preparation, the order of inspection should be adjusted and it should be performed when everything is ready.
- ⑥ When the goods have to be brought to the inspection site, the owner of the imported goods shall bear the expenses for collecting and transporting the goods.
- ⑦ The declarer may ask the head of the customs office to take special care when inspecting the goods.
- ⑧ If, for such reasons as a lack of space or inadequate inspection equipment and/or personnel, the head of the customs office is convinced that it will be difficult to carry out the inspection, he or she may withdraw the declaration, transport the goods to a bonded warehouse (including warehouses located outside the bonded area owned by the owner of the goods) which has the proper inspection equipment. After re-declaring the goods at the customs office which has jurisdiction over the bonded area, the inspection can be carried out.



- **Inspection method**

- ① Goods destined for inspection must undergo the following procedures: general inspection (whole inspection, partial inspection), detailed inspection (analysis inspection, non-destructive inspection, destructive inspection), collaborative safety inspection, radiation inspection (radioactive surface dose rate measurement), and safety analysis inspection.
- ② Under the following situations, two or more inspectors may be assigned to the task of inspecting the goods:
  1. Goods reported to be associated with criminal activities.
  2. Goods designated for a whole inspection, or a high quantity of goods requiring multiple inspections.

**Extra opening after office hours**

- ① Except in extenuating circumstances, a person who intends to conduct the customs clearance of imported goods on a public holiday or at a time outside the normal operating hours of the customs office shall notify the head of the customs office in advance via an electronic request for permission to open the office temporarily. In this request (notification), the person should state (based on the rules of the service regulations for public officials), the type of work, the time, and the reason for working outside the normal office working hours.
- ② Import declarations received during office working hours must be handled by the staff in charge of declarations. However, in the following cases, the staff working at the temporarily opened office will be responsible.
  1. Declarations received after office working hours.
  2. Cases of declaration prior to departure/declaration prior to arrival in which the cargo manifest (unloading report included) is not sent during office working hours.

3. Goods declared prior to arrival in a bonded area which cannot be brought into the bonded warehouse and which must be processed during office working hours.
  4. Failure to produce the proof of import requirement qualification during office working hours.
- ③ The manager in charge of importing the goods appoints a staff member to the temporarily opened office 30 minutes before the closure of office hours.



#### Section 4 Acceptance of Import Declaration



- **Declaration acceptance**

- ① The basic principle of declaration acceptance followed by the head of a customs office is that it must come after the import declaration. However, when it concerns goods with declaration prior to departure, declaration prior to arrival, or declaration prior to arrival in the bonded area, the acceptance can be made after the following conditions are met.
  1. For goods with declaration prior to departure or declaration prior to arrival, acceptance can be made upon completion of the audit of the cargo manifest. However if the import declaration is received before completion of the audit of the cargo manifest, the acceptance must wait until the audit of the import declaration has been completed.
  2. For goods with declaration prior to arrival in the bonded area, the acceptance can be made when the arrival of the bonded transported goods is reported (when goods are released in the unloading area in accordance with the unloading procedure, the acceptance is made when their release is reported).

- ② If goods are selected by the head of the customs office for inspection or tracking, the declaration acceptance will be made after the goods have been inspected.
- ③ The starting time of the declaration processing period is calculated from one of the following:
  1. For goods with declaration prior to departure or declaration prior to arrival that are exempt from inspection, the starting time follows immediately upon completion of the audit of the cargo manifest. However, if the audit of the cargo manifest is completed before the import declaration, the starting time becomes the day the import is declared.
  2. For goods with declaration prior to departure, declaration prior to arrival, declaration prior to arrival in the bonded area that is selected for inspection, the starting time is when the goods are released in the place of inspection.
  3. For goods with declaration prior to arrival in the bonded area that are exempt from inspection, the starting time is the day they arrive in the bonded area for release.
  4. For goods declared after warehousing in the bonded area, the starting time is the day they are declared.
  5. For goods to be inspected while they are loaded on the ship, the starting time is the day they are declared.
- ④ The time at which a declaration acceptance takes effect shall be the time the declarer is notified of the declaration acceptance through the customs clearance system. However, when the declaration acceptance is processed manually, the declaration acceptance takes effect upon issuance of the declaration completion certificate to the declarer.

- **Provision of security when accepting declaration**

- ① The head of the customs office shall accept the import declaration when security is provided for goods for which security equivalent to tariffs must be provided (pursuant to the Notice on the Operation of the Security System for Customs).
- ② Confirmation of receipt of duties, etc. shall be based on the notice of receipt of payment of duties (an electronic document) which is sent by the collection agency. However, if duties have been paid to a collection agency that cannot send electronic documents, the confirmation can be obtained through the notice of receipt of payment of duties by regular postal mail. The customs official in charge at the time must register the receipt in the customs clearance system.

- **Issuance of certificate of import declaration**

- ① When the head of the customs office accepts an import declaration, he or she shall issue a certificate of import declaration imprinted with the special digital seal of the Korean Customs Service. This is a requirement mandated by the Regulations on the Special Seal of the Korea Customs Service (a directive of the Ministry of Economy and Finance). However, if it is not possible to issue a certificate of import declaration electronically due to unavoidable circumstances, the seal shall be stamped directly on the import declaration form and issued.
- ② If the declaration is corrected, the certificate of import declaration has to be re-issued. In this situation, the head of the customs office must keep custody of the reference documents together with the import/customs duties declaration correction request form.
- ③ If the contents of the certificate of import declaration differ from those on the electronic document stored in the customs clearance system, the electronic document will be treated as the original.



- **Release prior to acceptance of declaration**

- ① If imported goods do not present or encounter any particular problems in clearing customs and if they meet the following conditions, the head of the customs office may approve their release before acceptance of the declaration.
  1. Finished goods which are being imported in installments without being assembled and for which the importer seeks acceptance of import declaration using the tariff heading of the goods.
  2. Goods which are declared to be an emergency stockpile (under the Government Procurement Service Act) and whose buyer has yet to be determined.
  3. Goods which are subject to a taxation audit in advance (including goods that receive a notice of assessment) and for which it takes a long time to determine the custom duties.
  4. Goods for which it takes a long time to determine its classification or the tariff rate.
  5. Goods whose importer has failed to submit the certificates of origin to the head of the customs office when declaring the imports.
- ② A person seeking to obtain approval for the release of goods prior to acceptance of the import declaration must state in detail the reasons for this request on the application form for release prior to acceptance of the import declaration and send the form to the head of the customs office.
- ③ A person seeking the release of goods prior to acceptance of the import declaration must provide collateral whose value is equivalent to the duties to be paid.

- ④ If there are goods whose statutory period for taxation arrives during the release before acceptance of the declaration period, the head of the customs office will impose the relevant duties on the importer or the emergency stockpile importer before the statutory period for taxation arrives.

- **Request for fulfillment of obligations**

- ① If the head of a customs office requests the fulfillment of obligations when accepting an import declaration, the details of such obligations must be entered in the customs office section of the certificate of declaration completion; or a separate document must be prepared and delivered, and the details of the request for fulfillment of obligation must be entered into the customs clearance system.
- ② If the head of a customs office receives an application for exemption from certain obligations from a party ordered to fulfill such obligations, the office must review the application and grant an exemption if it is justified. The person that applies for exemption from obligations must attach one of the following documents to the application form.
  1. Documental proof that permission, approval, recommendation, and other conditions are met.
  2. A statement that describes the related revisions
  3. A formal request from the head of the related government department (This request form can be a copy of the original.)



- **Storage/management of the declarer's documents**

- ① If the declarer has been issued declaration completion certificates, the declarer must keep custody of them, and sort them properly according to their declaration numbers. When the head of a customs office asks for a particular declaration document, the declarer must submit it promptly.
- ② When the declarer is due to close down his/her business, he or she must submit a list of documents (together with the documents themselves) in his/her custody to the head of the customs office in his/her district or the head of the customs office with jurisdiction over the port of entry within 15 days of business shutdown. However, this rule does not apply to a licensed customs broker who is temporarily closing down his or her business for the purpose of relocating or changing the office interior.
- ③ When the declarer wishes to discard expired documents among the documents in his/her possession, he/she must submit the list of documents to be discarded to the head of the customs office in his/her district or the head of the customs office with jurisdiction over the port of entry before disposing of them.
- ④ The declarer may store the declaration documents on a micro disk, optical disk, ERP system, and other types of media for transferring and storing data.

- **Re-issuance of the certificate of import declaration**

- ① The declarer or the owner of the imported goods may wish to obtain a reissued certificate of import declaration. In such a situation, he or she must write an application for re-issuance of the certificate of import declaration and send it to the head of the customs office.

② The head of a customs office may reissue a certificate of import declaration if he or she thinks the grounds for its re-issuance are valid.

- **Electronic conveyance**

① For import customs clearance, the types of documents that are permitted to be conveyed electronically include payment bills, customs duties notifications, refund notices, and the following:

1. Certificate of import declaration
2. Correction Request
3. Request for correction of the certificate of origin, based on the Notice on the Operation of the Country of Origin System
4. Other kinds of documents that are generated using forms related to import customs clearance and digitalized in order to be conveyed electronically



## Section 5 Declaration and Payment



### • Decision to collect

For goods subject to declaration and payment, the decision to collect is automatically made the moment a party registers an audit approval in the customs clearance system. However, when a party that has an obligation to pay customs duty has paid the duty before acceptance of the declaration, the decision to collect is made from the moment that the notice of taking tax payment sent from the bank is registered in the customs clearance system.

### • Payment of tariffs

- ① An owner of goods for which he or she has made an import declaration becomes a taxpayer with an obligation to pay tariffs on those goods.
- ② A person who has filed a tax return must pay duties to the treasury receipt bank or post office within 15 days from the day the import declaration is made. The payment bill number issued by the customs clearance system and the payment bill showing the tax amount must be handed in together.
- ③ The taxpayer may print out the bill and pay the tax even before the import declaration has been accepted.

### • Method of collection

When the declarer makes an import declaration, he or she must choose from one of the following methods of collection:

1. Declaration and payment (Security exemption)
2. Declaration and payment (Credit security/Comprehensive security)
3. Declaration and payment (Individual security)
4. Declaration and payment (Payment before acceptance of declaration)

5. Notice of assessment (Security exemption)
6. Notice of assessment (Credit security/Comprehensive security)
7. Notice of assessment (Individual security)
8. Notice of assessment (Payment before acceptance of declaration)
9. Reservation of taxation
10. Lump-sum payment (Post settlement)
11. Monthly payment
12. Bundle notice of release prior to acceptance of the declaration

- **Amended declaration**

- ① A person intending to file an amended declaration because the declared and paid tax amount is short after six months (amendment period) after the declaration and payment date should send a request for amendment of the declared and paid tax amount containing the details of the amended declaration to the customs clearance system.
- ② A person who has customs duties to pay must settle the payment (including any value-added tax) no later than one day after he or she has filed an amended declaration.
- ③ The head of the customs office shall check the amount paid in the customs clearance system and then enter the changes into the import declaration before sealing it.

- **Rectification claim and rectification**

- ① If a person with an obligation to pay customs duties believes the tax amount declared and paid is excessive, he or she may file a claim to the head of the customs office to seek rectification of the tax declared. This must be filed within five years of the first declaration of the customs duty.



- ② When seeking a rectification claim, the claimant must send an import/customs duties declaration correction request form filled with the rectification claim data to the customs clearance system, and must submit the evidentiary materials to the head of the customs office.
- ③ Within two months of receiving a rectification claim, the head of the customs office must either rectify the claim or notify the claimant that there is no reason to rectify it.
- ④ The director of the import division may rectify the tax amount without notice of taxation if an audit of goods subject to a taxation audit in advance reveals that the taxes paid or customs duties declared and paid are excessive or insufficient, or if the goods declared and duties paid for before acceptance of the declaration meet either of the following conditions:
  - 1. When the rectification is based on a precedent set by a previous case (this includes an authoritative interpretation of the relevant statutes) involving the classification of product categories, application of tax rate, and additional taxable factors.
  - 2. When the person with the obligation to pay customs duties has verified and agreed with the changes to be implemented in the tax rate and taxable price.
- ⑤ When the head of the customs office rectifies taxes payable, he or she shall issue a notice of tax rectification and a notice of payment (only when the paid tax is inadequate) for the increased amount of tax (including value-added tax) to the person with the obligation to pay customs duties.

- **Tax adjustment and correction**

- ① The reviewer may inform the declarer of a tax adjustment when he or she recognizes that the tax amount specified in the customs duty declaration is excessive or insufficient.
- ② When the person with the obligation to pay customs duties finds out before paying the tax that the amount specified in the customs duty declaration is excessive or insufficient, he or she should send the import/customs duties declaration correction request (containing the tax adjustment data) to the customs clearance system and submit the evidential documents to the head of the customs office. However, in cases where the head of a customs office acknowledges that the adjustments to be made can be understood just by reading the import/customs duties declaration correction request, submission of the evidential documents may be omitted.
- ③ The person with the obligation to pay customs duty who has applied for a tax adjustment must mark the sections in the relevant customs declaration documents where corrections have to be made with a "( )", affix his or her seal, and then enter the corrected data into the brackets.
- ④ The person with the obligation to pay customs duty shall reissue the payment bill with the correct tax amount; however, the payment bill number and payment deadline shall remain the same.
- ⑤ When the head of the customs office finds out that the tax amount declared and paid is insufficient or that there is an error in the taxable price or product classification that forms the basis of the tax calculation, he or she may notify the person with the obligation to pay customs duties to enable the latter to apply for adjustments within the adjustment request period.



- ⑥ When a person with the obligation to pay customs duty receives a notice of tax correction or becomes aware of the need to make a tax correction, he or she must send an import/customs duties declaration correction request (containing the tax correction data) to the customs clearance system.
- ⑦ When a party with the obligation to pay customs duty has paid less than the amount due, the head of the customs office must check the payment through the customs clearance system, record the tax correction in the import declaration form, and affix an official seal on the form.
- ⑧ From the day after the payment deadline to the date of application for correction, the amount calculated by applying the period and interest rate shall be added. The new tax amount must include the interest accrued during the period from the end of the payment deadline date (the date of payment in the case of a payment settled before acceptance) to the date on which the request for adjustment is sent.

## Section 6 Notice of Assessment



- **Goods subject to notice of assessment and audits**

The head of the customs office shall finalize and notify the amount of tax to be paid, such as tariffs and domestic taxes, on goods for which a notice of assessment has been issued and received.

- **Confirmation of goods for which a notice of assessment must be issued and received**

The head of the customs office must determine whether the goods should receive a notice of assessment. If the goods do not meet the criteria, the head must ensure that the importer declares the goods and pays the duties.

- **Goods excluded from simplified tax rate application**

The simplified tax rate does not apply to the following types of goods:

1. Goods with zero tariff rate and goods eligible for tariff reductions
2. Raw materials for export
3. Goods associated with criminal activities
4. Goods subject to a specific tariff
5. Goods for which the shipper has requested that all taxable goods shall not be subject to the simplified tax rate when declaring the said taxable goods as imports
6. Goods for which a notice of assessment has been issued whose taxable price exceeds KRW 5 million (per unit or per group).
7. A quantity of goods recognized for commercial use
8. Goods subject to a higher duty rate than the basic tariff

- **Payment due notice**

- ① When the head of a customs office seeks to collect tariffs on goods for which a notice of assessment has been issued, he or she must finalize the amount of the tariff and send the notice of payment due to the party with the obligation to pay the customs duties.
- ② The person who receives a notice of payment due shall pay the relevant amount of the tariff to the national receiving agency or post office within 15 days of receiving the notice.



## Section 7 Electronic Customs Clearance



### • Electronic customs clearance

① Electronic customs clearance will only be permitted for goods imported by AEO certified importers, and, in the case of non-AEO certified importers, only import declared goods that are judged to be low-risk goods. This principle is observed in accordance with the “Notice on the certification of Authorized Economic Operators (AEO) and the operation of the AEO program”. However, even when the above requirements are not met, the commission of the Korea Customs Service may decide, after considering the level of integrity with which a company declares its imports, to grant clearance by applying a separate standard to them.

② The following types of goods cannot be cleared by customs using electronic means. However, the customs office may make exceptions in certain cases, and exempt companies with good AEO ratings and allow clearance.

1. Goods for which the importer must submit documents
2. Goods designated for verification by the head of the customs office
3. Other goods which the Commissioner of the Korea Customs Service judges to be unsuitable for electronic customs clearance

### • Inspection of goods

In principle, goods subject to electronic customs clearance shall be inspected by random selection.

## Chapter 3

# Simplified Customs Clearance Procedure

## Section 1 Private Use Eligibility Standard and Aggregate Tax Eligibility Standard for Small-Sum Goods



### • Private use eligibility standard for small-sum goods

Type	Products	Self-assessed usage level (Duty free clearance level)	Note
Agricultural and livestock products	Sesame oil, sesame seeds, honey, bracken, mushrooms, lance asiabell	5 kg each	<ul style="list-style-type: none"> <li>When the quantity exceeds the duty free allowance levels, the goods are subject to verifications of the requirements. (Goods that are related to the Plant Protection Act, the Act on the Prevention of Contagious Animal Diseases, the Aquatic Animal Disease Control Act are subject to verification of the requirements even if their quantities fall within the duty free allowance levels.)</li> </ul>
	Walnuts	5 kg	
	Pine nuts	1 kg	
	Beef, pork	10 kg each	
	Beef jerky	5 kg	
	Marine produce	5 kg each	
	Others	5 kg each	
Medicinal herbs	Ginseng (raw ginseng, white ginseng, red ginseng, etc.)	300 g in total	<ul style="list-style-type: none"> <li>Up to 500 g (this includes duty free allowed amounts) of deer antler is cleared by customs after quarantine.</li> <li>Subject to verification of the requirements if the duty free allowance levels are exceeded.</li> </ul>
	Sanghwang mushrooms	300 g	
	Deer antlers	150 g after quarantine	
	Other medicinal herbs	3 kg each	
	Snake, snake wine, tiger bone wine and other revolting foods		<ul style="list-style-type: none"> <li>These products must comply with the CITES regulation.</li> </ul>
	Medical drugs like Viagra that could be misused/abused		<ul style="list-style-type: none"> <li>Only the amount indicated on the prescription slip can be cleared by customs.</li> </ul>



Type	Products	Self-assessed usage level (Duty free clearance level)	Note
Functional health		6 bottles in total	
Medical drugs		Total of 6 bottles (If there are more than 6 bottles, 3-month dose of medical drugs)	<ul style="list-style-type: none"> <li>When the quantity falls within the duty free allowance levels, such goods are normally exempt from the requirement verification. However, the following items must undergo verification of the requirements.</li> </ul>
Medicines prepared from drugs (traditional Korean medicine)	Hair regeneration agent	100 ml x 2 bottles	<ul style="list-style-type: none"> <li>- Goods containing ingredients that fall under the CITES regulation (e.g., musk).</li> <li>- Product categories which are prohibited from being brought into the country or which are known to contain hazardous substances (Ministry of Food and Drug Safety notification), or goods whose ingredient/ content information printed on the exterior packaging is unclear.</li> <li>- Single medicinal products containing ephedrine, norephedrine, pseudoephedrine, ergotamine, ergometrine.</li> <li>When the quantity exceeds the duty free allowance levels, the goods are subject to requirement verification. However, functional health foods imported by patients to treat their diseases are exempt from requirement verification if the importer can provide a doctor's note.</li> </ul>
	Jejohwan	8 g x 20 bottles	
	Dapyeonhwan, ginseng pheonix	10 T x 3 packs	
	Anti-inflammatory medicine	50 T x 3 bottles	
	Gusimhwan	400 T x 3 bottles	
	Sogalhwan	30 T x 3 bottles	
	Hwalrakhwan, Sampyeonhwan	10 pills	
	Baekbonghwan, Woohwang cheongsimhwan	30 pills	
Medicines prepared from drugs (traditional Korean medicine)	Decoction of the Ten Great Reconstitutions, Decoction of the Ten Great Reconstitutions, snake powder, deer's birth canal, 秋風透骨丸 Chui Feng Tou Gu Wan, cinnabar, tiger bone, miscellaneous bones, bear galls, bear gall powder, other gall powders, seal kidney, musk, and other medications with unknown contents		<ul style="list-style-type: none"> <li>Falls under the scope of the Pharmaceutical Act.</li> </ul>

Type	Products	Self-assessed usage level (Duty free clearance level)	Note
Narcotics	Gas-fumming tablet, hydrochloride tablet, methamphetamine, opium, cannabis, etc.		<ul style="list-style-type: none"> <li>Falls under the scope of the Act on the Control of Narcotics, etc.</li> </ul>
Wild animal related products	Fur, leather, stuffed animals, etc.		<ul style="list-style-type: none"> <li>Must comply with the CITES regulation.</li> </ul>
Personal products	Liquor	1 bottle (less than 1 ℓ)	<ul style="list-style-type: none"> <li>Duties are levied if the value of the goods exceeds USD 150.</li> <li>Liquor tax and educational tax are levied on liquors.</li> </ul>
	Cigarettes	200 cigarettes	
	Cigars	50 cigars	
	e-cigarettes	Nicotine solution 20 ml	
		200 cigarettes	
		Other type 110 g	
	Other tobacco products	250 g	
Perfume	60 ml		
Others	<ul style="list-style-type: none"> <li>Other personal items will be allowed to be imported when the head of the customs office permits customs clearance.</li> <li>When goods are designated for inspection by the head of a customs office, it is done on the basis of the regulations provided under various statutes.</li> </ul>		

- Processing of import declaration form for aggregate taxation**

① When the head of the customs office intends to levy an aggregate tax on imported goods, the import declaration will be processed through one of the following methods, depending on the total tax amount involved.

- When goods are shipped by express cargo, goods whose value exceeds USD 150 must be cleared via a general import declaration and not via a list-based clearance.

2. When goods are shipped by regular post.
  - A. For goods whose value is USD 1,000 or less, tariffs will be levied based on the list of goods.
  - B. A general import declaration is required for goods whose value exceeds USD 1,000.
- ② In the case of the import declaration form for an express cargo, the B/L number and the words “aggregate taxation” must be entered in the section “To be filled by the customs office” as evidence of aggregate taxation. The bill of lading (B/L), which shows the goods for aggregate taxation, must be attached to the import declaration.
- ③ For postal goods whose value is USD 1,000 or less, the recipient must be notified by disclosing on the customs clearance guide that the goods are subject to the aggregate tax. The postal code must be disclosed on the list of postal goods and the goods must be labeled “aggregate tax”.
- ④ The head of the customs office shall carry out a post analysis of computer data to uncover goods that have been cleared by customs due to their erroneous categorization as commercial goods or due to their deliberate partitioning in order to avoid taxes. If such instances are uncovered, a formal investigation must be launched or the importer must be asked to pay the taxes due.

## Section 2 Omission of Import Declaration and Simplified Declaration



### • Omission of import declaration

- ① Import declaration can be exempted if the goods fall under any of the following duty free or tax free categories:
  1. Duty free goods entering the country in diplomatic pouches
  2. Duty-free goods belonging to the heads of state of foreign countries who are visiting the country as well as their accompanying family members and attendants
  3. Human remains and bodies destined for funerals
  4. Newspapers, film, and recorded tape of media companies registered with the Ministry of Culture, Sports and Tourism
  5. Materials sent from South Korean diplomatic missions in overseas countries to the Ministry of Foreign Affairs and Trade
  6. Archive documents and papers
  7. Official goods being brought into the country by members of the Korean armed forces stationed overseas (only if the goods arrive in the country on warships or military aircraft including chartered planes)
- ② If the owner of the goods can present the B/L, the goods will be transferred immediately to the goods warehouse. Before handing over the goods, the B/L should be carefully checked to determine that it is the original, and the identity of the person authorized to pick up the goods must be confirmed. The goods must be released only after receipt of the handover certificate.
- ③ The goods to be inspected must be chosen randomly.



④ In the case of human remains being shipped into the country, the identity of the consignee must be checked to make sure the remains are related to the bereaved family. This is to prevent dangerous goods that may endanger national security from being smuggled into the country.

- **Simplified declaration using a declaration form**

① Goods not requiring an import declaration but which are still taxed, and goods which meet one of the qualifications described below, can be customs cleared using the simplified declaration procedure of filling in an application form with the import declaration details. It is not necessary to attach any documents to the application.

1. A duty-free item whose total price is USD 150 or less and which is recognized as an item for personal use by a resident of South Korea
  2. Commercial goods with a total taxable price of USD 250 or less and which are exempt from duties
  3. An item that is exempt from import approval while being designed
  4. A means of payment imported by a financial institution for its foreign exchange business (under the Foreign Exchange Transactions Act)
- ② Small-sum goods which have different product names and specifications, and which are exempt from tariffs or subject to agreed tariff rates, can be simply labeled as “key product name A, etc.”

## Chapter 4

## Receipt of Import Declaration and Confirmation

- **Goods with an order for release in a bonded area**

- ① The Commissioner of the Korea Customs Service and the head of the customs office (referred to as the "Release order issuer") can order the release of goods in a bonded area if the goods accepted after submission of the import declaration meet one of the following conditions; however, this shall not apply in cases in which three months have elapsed since the receipt of the import declaration for the goods, or cases in which the head of an administrative agency takes corrective action under the relevant statutes.
  1. In the event of failure to fulfill the obligations provided under Article 227 of the relevant law
  2. In the event that the country of origin label is not displayed properly or is marked differently from the time the import declaration is accepted
  3. In the event of infringement of a trademark or copyright
- ② When a release order is issued by a release order issuer, it shall be delivered to the owner of the goods or the party who has filed the import/export declaration (hereinafter referred to as the "recipient of the release order").
- ③ If the address or residence of the recipient of the import order is not clear, the release order issuer may post the release order on the bulletin board of the Korea Customs Service, a customs office or other suitable place. In such cases, if two weeks have passed since the date of posting, a release order shall be deemed to have been delivered to the recipient.



- **Bonded area for the release of goods**

- ① The bonded area for the release of goods shall be the bonded area designated by the release order issuer or the owner of the goods. However, if there is no designated bonded area within the jurisdiction of the customs office, or if there is an unavoidable reason, the goods shall be released in a licensed bonded area.
- ② If there is no bonded area within the jurisdiction of the customs office, the goods will be released in the bonded area of the neighboring customs office.

- **Release period**

- ① The person ordering release shall designate a release deadline after taking into consideration such factors as the characteristics of the goods, the quantity of goods for release, the distance between the location of the goods and the release bonded area.
- ② If there is a valid reason why it is difficult for the recipient of the release order to release the goods in the bonded area before the deadline, he or she must apply for an extension of the deadline to the release order issuer, stating the reason for such extension and attaching the necessary support documents.
- ③ If the request for an extension of the deadline received by the release order issuer is considered valid, he or she may approve the request and move the deadline for release to a later date (but which should not exceed the release period).

- **Responsibilities of the recipient of the release order**

- ① The recipient of the release order shall bear the transportation fee, storage fee, and any other expenses incurred in effectuating the release of the goods in the bonded area.
- ② Where the head of an administrative agency has already taken corrective measures against the relevant goods ordered to be released, the recipient of the release order shall submit a document verifying such fact to the release order issuer.

- **Handling of goods for release**

- ① Depending on the results of inspection of goods for release in a bonded area, the release order issuer may instruct the recipient of the release order to execute one of the following measures:
  1. Release the goods after implementing supplementary/corrective measures
  2. Return or discard the goods
- ② If the release order issuer has instructed the goods to be returned or discarded, the recipient of the release order shall bear the expenses incurred in returning or disposing of the goods.

**Chapter 5**

## Procedure for Release of Goods Before Import Declaration

- **Purpose**

The purpose of this procedure is to regulate the process of handling tasks for efficient operation of the system for releasing goods before the import declaration (hereinafter referred to as the “system for the immediate release of goods”).

- **Criteria used in designating immediate release companies and goods for immediate release**

- ① The following parties may be designated as immediate release companies:
  1. Manufacturing companies and foreign-invested companies with the following qualifications:



- A. A comprehensive security company. However, when a personal and private security company is designated as an immediate release company, it may be prohibited from providing comprehensive security services.
  - B. A company that has not defaulted on taxes, such as tariffs, for the past 2 years
  - C. A company with a clean track record in exporting/importing goods for the past 3 years
- **Application for designation as an immediate release company and goods for immediate release**
    - 1. Documents required by the applicant
      - A. A foreign-invested company registration certificate (designation will be limited to foreign-invested companies), in accordance with Article 21 of the Enforcement Decree of the Foreign Investment Promotion Act
      - B. A document that proves an organization is a government investment agency (designation will be limited to government investment agencies), in accordance with Article 2 of the Act on the Management of Public Institutions
      - C. A document that proves an organization is a public agency or a provincial public enterprise, in accordance with Article 5 of the Act on the Management of Public Institutions and Article 49 of the Act on Local Public Enterprises
      - D. Other documents deemed necessary by the head of the customs office
    - 2. Matters to be checked by the public official
      - A. Business registration certificate

- **Designation period and renewal of designation as an immediate release company**

- ① A company is designated as an immediate release company for a term of three years. The term remains the same in case of renewal of the designation.
- ② A person who seeks to renew the designation period of the immediate release company must prepare two copies of the renewable application (approval) form and submit them to the head of the customs office with jurisdiction over the area no later than one month before expiration of the designation period.
- ③ Upon receipt of the application, the head of the customs office shall approve the application for renewal of the designated period provided that the immediate release company meets the criteria.
- ④ If approval is granted for the renewal of the designated period, the details of approval shall be registered in the customs clearance system. The renewal period must be entered on the application (approval) form for renewal of the designated period and then issued to the applicant.

- **Cancellation of designation as an immediate release company and goods for immediate release**

- ① The head of the customs office may cancel the designation for any of the following reasons:
  1. When a company fails to declare imports within 10 days of the declaration of their release.
  2. When a company violates the provisions of Articles 269 through 277 of the Customs Act and Article 23 of the Act on Special Cases Concerning the Refund of Customs Duties, etc. Levied on Raw Materials for Export. An exception to this rule may be made when the head of the customs office recognizes that there are no concerns about recidivism.



3. When a company falls in arrears with tariffs and other taxes. However, an exception to this rule may be made when the situation leading to default is due to a temporary financial difficulty or mistake and the taxes due are paid voluntarily within seven days of the expiration of the payment deadline.
  4. A company whose certification as a credit security company has been cancelled.
  5. In the case of a comprehensive security company, a company whose comprehensive collateral security has been lifted.
  6. The inability to provide security is only temporary.
- **Requirements for release declarations**

The requirements for release declarations are as follows:

    1. The company concerned must have been designated as an immediate release company and the goods as immediately released goods.
    2. The security exemption limit or the balance of the limit on the use of security (includes the amount provided as individual security) should be at least equivalent in amount to the tax amount, such as the tariffs to be paid.
    3. The cargo manifest information for the goods must be transferred from the airlines to the cargo system. However, the surplus goods from the bonded factory are excluded from this requirement.
  - **Release declaration**
    - ① A person seeking to declare a release of goods must attach the following documents with the declaration form for the release of goods before import declaration (hereinafter referred to as the "release declaration form") and submit it to the head of the customs office. However, a person seeking to declare the

release of surplus goods from a bonded factory must submit a release declaration form before filing an import declaration for surplus goods.

1. A copy of the bill of lading (B/L) or a copy of the air waybill (AWB)
  2. A copy of the invoice
- ② There should be one release declaration for each B/L

- **Acceptance of release declaration**

- ① The head of the customs office shall review the release declaration and, if it is in good order and meets all legal requirements, he or she must accept the release declaration.
- ② If the release declaration is accepted, the seals of the person who has received the release declaration and the person who has processed the declaration must be stamped on the certificate of import declaration. This certificate must then be delivered to the loaded.

- **Release of goods**

- ① When an immediate release company wishes to release goods whose release declaration has been accepted, the bonded area operator must first verify that the release declaration has indeed been processed before releasing the goods in question.
- ② If the release declaration has been accepted prior to the goods' arrival at the port, the immediate release company must instruct the shipping company or cargo air service company to enter "FD" (release of goods prior to import declaration) as the unloading cargo classification code in the landing declaration form, so that the goods can be taken out of the docks.



## Import Clearance Procedure

### Carry-in of goods (place of storage)

- Goods are stored in the bonded area after they arrive from overseas



### Satisfaction of requirements (importer)

- The importer should prepare the documents confirming satisfaction of requirements, recommendation of tax rate, recommendation of tax reduction before declaring import.
- In the case of an organization connected through an information network, such documents can be requested and submitted in electronic format.



### Import declaration (declarer)

- The declarer should fill out an import declaration form and transmit it through the customs clearance system.
- The customs clearance system selects persons subject to review or submission of documents and informs the declarer



### Processing of declaration form (customs office)

- After the goods are inspected, a document review is conducted.
- The submitted documents are reviewed.
- Paperless (P/L) cases are screen-reviewed.
- The cases without abnormalities are registered.



### Provision of security or advance payment of tax

- The importer should provide security for tax payment to the customs office or pay tax in advance in order to receive the goods.



### Acceptance of declaration

- If tax is paid (advance payment) or security is registered (post payment), the customs clearance system automatically accepts declaration.



### Release of goods

- The importer requests the release of goods to the operator of the bonded area (place of storage) and the goods are released.



### Post payment (importer)

- The importer should pay tax within 15 days of accepting the declaration.

## II | Export Clearance

### Chapter 1

## Formal Customs Clearance Procedure

### Section 1 Export Declaration



- **Declaration timing**

A person who intends to export goods must file an export declaration with the head of the customs office which has jurisdiction over the area where the goods are stored.

- **Declarer**

The export declaration must be made under the name of a licensed customs broker, a customs brokerage, a corporation for handling clearance (hereinafter referred to as the "licensed customs broker"), or the owner of the goods for export.

- **Export declaration and required documents**

① A person who intends to file an export declaration must submit an export declaration electronically online along with the related documents, such as an invoice, or send them to the customs clearance system as electronic images. However, export declarations that cannot be submitted electronically or sent as electronic images may be submitted as paper (hard copy) documents.

② After sending the declaration file to the customs clearance system, the declarer must submit the export declaration form and the required documents described in the corresponding paragraph to the head of the customs office. On the export



declaration form, the type of declaration should be stated as “submission of document”. However, this does not apply when the required documents are transmitted electronically.

1. Verification documents required under each individual statute. (However, this applies only to situations in which the details of the export requirements cannot be verified via the computer system.)
  2. Documents required for the review of any contractual disparities and goods exported with notification of intended return. (However, packaging containers destined for repeat usage are excluded from export with a notification of intended return.)
  3. Documents confirming each fact when the customs office requires a declaration using documents or customs inspections for reduction/exemption/refund/post-management purposes when re-importing goods into the country. (Packaging containers destined for repeat usage are excluded.)
  4. Goods whose owners are notified by the export clearance system to submit documents.
- ③ When the owner of the goods directly files an export declaration and seeks to obtain an export declaration certificate from the head of the customs office, he or she may submit the export declaration to the head of the customs office.
- ④ A person who intends to file an export declaration must obtain a declarer code (ID) for the electronic processing of export/import declarations. However, a company designated separately by the Commissioner of the Korea Customs Service (companies whose exports from the previous year rank in the bottom 50% or exporters with earnings of not more than USD 80,000) may directly declare goods for export using the computer facilities of the Export Declaration Support Center established at the Korea

Chamber of Commerce and Industry and the Korea International Trade Association (including its headquarters, branches, etc.).

- ⑤ If the declarer is notified of an error in the declaration data he or she has sent or submitted, he or she must correct the error and send it back or submit it again under the same application number.
- ⑥ The accompanying documents may be submitted as copies (fax, copy).

- **Electronic submission of trade documents**

The invoice to be submitted electronically shall be accompanied by a notarized electronic signature and submitted along with a notarized certificate of the exporter.

- **Export declaration after release in a bonded area**

Regarding exported goods that must be declared after their release in a bonded area, the phrase “a place chosen by the Commissioner of the Korea Customs Service” refers to an area near an airport or port where exported goods are loaded, and can be any one of the following (hereinafter referred to as the ‘bonded area’):

1. Bonded warehouse (Article 183 of the Customs Act)
2. Comprehensive bonded area (Article 197 of the Customs Act)
3. Designated bonded area (Article 166 of the Customs Act)
4. A company in a free trade zone to which a warehouse code has been assigned by the head of the customs office. (Subparagraph 2 of Article 2 of the Act on the Designation and Management of Free Trade Zones)



- ② Goods requiring an export declaration after their release into a bonded area.

Number	Type	Plastic category name	Goods
1	Used cars	Class 87 'Used Car'	Used cars that are loaded and exported in containers
2	Plastic wastes	No. HS 3915 (Plastic scraps)	Plastic wastes and scraps that are loaded and exported in containers
3	Household wastes	No. HS 3825 (Household wastes)	Household wastes that are loaded and exported in containers

- ③ After goods are brought into a bonded area, the procedure for releasing and filing the export declaration for goods for which an export declaration is required is basically the same as the instructions for preparing an export declaration.
- ④ When exporting goods that must be brought into a bonded area for release, the release information (container number, warehouse, release number, etc.) must be accurately entered on the export declaration form.
- ⑤ When goods to be brought into a bonded area for release are singled out for inspection, the officials responsible for inspections of export goods must inspect them quickly with priority over other goods.

- **Effective date of export declaration**

An export declaration shall come into effect when the declared data are received by the customs clearance system.

**Section 2 Processing and Review of a Declaration****• Method of processing a declaration**

① The following classifications shall apply to the methods of processing export declarations of goods:

1. Electronic customs clearance
2. Review (screen review, document review)
3. Inspection of goods

② The manager in charge of exports may change the method of processing (an export declaration) even if it has already been decided. In such cases, the changes shall be entered into the system.

③ If it is deemed necessary to examine or inspect goods after a review of the details of a declaration of goods that do not require the submission of documents, the goods may be selected for document submission and the declarer may be asked to provide the necessary documents. However, the requirement to submit documents may be waived if the person has submitted them electronically or sent the corresponding electronic images.

**• Review criteria**

1. Whether the declaration has been completed correctly in accordance with the instructions for preparing an export declaration.
2. Whether goods targeted for inspection (export qualification) by the head of the customs office have been appropriately classified as products and whether they are qualified for export
3. Whether the country of origin label is attached and whether intellectual property rights are infringed
4. Whether the goods need to be subjected to a commissioned analysis



5. Other matters necessary to determine whether an export declaration should be accepted
- **Processing of an export declaration which differs from the contract**
    - ① When processing an export declaration filed with the aim of obtaining a refund of customs duties, the customs office shall look into whether the shape or properties of such goods have been changed or modified in any way since the initial acceptance of the import declaration. The results of such assessment must then be reported on the export declaration completion certificate.
    - ② In order to obtain a refund on export-declared goods that differ from the description thereof provided in the contract, an additional analysis must be commissioned following the acceptance of an export declaration for goods previously analyzed at the time of importation, or when such goods are re-shipped to the bonded factory. Thereafter, the goods must be handled according to the results of the analysis.
  - **Commissioned analysis**
    - ① In the event that expert knowledge and skills are required, such as when verifying the contents of declared goods through physical and chemical experiments, the customs office lab may be commissioned to conduct an analysis, or experts may be hired to provide their professional opinions.
    - ② The samples for analysis must be collected, sealed and submitted directly by the customs officer to prevent the arbitrary replacement or loss thereof.
    - ③ When commissioning an analysis, the intention to do so must be recorded in the customs clearance system; and, if the results of the analysis do not match the details of the declaration, the declaration data must be corrected accordingly.

④ In the event that it is necessary to conduct an analysis, the basic principle is that it shall be conducted after accepting the declaration. However, the analysis shall be conducted prior to acceptance of the declaration in either of the following situations:

1. When there is a significant possibility that the goods will be prohibited from export due to the nature thereof
2. When the goods are different from the description provided in the contract

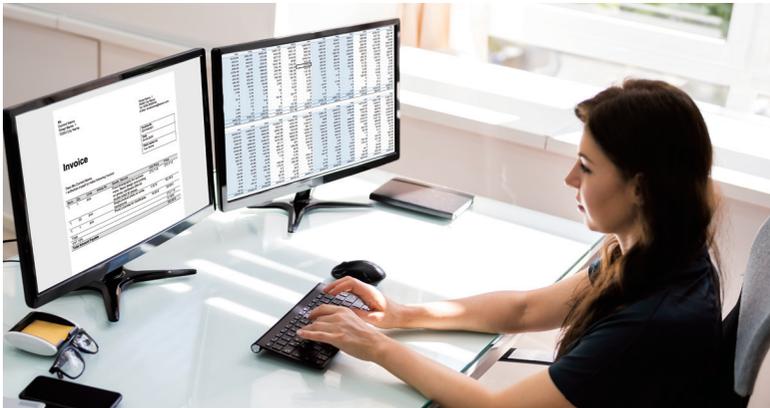
- **Request for supplementary modifications**

- ① If it proves difficult to confirm the matters to be reviewed from the documents and materials submitted by the declarer, the supplementary requirements must be entered into the customs clearance system and the declarer must be notified of the request for supplementary modifications.
- ② When a request is made for supplementary modifications, the items that need to be supplemented, the reason for requesting the supplementary modifications, and the period granted for completion of the supplementary modifications must be indicated on the request form.
- ③ If the head of the customs office acknowledges that the matters to be supplemented are minor and that there is no problem with accepting the declaration first and making the supplementary changes afterwards, he or she may accept the request of the declarer or exporter to make the supplementary changes after acceptance. In this case the declarer or exporter must submit the relevant documents during the time period specified by the head of the customs office.
- ④ The head of the customs office shall suspend customs clearance if the declarer or exporter fails to fulfill the supplementary requirements within the given period.



- **Withholding of customs clearance**

- ① If, after a review, it is found that exported goods fall under any of the following, the head of the customs office may suspend the customs clearance of those goods. If the customs clearance for goods is suspended, this fact must be entered into the customs clearance system.
  1. When additional information is required because key data have been omitted from the declaration form or some required documents are missing
  2. When a stipulation in a law has been violated or where there is reasonable cause for concern about a public health hazard
  3. When an in-house investigation or a lawsuit has been launched on suspicion of a crime
  4. When a customs review determines that it will take an excessive amount of time to meet the requirements of detection acceptance



**Section 3 Inspection of Goods****• Inspection of Goods**

- ① Inspections of goods declared for export shall be omitted in principle. However, if it is necessary to check the goods, inspections may be carried out.
- ② After the acceptance of the declaration, the inspection of goods shall, in principle, be carried out at the place where the goods are loaded.
- ③ In the case of returned goods or goods that have not been correctly inspected at the time of loading, goods that differ from the description thereof provided in the contract, goods for private use that are to be exported in exactly the same state as when imported, re-exported goods and goods that are exported in their original states, or goods that are exported using international postal mail, the head of the customs office may order an inspection of the goods at the customs office where the goods have been declared.
- ④ If the place of loading is changed after the export declaration has been filed for goods subject to inspection, the declarer must correct the export declaration filed before the inspection of the goods takes place.
- ⑤ If the head of the customs office with jurisdiction over the place of loading deems it necessary, container inspections (using container screening equipment) may be carried out on goods declared for export, even if such goods have been exempted from inspections.
- ⑥ The head of the customs office may request the submission of packing lists and other documents if these are required to ensure efficient inspection of the exported goods.



- ⑦ The head of the customs office may order the sealing of exported goods that have already undergone inspection (at the place of declaration) or may order the goods to be delivered (using bonded transportation) to a bonded area at the place of loading.
- ⑧ When some goods, having undergone a complete inspection and been released into a bonded area at the place where the goods are to be eventually loaded, are taken out of the bonded area for reasons that have nothing to do with loading, the head of the customs office may order the goods to be inspected again when they are re-released in the bonded area.

- **Notification of inspection requirement**

The head of the customs office may set a specific time period for inspections after the office receives the cargo manifest of exported goods, and may notify the declarer, the submitter of the cargo manifest, and/or the operator of the bonded area that their goods have been designated for inspection. However, in the interest of achieving the objectives of the customs inspection, the head may notify the declarer about the inspection requirement for exported goods at the time the latter files the export declaration.

- **Verification of inspection requirement**

At the time a person submits the cargo manifest, he or she must check whether the exported goods on the manifest have been selected for inspections.

- **Inspection request and bonded area arrival report**

- ① The declarer or the owner of the goods, who at the time of export declaration receives notification that their goods must be inspected, must transport the goods to the bonded area at the place of loading or to a separate place named by the head of

the customs office. The declarer or the owner must then send a request for inspection of the goods to the head of the customs office (required documents: export declaration completion certificate and other necessary documents).

- ② If the person who has submitted the cargo manifest discovers that the exported goods on the cargo manifest must be inspected, he or she must store the goods at the designated inspection site in the bonded area and report to the head of the customs office with jurisdiction over the place of storage that the goods for inspections have arrived.

- **Inspection waiver**

The head of the customs office may waive the inspection requirement if he or she concludes that it is necessary to omit the inspection of exported goods initially targeted for inspection and if there are no causes for concern about criminal intent. If such a step is taken, the waiver of the inspection must be posted on the customs clearance system and the person who has submitted the cargo manifest must be notified of this fact.

- **Place of inspection**

Goods declared for export must be inspected at the place where they are stored. However, in the following cases, the goods in question must be transported to the bonded area before inspection.

1. When there is information that suggests that the goods could be related to a crime (e.g. illegal export, illegal refund).
2. When, after considering the attributes of the goods and the honesty of the company, the head of the customs office decides that the bonded area is more conducive to the efficient conduct of an inspection.



- **Attendance in inspection**

- ① When the head of the customs office decides that the declarer must be present during the inspection of goods or has received a request from the declarer to be present at the inspection, the head must notify the declarer of the date, place and time of the inspection.
- ② A declarer who wishes to request permission to attend an inspection must fill in two application (notification) forms for attendance of an inspection and send them to the head of the customs office. The application forms may be sent via regular mail, fax, or email.
- ③ The inspection must be attended by the owner of the goods, the declarer, or an employee working for either one of them.
- ④ If the declarer, the exporter, or an employee working for their organization fails to attend the inspection even after being sent a notification requiring their attendance by the head of the customs office, the inspection must still be conducted with the manager of the warehouse (or one of his or her assistants) where the goods are stored in attendance.

- **Method of inspection**

- ① To ensure efficient inspections, the head of the customs office may inspect goods using container-screening equipment or a mobile vehicle-based screener.
- ② When goods have to be verified, the head of the customs office shall perform a full inspection, a partial inspection, or an analysis inspection.

**Section 4 Acceptance of Export Declaration****• Acceptance of a declaration**

- ① The acceptance of an export declaration will be processed differently depending on the kind of goods concerned.
  1. Automatically declarable goods will be processed automatically by the customs clearance system.
  2. Goods designated for review will be accepted after review.
  3. Goods designated for inspection will be accepted after inspection. Goods subject to inspection in the loading area will be accepted and processed on condition of their being inspected before being loaded on to vessels.

**• Issuance of the export declaration completion certificate**

- ① When the head of the customs office accepts an export declaration, he or she shall issue a certificate of export declaration imprinted with the special digital seal of the Korean Customs Service. This requirement is specifically mandated by the Regulations on the Special Seal of the Korea Customs Service (a directive of the Ministry of Economy and Finance).

**• Storage of electronic documents**

- ① If the declarer is issued a certificate of import declaration, he or she must store the related documents for safekeeping because the head of the customs office may ask to see them as and when necessary. However, this requirement does not apply to the electronic submission or transmission of electronic images.
- ② The export shipper must keep the following documents for three years from the acceptance of the declaration:
  1. Export declaration completion certificate
  2. Documents for determining the prices of exported goods
  3. Export contracts or documents related to export transaction



- ③ When a declarer has to shut down his or her business, he or she must submit a list of documents (together with the documents themselves) in custody to the head of the customs office in his or her district or the head of the customs office with jurisdiction over the port of entry within 15 days of business shutdown. However, this rule does not apply to a licensed customs broker who closes down his or her business temporarily under the condition of resuming business at a later date.
  - ④ When the declarer wishes to discard certain expired documents among the documents in his or her possession, he or she must submit a list of such documents to the head of the customs office in his or her district.
  - ⑤ The declarer and the export shipper may store the declaration documents on a micro disk, optical disk, or another type of medium for transferring and storing data required to ensure efficient inspection of the exported goods.
- **Extra opening after office hours**
    - ① Except in extenuating circumstances, a person who intends to conduct customs clearance of exported goods on a public holiday or at a time falling outside the normal operating hours of the customs office shall notify the head of the customs office in advance with an electronic application seeking permission for the temporary opening of the office. In this application (notification), the person should state (based on the rules of the service regulations for public officials) the type of work, the time, and the reason for working outside the normal office working hours.
    - ② Export declarations received during office working hours must be handled by the officials in charge of declarations. Export declarations received after office working hours must be handled by a temporary worker.

**Section 5 Export Declaration Correction /  
Withdrawal / Dismissal****• Export declaration correction**

- ① A person intending to correct an export declaration must send an export declaration correction application (electronic document) describing the details of the desired corrections to the head of the customs office with jurisdiction over the place of clearance or the head of the customs office with jurisdiction over the party's district of residence. Standard evidential documents (including electronic images submitted by email) must be submitted together with the application. However, this requirement will be waived in any of the following cases:
  1. Where the party/goods are subject to voluntary correction
  2. Where the party has made a confirmation declaration of the provisional quantity/price
  3. Where the bonded area where the goods will be loaded has been changed
  4. Port of loading code
  5. Where the head of the customs office has determined that the details of the desired correction can be verified with the export declaration correction application alone
- ② A party will be allowed to correct an export declaration prior to departure of the goods, except in the case of goods that have been designated for inspection or review
- ③ Excluding “self-corrections”, corrections of export declaration will be allowed in any of the following cases:
  1. Where corrections can be confirmed by physical confirmation of the goods concerned



2. Where the amount of refund has increased due to corrections to the product name, price and HS code, the details of the corrections can be confirmed from the contract, invoice, and other objective data that corroborate the product name and specifications (analysis report) of the exported goods.
  3. Where the amount of refund has increased due to corrections to the unit cost and declared price, the details of the corrections can be confirmed by checking them against the contract, L/C, foreign currency deposit certificate, purchase order, and other types of transaction documents.
  4. Where the amount of exports has increased due to corrections to the quantity (weight) thereof, the details of the corrections can be confirmed by checking them against the contract, L/C, bill of lading, a copy of the import declaration filed in the counterpart country, and other types of transaction documents.
  5. In the case of corrections to the transaction classification, the details of the corrections can be confirmed from documentary evidence of the type of transaction, such as a contract for toll manufacturing.
  6. Where errors made during the preparation of the export declaration, such as calculation or decimal point errors, are recognized as obvious acts of negligence on the part of the export declarer.
  7. Where the amount of refund is not increased, the reasons for the corrections must be entirely justified based on the evidentiary documents.
- **Export declaration withdrawal**
    - ① When withdrawing an export declaration, the reasons (details) for its withdrawal must be disclosed in the export declaration withdrawal form, which should be sent to the head of the customs office who has jurisdiction over the place where the

goods have been cleared, together with the relevant evidential documents (including electronic image files).

- ② Upon receipt of the export declaration withdrawal application (approval) document, the head of the customs office shall only approve the withdrawal of the export declaration if there is a justifiable reason for doing so.
- ③ Upon approval of the withdrawal of the export declaration, the export declaration and the acceptance of the export declaration shall no longer be valid.

- **Notification of approval**

When the head of the customs office approves the export declaration correction/withdrawal application submitted by an applicant, the head may send the details of the approval to the applicant.

- **Export declaration dismissal**

The head of the customs office may dismiss the export declaration under any of the circumstances listed below. In such cases, the head must report the dismissal in the customs clearance system and notify the declarer thereof.

1. Where an export declaration has been made using falsehoods or other improper means
2. Where an export declaration fails to meet the formal requirements for an export declaration

- **Correction by authority**

In the following situations, the head of the customs office may make corrections to the declaration.

1. Where the declaration data are erroneous
2. Where the results of the analysis are not in agreement with the details of the export declaration



**Section 6 Special Types of Exports****• Export declaration on the deck of a ship**

① If the goods to be exported meet any one of the conditions listed below, the export declaration may be made on the deck of the ship after loading the goods.

1. Exported goods (produce and minerals) whose quantities are verified through a survey report written by an authorized testing agency after the goods have been loaded on to ships
2. Goods (e.g., goods that do not need to be transferred from a domestic liner to another vessel because the former can simply change its registration as a foreign trading vessel and depart from the port) for which export declaration on the deck of the ship is the only option available due to the need to keep the goods fresh
3. A newly manufactured automobile loaded onto specialized ships for export to overseas markets

**• Export declaration of fish exported directly from the place of catch**

When exporting fish directly from the place of catch is unavoidable, the declarer must submit the export declaration documents to the head of the customs office that has granted the exporter permission to sail. This must be done after export of the goods and prior to receipt of payment for the goods. Furthermore, a type of document that confirms the export amount (e.g., cargo receipt) must be attached to the declaration documents.

- **Export declaration of goods sold in duty free shops**

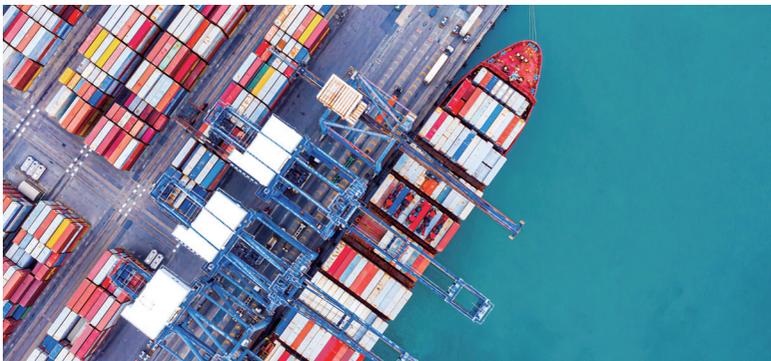
Another special export case is the sale of goods produced (here, “produced” refers to the manufacture, processing, assembly, repair, refurbishment or modification of goods) in South Korea to foreigners in duty free shops.

- **Export declaration of marine products caught by ocean-going ships**

In the event that a South Korean vessel sells marine products caught in international waters to local customers, the exporter must - after export of and before receipt of payment for the goods - send an export sales report along with a document that proves the export sale (e.g., cargo receipt, B/L, final [fish] settlement) to the head of the Seoul Customs Office (via the Korea Overseas Fisheries Association).

- **Declaration of a foreign trading vessel**

In the event that a foreign trading vessel that is flying the South Korean flag and which sails in international and foreign waters is to be sold overseas and handed over to a foreign buyer with no prospect of ever returning to a port in South Korea, the exporter must submit documents proving the facts concerning the export and the export sales report (using the export declaration form).



## Chapter 2

## Simplified Customs Clearance Procedure

- **Simplified export declaration**

- ① For the following types of goods, export declaration may be replaced by submitting an invoice, a simplified export customs clearance list, or a mailing list: However, items requiring some form of proof, such as certification and approval, should be excluded from consideration.
  1. Human remains/bodies
  2. Goods leaving the country in diplomatic pouches
  3. Materials sent from the Ministry of Foreign Affairs and Trade to South Korean diplomatic missions in overseas countries
  4. Goods belonging to the heads of state of foreign countries that are leaving the country and their families and attendants
  5. Newspapers, film, and recorded tape of media companies
  6. Archive documents, and papers and catalogues
  7. Goods purchased by foreign tourists (“Regulations on Special Cases Concerning VAT and Individual Consumption Taxes for Foreign Tourists”)
  8. Goods not subject to a refund, but less than FOB KRW 2 million
- ② The reason (code) for releasing the goods and their prices must be disclosed and submitted.
- ③ When the Bank of Korea, a foreign exchange bank or Korea Post seeks to export an instrument of foreign payment as part of the performance of their normal functions, they may declare the export by filling in and submitting the application form, without having to attach any other documents.

- **Review of goods with simplified export declaration**

The reviewer shall examine the appropriateness of the details of the export declaration, such as the list of goods for simplified customs clearance. Separate inspections may be skipped if the goods are on the list of goods approved for the simplified customs clearance system, unless they have been specifically selected for inspection.

- **Inspection of goods with simplified export declaration**

The inspector shall perform physical inspections of the goods targeted for inspection, based on such documents as the simplified customs clearance list. However, when inspecting goods using the simplified customs clearance list, the physical inspections must be carried out using a computer printout of the said list.

### Chapter 3

## Management of Exported Goods Loading

- **Loading of exported goods**

- ① Within 30 days of an export declaration's acceptance, the exporter must load the goods on to a vessel that will travel between South Korea and the foreign destination of the goods.
- ② The exporter and the captain (pilot) of the foreign trading ship (airplane) must not load the export goods until the export declaration has been accepted.
- ③ A party that wishes to extend the loading period due to certain unavoidable reasons, such as a revised sailing or loading schedule, must submit a request for (application) an extension of the loading period to the head of the customs office with jurisdiction over the place where the goods have been cleared. This must be done during the loading period and before the revised schedule.



- ④ After examining the reasons for the request, and if it is deemed to be justifiable, the head of the customs office may approve the extension of the loading period for up to one year from the date of acceptance of the export declaration.
- ⑤ When the customs manager approves the extension of the loading period, he or she shall immediately record the reason for the extension and the extension period in the customs clearance system.
- ⑥ In the case of goods subject to loading inspection, the goods must be loaded on to the transport vehicle after completion of the inspection.

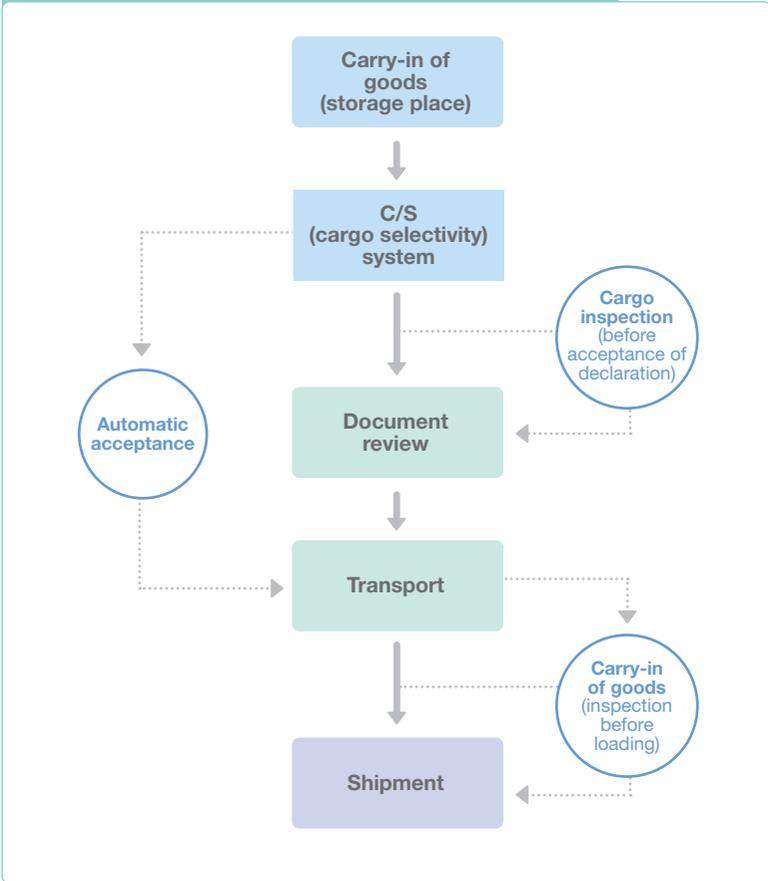
- **Management of the loading of hand-carried goods**

When goods with accepted export declarations are to be carried out with travelers when departing the country, a copy of the export declaration completion certificate must be provided to the customs official (when foreign sailors, the crews of fishing boats, and tourists depart via a pier, the term “officials” could also mean customs officials who work at the pier) who approves the departure and checks the loading.

- **Loading of post mail**

A person who intends to send overseas (via regular postal mail) goods for which the export declarations have already been accepted must get the goods physically inspected and submit an export declaration completion certificate either to a customs official at a customs clearance post office or to a postmaster authorized by the commissioner of the Korea Customs Service to handle the job of confirming export mail shipments. The official will then issue a confirmation of shipment.

Flow chart of the export clearance procedure



## III | Customs Clearance of Express Cargo

### Chapter 1

## Definition

- The import clearance of an express cargo transported by an express cargo company which must be registered with a customs office and whose main line of business is the delivery of commercial documents or samples using foreign trading vessels, cargo airplanes, or trans-border land vehicles.

### Chapter 2

## Customs Clearance of Express Cargo

- **Release of express cargo**
  - ① An express cargo can be cleared by customs only after it has been moved to a customs warehouse designated by the head of the customs office. In the warehouse, a customs official must check the express cargo by screening it using an X-ray machine.
  - ② The head of the customs office may designate a place as a customs warehouse if he/she thinks it is suitable for storing express cargoes and for customs clearance work. The head must then equip the site with the appropriate screening and inspection equipment, such as a bi-directional X-ray screener (capable of accurately identifying an express cargo in color), a real-time X-ray precision detection system, and an automatic sorter.

- **Type of declaration**

- ① For goods (express cargoes that can be cleared with a list) to be delivered to domestic residents for private use or commercial samples that do not exceed USD 150 in value (goods on the list of items for special customs clearance consideration under an agreement with the United States should not exceed USD 200 in value), the import declaration will be waived if the special cargo carrier submits a customs clearance list to the head of the customs office.
- ② Goods whose total value exceeds USD 150 (goods on the list of items for special customs clearance consideration under an agreement with the United States should not exceed USD 200 in value) and is not more than USD 2,000 (express cargoes that can be cleared with a list) can be declared through the simplified import declaration procedure.
- ③ Goods (general import declaration as express cargo) whose total value exceeds USD 2,000 must be declared through the general import declaration procedure.

- **Import declaration**

- ① When a special cargo carrier intends to clear customs for imported goods that are on the list of express cargoes that can be cleared with a list, it must submit the customs clearance list to the head of the customs office.
- ② When a special cargo carrier seeks customs clearance for an imported express cargo that is eligible for the simplified import declaration procedure, it must file an import declaration using electronic documents on the Internet or EDI, with no need for attached documents. However, if the goods are selected for inspections, the import declaration form must be submitted to the head of the customs office along with the invoice, the bill of lading or the air way bill attached to the form.



- ③ In accordance with the rules provided in the public notice on processing import clearance, the regular customs clearance procedure must be applied for the general import declaration of express cargoes.
- ④ A party that seeks to apply the FTA conventional tariff on goods exempted from the certificate of origin requirement must submit a purchase receipt containing information about the place of purchase (country) and the price to the head of the customs office.

- **Notification of review results**

- ① If any of the following conditions applies to an express cargo, the head of the customs office must notify the express cargo carrier of the fact.
  1. An examination of the express cargo has indicated the inapplicability of customs clearance using lists and the simplified declaration procedure.
  2. The express cargo has been selected for inspection.
- ② A representative from the special cargo carrier must be present at the place and time designated by the head of the customs office to inspect the goods targeted for inspection.

- **Inspection request**

- ① The express cargo carrier must send a request for an inspection to the head of the customs office if it discovers (during the operation of screening equipment such as an X-ray detector, the goods handling process or customs clearance document preparation procedure) that its goods fall under any one of the following conditions:
  1. Where the address of the sender or receiver is given as a hotel, mailbox or some other address that cannot be said to be a normal address, or when the address is not clearly given

2. Where the goods are eligible for the aggregate tax rate posted through import clearance notices
3. Where the goods are to be sent as separate parcels to the same address or phone number
4. Where the express cargo shows signs of abnormalities, such as packaging that looks as if it is designed to conceal something
5. Where the carrier has in its possession information about illegally smuggled goods such as drugs, firearms, or substances that are hazardous to public health

- **Screening inspections for goods connected to crimes**

① The head of the customs office may designate (through advance information gathering and analysis) and inspect the incoming cargo of a courier company, cargo plane or a cargo ship under any of the following types of situations.

1. Where there is information/intelligence about the goods to the effect that they may in some way be related to drugs and terrorism
2. Where, after examining such items of information as the cargo carrier, sender, receiver, place of departure and other information, it is judged highly likely that the goods may be linked to criminals or criminal activities
3. Where an advance examination of the information indicates the need for inspection

- **Acceptance of declaration**

① An express cargo for list-based clearance will be cleared only after the head of the customs office has completed the inspection and review.



- ② An express cargo for simplified import declaration will be accepted only after the head of the customs office has completed the inspection and review.
  - ③ An express cargo for general import declaration will be accepted only after the head of the customs office has sent notification of import clearance.
- **Smart customs clearance**
    - ① Smart customs clearance can only be applied to express cargoes destined for general import declaration whose value is not more than USD 2,000 and which are judged unlikely to be used for criminal activities (e-commerce items imported by individual users).
    - ② After a certain period of time has elapsed since the filing of the declaration with the customs clearance system, it may be reviewed and accepted electronically.
    - ③ The head of the customs office may review the details of a declaration before acceptance; and, if the review reveals the need for inspection, the goods concerned may be selected for inspection.
  - **Import declaration of express cargo for list-based clearance**
    - ① When a consignee is seeking to file an import declaration of an express cargo that has been released through list-based clearance, he or she may file the import declaration to the head of customs office, but with a statement of the reason for the filing thereof attached to the declaration.
    - ② The import declaration must be filed within 30 days of being released through list-based clearance. Further, in this case, the goods must be released in the place designated by the head of the customs office.

- ③ The head of the customs office may request the consignee to submit evidential materials, etc. for the acceptance and processing of the import declaration.
- ④ After checking whether the released goods are open or packaged and their attributes, the head of the customs office may declare the imports only if the imported goods are recognized to be identical to the express cargo released through list-based clearance. However, if the head of the customs office, after comparing photos, video materials and other documents, concludes that the released goods are identical to the express cargo released through list-based clearance, he or she may waive the physical inspection requirement.

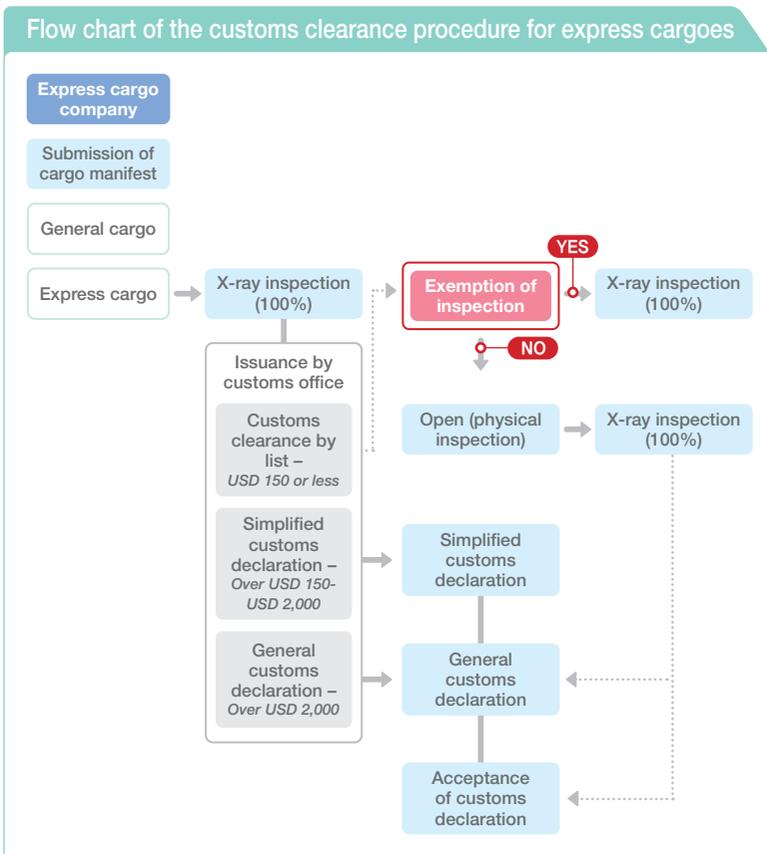
- **Confirmation of the shipping address**

- ① The head of the customs office shall verify the following matters concerning the shipping address every quarter:
  1. Check whether any shipping address information is missing by comparing the actual shipping address held by the courier with the original customs clearance list and import declaration form submitted to the customs office.
  2. Check whether the submitted shipping address is misleading.



• **Post-clearance review**

- ① If it is required for a post-clearance review of the express cargo released through list-based clearance, the head of the customs office may pose some questions to the recipient or the express cargo carrier, or ask them to submit the relevant data by issuing a request for the submission thereof.
- ② When the head of the customs office has received the relevant data, he or she must notify the consignee of the results of the post clearance review no later than seven days after completion of the review.



# IV | Customs Clearance of Postal Items

## Chapter 1

### Overview

#### • Definitions

- ① “Tax exemption on the spot” refers to the act of exempting taxes on goods on the spot without requiring the recipient to submit documents containing price data on goods that are judged (based on the results of inspection by X-ray screening equipment and physical inspection) to be clearly eligible for duty-free customs clearance.
- ② “Tax imposition on the spot” refers to the act of levying taxes on goods on the spot without requiring the recipient to submit documents containing price data on goods that are judged (based on the results of inspection by X-ray screening equipment and physical inspection) to pose no issues with regard to the levying of taxes.
- ③ “Postal items for inspections” refers to goods which have to be customs cleared using the price data provided by the recipients (based on the results of inspection by X-ray screening equipment and physical inspection) for the purpose of levying taxes and verifying whether they meet the import requirements.



- **Customs clearance post office**
  - ① International Post Office
  - ② Busan International Post Office
  - ③ Incheon Maritime Exchange Bureau
  
- **Customs clearance**
  - ① International mail transported into the country by air is cleared at the Incheon Airport International Postal Customs Office.
  - ② International mail transported into the country by ship is cleared at the Busan International Postal Customs Business Center.
  - ③ Maritime mail shipped into the country through Incheon Port is cleared at the Incheon Airport International Postal Customs Office.

## Chapter 2

# Postal Item List Submission and Postal Item Inspection

- **Submission of postal item list**

When the postmaster of the customs clearance post office receives mail, he or she shall prepare a mailing list as an electronic document and submit it to the head of the customs office. However, in extenuating circumstances, a mailing list that does not include mail targeted for examination may be submitted after delivery of the relevant mail.
  
- **Inspection of postal item**
  - ① The head of the customs office must inspect mail arriving at the customs clearance post office. However, when necessary, the head of the customs office may waive the inspection requirement for letters.

- ② Inspections shall be conducted with an X-ray detector. However, if the goods are unsuitable for X-ray inspection or if the X-ray inspection indicates that it is might be wise to physically examine the goods (which could pose a risk to public safety or infringe intellectual property rights), a physical examination will be carried out.

- **Management of postal items**

- ① If the results of an inspection show that for the sake of public health and safety, the custom clearance of postal items should be closely tracked, the head of the customs office may order tags to be attached to the exterior packaging of the postal items, indicating what kind of custom classification is applied to each item. The tag marks the item for tracking and must be closely monitored until the customs clearance process has been completed.
- ② The head of the customs office may request the postmaster of the customs clearance post office to sequester in a separately designated bonded area any postal items that are withheld from customs clearance (items prohibited from import/export, items that infringe intellectual property rights, etc.) or selected for close monitoring.

### Chapter 3

## Management of Exported Goods Loading

- **On-the-spot tax exemption**

- ① With the exception of postal items whose inspection indicates must be declared as import or export, the head of the customs office may waive the import declaration requirement and clear them as duty-free items in any of the following cases:



1. Postal items that are small-sum goods exempted from tariffs
  2. Postal items that are not subject to taxation including tariffs
  3. Postal items that do not fall under the joint taxation standard
  4. Postal items that are not taxed on the basis of the minimum taxable amount
  5. Other postal items that are clearly acknowledged to be duty-free
- **On-the-spot tax imposition**
    - ① The head of the customs office may impose taxes on goods that meet all of the following requirements by applying a simplified tax rate based on a mail report or invoice
      1. Postal items that are not subject to export and import declaration
      2. Postal items clearly marked with the recipient's address and name
      3. Postal items with an easily calculable tax amount and whose total value is not more than USD 1,000
    - ② When levying taxes, the head of the customs office must enter the tax amount into the electronic customs clearance system of the Korea Customs Service (hereinafter referred to as the “customs clearance system”) and notify the customs clearance post office electronically.
    - ③ The postmaster of the custom clearance post office shall deliver the mail after receiving the tax payment (notified by the head of the customs office) from the recipient and then deposit the customs duties to the tax account of the head of the customs office.
    - ④ The head of the customs office shall send an online notification of the tax amount due to the recipient or send a guide book on the on-the-spot taxation of international postal items to the recipient.

- ⑤ If the recipient of a postal item that receives an on-the-spot tax imposition requests that the simplified tax rate not be applied, the head of the customs office must cancel the tax imposition and recalculate the tax amount due using the basic tax rate and then re-impose the tax.
- ⑥ The postmaster of the customs clearance post office must take the step of bringing back to the customs clearance post office any postal item on which an imposed tax is cancelled.

- **Postal items subject to review**

- ① The head of the customs office shall process the customs clearance of those postal items that are excluded from on-the-spot tax exemption or on-the-spot tax imposition by designating them for separate reviews.
- ② The head of the customs office may notify the postmaster of the customs clearance post office of the reasons for designating postal items for review.
- ③ The postmaster of the customs clearance post office must prepare a list of postal items designated for review and send it as an electronic document to the head of the customs office.
- ④ The head of the customs office shall send via email an international postal item customs clearance guide for the items under review to the head of the customs office. This guide must contain such information as the price data for determining the amount of tax, the documents that the recipient must obtain (import permit or recommendation) for clearing customs, the procedures for submitting these required documents, the decision on whether the items are eligible for a general import declaration, and the reasons for disallowing the clearance of the items, when applicable.



- ⑤ Once the postmaster of the customs clearance post office has received the clearance guide, he or she must forward it to the recipient in the name of the head of the customs office.
- **Advance request for review**
    - ① The recipient or the person who files the import declaration may request the head of the customs office in advance to review a particular postal item. This is done by entering the postal item information into the custom clearance system before the postal items arrive at the customs clearance post office. The head of the customs office who receives this request must then designate the postal items for review.
    - ② The advance request for review shall be considered only for postal items that have barcodes printed on their exterior packaging to allow the postal code to be read with a barcode scanner at the customs clearance post office.

#### Chapter 4

## Declaration and Acceptance of Postal Items Subject to Inspection

- **Postal items eligible for simplified customs clearance**
  - ① All postal items, with the exception of those that have to be declared (for export or import), can be cleared through the simplified import declaration procedure.
  - ② Recipients who wish to file a simplified import declaration must submit an application for the simplified customs clearance of international postal items and other documents necessary for customs clearance to the head of the customs office. The office accepts applications via mobile (smart phones), the Internet, e-mail, fax, regular mail, or a visit to the office in person.

- ③ If the goods are eligible for reduced/exempted tariffs, the declarer should enter the grounds for the reduced tariff rate into the customs clearance system.
- ④ A person who wishes to use the FTA conventional tariff provided by free trade agreements for postal items that are eligible for simplified customs clearance must tick the FTA conventional tariff in the application for the simplified customs clearance of international postal items. A person who wishes to use the FTA conventional tariff for postal items exempted from the certificate of origin requirement must submit the purchase receipt (for the items) to the head of the customs office. The receipt must show information about the country of purchase and the prices of the items.

- **Postal items eligible for general import declaration**

- ① All postal items that have to be declared (export or import) must be cleared through the general import declaration procedure.
- ② Postal items that have to be declared as imports
  1. Products that are allowed in for the purpose of sales
  2. Of products that have been or should be paid for, those with costs over USD 1,000 or those whose addressee makes for general import declaration
  3. Other products whose taxable value is over KRW 5 million
- ③ The general customs clearance procedure applies to postal items brought into the country with a general import declaration.
- ④ The receiver of the postal item for which a general import declaration is to be made should request the sender to attach a tag on the external packaging which marks the goods for import declaration. This ensures that the goods will go through the general customs clearance procedure.



- **Declaration timing**

- ① The import declaration for postal goods may be made before or after their arrival at the customs clearance post office.
- ② Declaration before arrival may be made starting 5 days before the postal goods arrive at the customs clearance post office with customs jurisdiction over the port of entry. However, this applies only to postal goods which have a barcode on their exterior packaging, thereby enabling the postal code to be read by a barcode scanner at the customs clearance post office.
- ③ The following postal goods must be declared after their arrival at the customs clearance post office.
  1. Goods subjected to or intended to be subjected to laws that would require the customs office to apply a higher tariff rate or new import requirements.
  2. Agricultural, fishery and livestock produce or processed goods made from such produce whose 10-digit HS code changes from the time of import declaration to the time the goods or produce arrive at the port of entry.
  3. Agricultural, fishery and livestock produce or processed goods made from such produce whose unit of taxation (weight or quantity) changes from the time of import declaration to the time the goods or produce arrive at the port of entry.

- **Filing an import declaration and processing the declaration**

- ① When filing an import declaration for postal goods, the declarer must include the following items of information on the form.
  1. Declaration type: pre-arrival or post-arrival.
  2. Postal code
  3. Method of delivery: post office delivery or pick-up by the recipient

- ② If postal goods have been declared before their arrival, the head of the customs office must electronically forward the postal code to the postmaster of the customs clearance post office.
- ③ When postal goods declared prior to their arrival are carried into the country, the postmaster of the customs clearance post office must hand over the goods to the head of the customs office, whereupon the latter must create a list of the postal goods to be reviewed and electronically forward this list to the head of the customs office.
- ④ For postal goods declared before their arrival, the head of the customs office shall examine whether the list of postal goods (sent by the postmaster of the customs clearance post office) and the details of the import declaration match. Goods selected for inspection will be accepted upon completion of the inspection.
- ⑤ Once the declaration has been accepted, the head of the customs office shall electronically forward the postal code and other details of the declaration acceptance to the postmaster of the customs clearance post office, whereupon the latter will instruct the delivery of the postal goods to the recipient.
- ⑥ For postal goods declared before their arrival, if the head of the customs office has not received the list of postal goods for review from the postmaster of the customs clearance post office within seven days (public holidays and Saturdays are not counted) from the date the goods are declared, he or she may dismiss the declaration or take other necessary measures.



- **Import declaration of goods which have already received on-the-spot tax exemption when carried into the country again**
  - ① A recipient who wishes to file a general import declaration for postal goods which have previously received an on-the-spot tax exemption should submit the import declaration to the head of the customs office with an explanatory statement attached.
  - ② The import declaration for the postal goods must be filed within 30 days of receiving the on-the-spot tax exemption and being carried out of the country. In such a case, the recipient must carry in the goods to the place designated by the head of the customs office.
  - ③ The head of the customs office may decide to conduct physical inspections of postal goods which are carried into the country again before accepting them. However, the physical inspections may be waived if the head of the customs office concludes that the postal goods being carried in again are identical to those exempted from tariffs (through an examination of photos, video materials, and customs documents).
  - ④ To process the import declaration of the postal goods carried into the country, the head of the customs office may ask the recipient to submit evidentiary documents.



## Chapter 5

## Bonded Transportation and the Return of Bonded Postal Items

- **Bonded transportation**

- ① When postal items which a bonded factory operator wants to ship in with their taxation reserved have shipping addresses that result in those items being delivered to the bonded area, the recipient may apply for and obtain approval from the head of the customs office for the bonded transportation of those postal items.
- ② If the head of the customs office has accepted or approved of a recipient's application for the bonded transportation of postal items, the head must register the details of the application into the customs clearance system and send an online notification to the postmaster of the customs clearance post office. The postmaster can then take the necessary actions, such as ordering the bonded transportation of the items.
- ③ On the orders of the postmaster of the customs clearance post office, postal items whose application for bonded transportation has been received or approved will be delivered to the recipient's address via bonded transportation.

- **Return of postal items**

- ① The postmaster of the customs clearance post office shall prepare a list of postal items that must be returned for such reasons as an expired storage period or an unknown recipient address. With this list, the postmaster must send a request to the head of the customs office for approval of the return of the items. However, in certain cases, the head of the customs office must separate the postal items to be returned and hand them over to the postmaster of the customs clearance post office.

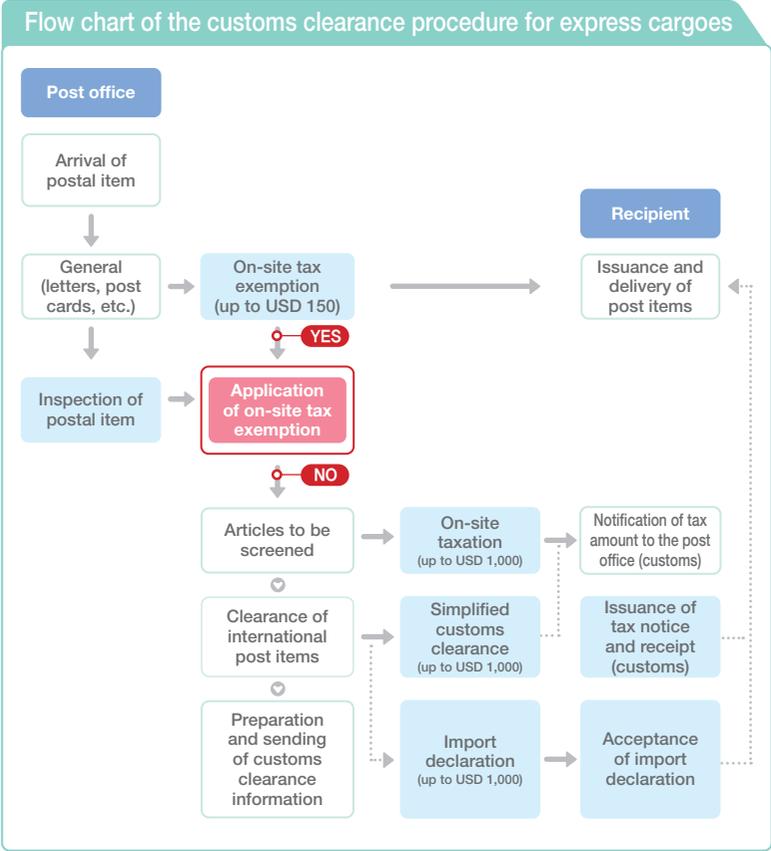


- ② If necessary, the head of the customs office may carry out physical inspections (attended by a staff member sent from the post office) of the postal items for which the postmaster of the customs clearance post office has requested approval of their return. If the inspections reveal a valid reason, for instance a violation of the customs regulations, the head of the customs office may implement the necessary measures by first withholding customs clearance and then sending notification after an in-house investigation. He or she may ask the investigation department to file a lawsuit.
- ③ If the head of the customs office approves the return, he or she shall receive and keep one copy of the return mail list and enter the return approval details into the customs clearance system.

- **Management of items for disposal**

- ① If the postmaster of the customs clearance post office intends to dispose of postal items because they have decomposed etc. or for other reasons, the list of the postal items must first be sent to the head of the customs office before the items can be disposed of.
- ② The head of the customs office must enter the details of the postal items for disposal into the customs clearance system.





# V | Customs Clearance of Traveler's Hand-Carried Goods

## Chapter 1

### Definition

- **Definition of terms**

- ① The term “traveler” refers to a person who enters or departs from the country temporarily via a passenger plane or a passenger ship that travels between the country and other countries.
- ② The term “hand-carried baggage” refers to goods carried into and out of the country by travelers who temporarily arrive at and depart from the country and goods (non-inspected goods) that arrive in advance of or later than the traveler due to special circumstances.
- ③ The term “unaccompanied goods” refers to goods that are brought into the country separately by a means of transportation other than a passenger plane or a ship used by travelers.
- ④ The term “personal effects” refers to goods recognized by the head of the customs office to be worn by travelers and flight attendants on their bodies or carried by hand out of necessity while traveling.
- ⑤ The term “personal ornaments” refers to goods recognized by the head of the customs office to be normally worn by travelers and flight attendants on a part of their bodies as an ornament etc. during a trip.

- **Scope of definition of traveler's hand-carried goods**

- ① Hand-carried goods are goods recognized by the head of the customs office as suitable for travelers to carry normally in their hands, taking into account the purpose of the traveler's trip (arrival in a country), duration of the trip (length of sojourn), the traveler's occupation and age, and the nature of the carry-in goods, including quantity, price, and purpose of the goods, and the reason for bringing in the goods.
- ② Goods recognized by the head of the customs office as suitable for travelers to carry normally in their hands could be any one of the following:
  1. Personal goods of the traveler destined for personal use
  2. Goods whose quantity and price are deemed to be appropriate for use as gifts
  3. Goods to be worn on the body or personal ornamentation, such as clothing, cosmetics, etc., which are currently in use or clearly recognized as having been used by travelers during their journey
  4. Goods carried by a non-resident traveler which are considered to be essential items for the traveler's occupation by the head of the customs office
  5. Goods that meet the criteria set by the commissioner of the Korea Customs Service, based on consideration of the traveler's occupation, identity, age, and other factors
- ③ Hand-carried goods that travelers bring into the country for company or business purposes, such as goods that must be repaired, samples, and raw materials that are worth less than USD 10,000 in value, will be custom cleared using the same simplified on-site clearance procedure which applies to traveler's hand-carried goods even though they do not fall under the definition of travelers' hand-carried goods.



## Chapter 2

## Declaration of Hand-Carried Goods

### Section 1 Declaration Procedure



- **Filling out a declaration form and submitting the declaration**
  - ① In the following cases, one person may file a single declaration for a group of individuals:
    1. Where the declarer is traveling with his or her family
    2. Where a group of traveling students whom the head of the customs office feels may be declared as a group by a single representative declarer without raising any undue concerns from the customs office in the event that they have to be tracked down later
    3. Where the declarer is a passenger on a cruise ship who is temporarily entering the country
    4. Other situations where the customs office deems that a single declaration is justified
  - ② If the traveler entering the country has unaccompanied goods or goods that have not been inspected, the person must fill in two declaration forms and submit one copy to the head of the customs office at the port of entry. The other copy must obtain the confirmation seal of the head of the customs office and be submitted to the head of the customs office who clears the unaccompanied goods or goods that have not been inspected.
  - ③ Personal details to be filled in:
    1. Name
    2. Date of birth
    3. Passport number (foreigners only)

4. Occupation
5. Number of accompanying family members
6. Date of arrival in the country
7. Flight number or passenger ship number
8. Purpose of traveling to South Korea
9. Duration of stay in South Korea
10. Countries visited prior to arrival in South Korea
11. Address in South Korea (includes phone number)

- **Goods that must be declared**

1. Goods acquired from abroad whose total acquisition price exceeds USD 600
2. Liquors, cigarettes, and perfumes exceeding the tax exemption allowance per person. However, all liquors and cigarettes brought by persons who are under 19 years of age (age based on date of birth, not date of entry) must be declared.
3. Commercial goods, goods used for repairment, samples
4. Firearms, swords, explosives, gas sprayers, tasers, crossbows (including parts, imitations, or ornaments), toxic or radioactive materials, and wiretapping equipment
5. Drugs such as poppies, opium and cocoa leaves, psychotropic drugs, marijuana and its derivative products, and pharmaceutical drugs that could be misused or abused
6. Books, photos, videotape, film, LD, CD, CD-ROM, etc., that violate the National Constitution, public security, and social customs
7. Goods used to divulge government secrets or for intelligence gathering purposes
8. Forged, falsified, or imitated currencies, bills, banknotes, bonds, and other marketable securities



9. Products derived from animals (including meat, skin, and hair), plants, fruits, vegetables, live fish; agricultural, forestry, livestock, and fishery products (including processed goods); other foods
  10. Live wild animals and plants protected by the Convention on the International Trade of Endangered Species of Wild Fauna and Flora (CITES), and products and processed goods made with them (tiger, leopard, elephant, rhinoceros, ostrich, hawk, owl, cobra, turtle, alligator, sturgeon, coral, orchid, cactus, aloe, etc. and their stuffed specimens; fur and ivory and handbags, purses, accessories, etc. made with them; oriental medicines made with animal parts such as the gall bladder of bears and musk; elecampane, cibot rhizome, gastrodia, etc.; and oriental medicines or medical supplies made with them).
  11. Goods that infringe intellectual property rights, including trademark rights
  12. Goods that have been taken out and brought in again by a traveler or an air/ship crew member who leaves the country temporarily
  13. Personal care goods, ornaments, and tools that will be used during a period of stay by a traveler who enters the country temporarily and taken out again when leaving the country
  14. Goods to be kept at the customs office with no intention of being exported into the country or being taken out when leaving the country
- **Classification and operation of customs clearance inspection lines**

The head of the customs office operates customs clearance operations with separate inspection lines for duty free goods and goods that must be inspected.

- **Investigations**

In the following cases, the head of the customs office shall examine whether a traveler has the intention of evading tariffs or illegally bringing prohibited goods into the country. He or she may carry out further investigations to determine whether any of the following laws have been violated: The Customs Act, the Foreign Exchange Transactions Act, the Act on the Control of Firearms, Swords, Explosives, etc. and the Act on the Control of Narcotics.

1. Where a traveler or flight attendant carrying goods that must be declared passes through the customs clearance inspection line (customs belt) without declaring the goods to customs officials
2. Where matters that have to be declared are not mentioned in the declaration form or mentioned in a misleading way
3. Where an item that must have been declared is brought in hidden inside the body, inside a double bag, or among other personal objects
4. Where the head of the customs office deems it necessary to investigate whether there has been an intention to evade tariffs or bring in an item illegally

## Section 2 Joint Declaration by Group Travelers



- **Filling out a joint declaration form and submission of declaration**

- ① A person who intends to file a joint declaration for group travelers shall fill out a joint declaration form for the group when entering the country and submit it to the customs office before undergoing a customs clearance inspection.



- ② When a member of a group has an item that must be declared, that person must state on the joint declaration whether he or she is carrying a declarable item including the details thereof, before the joint declaration is submitted to the authorities, all without having to write a separate individual declaration.
  - ③ A joint declaration for a group travelers may be filed by one of the following persons:
    1. An overseas travel guide who works for a travel agency.
    2. A guide for a group of Chinese travelers who are visiting South Korea under the no-visa transit tourist program introduced by the Ministry of Justice.
- **Convenient customs clearance**
    - ① The head of the customs office shall operate dedicated customs clearance inspection lines and inspection counters for group travelers.
    - ② The head of the customs office shall, in principle, omit inspections of hand-carried goods of group travelers unless a group has been specially designated for such inspection.
  - **Cooperation between the customs office and the travel industry**
    - ① The head of the customs office and travel agencies (or the association representing the industry) interested in the benefits of joint declaration are working together to simplify the customs clearance procedure for group travelers and to prevent terrorism-related goods, narcotics, and contraband from entering the country by entering into an agreement that will cover the following issues:

1. Both sides will cooperative actively in popularizing the joint declaration system for group travelers as much as possible and promoting the hand-carried goods clearance system with the aim of improving customs clearance for group travelers.
2. Both sides will cooperate in educating overseas travelers and managing the regulations to ensure compliance with the Customs Act. This should include discouraging travelers from engaging in illegal activities abroad, making extravagant purchases, and evading taxes.

- **Cooperation between the customs office and the travel industry**

The head of the customs office and travel agencies (or the association representing the industry) interested in the benefits of joint declaration are working together to simplify the customs clearance procedure for group travelers and to prevent terrorism-related goods, narcotics, and contraband from entering the country by entering into an agreement that will cover the following issues:

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2. Both sides will cooperate in educating overseas travelers and managing the regulations to ensure compliance with the Customs Act. This should include discouraging travelers from engaging in illegal activities abroad, making extravagant purchases, and evading taxes.
3. Both sides will cooperate actively in providing information about the customs clearance systems of other countries.
4. Both sides will provide information or make recommendations for improving the administration of the customs service.



### Section 3 Joint Declaration by Cruise Travelers on the Deck of a Ship



- **Filling out a joint declaration form and submission of declaration**
  - ① When a group of travelers tries to enter the country after arriving on a cruise ship, one person should file a joint declaration on behalf of the group. This declaration may be filled in and submitted on the deck of the ship.
  - ② A person who wishes to file a joint declaration must enter general information such as the date of entry, the number of travelers, and specific information about the individuals who have goods that must be declared (this includes personal information on the owners of the goods and the list of goods), and then submit the form to the head of the customs office.
  - ③ Cruise travelers who do not have any goods to declare may enter the country without having to submit a declaration form, with the passenger list replacing the declaration form.
  
- **Convenient customs clearance**
  - ① When the customs office receives a request to provide customs clearance services on the deck of a cruise ship, customs officials will directly visit the ship in order to inspect the goods to be declared. Unless a traveler has been specifically selected for inspection, inspections of hand-carried goods are not required for cruise ship travelers.
  - ② If inspections of hand-carried goods reveal the presence of abnormal items or if customs officials believe closer inspections are needed, customs officials may ask passengers to open their baggage for a close inspection on board the ship or carry out a closer inspection at separate customs clearance inspection stations.

## Chapter 3

## Customs Clearance of Travelers' Hand-Carried Goods

### Section 1 Customs Clearance Review



- **Verification of declaration details and physical inspections**

- ① The head of the customs office must physically inspect the goods after considering the personal details of the traveler as disclosed on the declaration form, the declaration details of the goods hand-carried into the country, the acquisition price, the actual quantity of the goods hand-carried by the traveler, credit card payment history, answers given to the questions asked by the customs official, and whether customs tags are attached to the goods.
- ② The head of the customs office may omit physical inspections of goods if the traveler has voluntarily admitted that he or she is carrying declarable goods, unless the details of the declaration are judged likely to be false or the quantity of goods seems to be excessive in the eyes of the customs official. However, if a customs tag is attached, if the traveler is a high-risk individual, or if movement tracking suggests a traveler's baggage has to be opened, the goods must be physically checked.
- ③ In the case of travelers designated for inspection even though they have stated there is nothing to declare on their declaration form, the customs office may conduct a simplified inspection using an X-ray detector before carrying out a physical inspection. If a traveler's baggage has to be opened or a customs tag is attached, a physical inspection shall be conducted immediately. However, this shall not apply in the case of a high-risk traveler or in situations where movement tracking suggests a traveler's baggage has to be opened for inspection.



- ④ If an inspection uncovers differences between the details entered on the declaration form and what is actually carried in, the customs office shall take the necessary measures. This may include the imposition of penalty, issuance of a noticed disposition, or filing of charges.

- **Review of import requirement satisfaction**

- ① A traveler who wishes to clear customs with any one of the following items as a hand-carried good must prove that he or she has obtained the permission, approval, markings and other requirements set forth in the relevant laws.
  1. Guns, swords (ornamental swords including Japanese swords), and narcotics as stipulated by The Act on the Control of Firearms, Swords, Explosives, Etc., The Defense Acquisition Program Act.
  2. Opium, cannabis, drugs as stipulated by The Act on the Control of Narcotics.
  3. Items that must be guaranteed, such as domestic pets like dogs and cats; meat products such as beef, pork, ham, and sausages; plants such as seeds, seedlings, vegetables, and cut flowers; fruits (mango, papaya, oranges, etc.); and live marine produce as stipulated by The Quarantine Act, The Act on the Prevention of Contagious Animal Diseases, The Plant Protection Act, The Aquatic Life Disease Control Act.
  4. Items that are prohibited from being brought into the country based on the Convention on the International Trade in Endangered Species of Wild Fauna and Flora (CITES), The Wildlife Protection and Management Act, The Pharmaceutical Affairs Act.

5. Goods that can be checked by the head of the customs office in accordance with the Notice on Goods to Be Confirmed by the Head of the Customs Office and Confirmation Method (Article 226, The Customs Act).
- ② Goods will be returned or restricted from customs clearance if they are goods prohibited from being imported under the law, goods that are not recognized to be hand-carried goods, and goods for which the person carrying them lacks the necessary permits, approvals, labels or other requirements for bringing them into the country.

- **Custody and Deposit**

- ① The head of the customs office may keep custody of the goods in the following cases and must issue a copy of the custody slip (tax invoice) to the traveler in the event goods are held in custody.
- ② Hand-carried goods which travelers have no intention of bringing into the country may be deposited at the customs office. In this case, the customs office must issue a copy of the deposit slip to the traveler. However, the following items may be deposited only if the head of the customs office agrees that they are suitable for depositing.
  1. Items carried by travelers deemed to be at high risk of committing misdemeanors
  2. Items recognized to be commercial goods for the purpose of bringing them into the country
  3. Items that South Korean nationals residing in the country are bringing with them
  4. Hazardous products and agricultural and livestock products that must be quarantined because they are vulnerable to damages



- ③ Hand-carried goods brought into the country will be placed under custody for a period of one month. The period of storage of deposited goods shall last until one month from the scheduled departure date stated on the deposit slip.
- ④ The period of storage of goods kept in custody by the customs office may be extended by up to one month if requested by the shipper or deemed necessary by the head of the customs office.
- ⑤ If a traveler wishes to extend the period of custody, he or she must complete an application for an extension of custody and send it the head of the customs office. The application documents may be sent via regular post, fax or email.
- ⑥ The notification to pick up goods in custody or deposited goods must be sent out at the time the storage period comes to an end. However, if at the start of a period of custody or deposit, the owner of the goods has declared his or her intention to export, import, return or sell the goods before the storage period comes to an end, this notification does not have to be sent.

## Section 2 Customs Clearance of Goods Exempted from Tariffs



### • Amount of tariff exemptions allowed per person

- ① The amount of tariff exemption allowed per person for hand-carried goods entering the country is set to a maximum of USD 600 (based on the taxable price of each good). Tariff exemptions for agricultural and livestock products (including herbal medicines) and herbal medicines are included in this basic tax exemption allowance.
- ② The basic tariff exemption allowances do not apply to the following items:

1. Liquor
2. Tobacco

Type of tobacco		Number/Quantity
Cigarettes		200
Cigars		50
E-Cigarettes	Cigarette-type	200
	Liquid nicotine solution	20 ml
	Other types	110 g
Other tobaccos		250 g

3. Perfumes
4. Commercial goods
5. Goods for repairment; samples and items for use in companies

- **Scope of tariff exemption**

- ① Any of the following hand-carried goods brought in by inbound travelers shall be exempted from tariff regardless of the scope of basic tariff exemption.
  1. Items worn on the body or ornamental items which qualify for basic tariff exemption.
  2. The goods listed below (excluding liquors and tobacco products hand-carried into the country by persons younger than 19)
    - A. Liquor: 1 bottle which costs not more than USD 400 and contains not more than 1 ℓ
    - B. Tobacco: 1200 cigarettes (1 carton)
    - C. Perfume: 60 ml
  3. Goods which a traveler is trying to re-import into the country after they are taken out of the country by obtaining approval by the head of the customs office



4. Goods worn on the body, ornamental goods, and occupational goods brought into the country as hand-carried goods or imported separately by a person (for private use and to be re-exported) who enters the country temporarily
  5. Any of the following goods owned by a non-resident that are brought into the country as a hand-carried item: still and activity photography cameras, slides or film projectors and their accessories, telescopes, portable tape recorders and CD players, portable radio receivers, mobile phones, portable TV sets, portable typewriters, portable personal computers and their parts, portable electronic calculators, strollers, and wheelchairs for the disabled.
- **Tariff exemption for agricultural and livestock products and herbal medicine ingredients**

① The scope of tariff exemption shall be as follows, limited to goods whose total weight is not more than 40 kg and whose total purchase price (from overseas) is not more than KRW 100,000. However, if the goods are subject to quarantine, based on The Plant Protection Act, The Act on the Prevention of Contagious Animal Diseases or The Aquatic Life Disease Control Act, they will be exempted only when they pass the quarantine requirements. This rule applies even when the goods fall within the scope of tariff exemption.

1. Agricultural and livestock and fishery products

Item	Scope of tariff exemption	Item	Scope of tariff exemption
Sesame oil	5 kg	Pine nuts	1 kg
Sesame seed	5 kg	Beef	10 kg
Honey	5 kg	Pork	10 kg
Bracken, bonnet bellflower roots	5 kg	Other livestock and fishery products	5 kg per item

## 2. Oriental medicine ingredients

Item	Scope of tariff exemption
Ginseng (e.g., ginseng root, white ginseng, red ginseng), phellinus linteus mushroom, chaga mushroom	300 g
Deer antler	150 g
Other oriental medicine ingredients	3 kg per item

- ② If the goods must be taxed because the quantity per unit or weight per unit exceeds the scope of tariff exemption for the product category, the taxable price shall be equal to the total price of the goods.

- **Scope of tariff exemption for oriental medicines**

The scope of tariff exemption shall be based on the following table, but only when the total overseas purchase price is not more than KRW 100,000 and the total quantity is not more than 10 items.

Item	Quantity	Unit	Scope of tariff exemption
Hair loss serum	100 ml	Bottle	2
Pills	8 g	Bottle	20
Deer antler solution	12 ampoules	Carton	3
Huallak-hwan (pill)		Pill	10
Dapyun-hwan (pill)	10 T	Carton	3
Anti-inflammatory drugs	50 T	Bottle	3
Kushim-hwan (pill)	40 T	Bottle	3
Sogal-hwan (pill)	30 T	Bottle	3
Ginseng pills	10 T	Carton	3
Sampyun-hwan (pill)		Pill	10
Baekbong-hwan (pill)		Pill	30
Other pills			Medicine that are not prohibited by CITES and other relevant regulations within the scope recognized as reasonable by the head of the customs office

### Section 3 Customs Clearance of Taxable Goods



- **Customs clearance of goods that exceed the scope of tariff exemption**

- ① A traveler's hand-carried goods that exceed the scope of basic tariff exemption or tariff exemption shall be assessed to determine whether they meet the import requirements and then taxed accordingly. However, in the case of deer antlers, only up to 500 grams (inclusive of the scope of tariff exemption) can be cleared by customs.
- ② Among a traveler's hand-carried goods, ramie and hemp cloth are not exempt from tariffs. They will be taxed and cleared by customs, but only three pieces (50 cm×6 m) per person will be allowed into the country.
- ③ If two or more accompanying family members are bringing in one item or a set of items whose value exceeds USD 600, the customs office will regard it as if one person is bringing them in.

- **Recognition of declaration amount**

The price on the receipt submitted by a traveler with self-declared goods shall be recognized as the actual purchase price unless there is a compelling reason not to. Even if the traveler cannot produce a receipt, the price declared will be considered to be the actual price unless the head of the customs office thinks the price is suspiciously low.

- **Calculation of tariffs**

- ① To calculate the amount of the tariff on the hand-carried goods of a traveler, the amount declared will be converted into US dollars, after which USD 600 will be deducted from the value in dollars, and the remaining amount will be converted back into KRW. The tariff rate will be applied to this final amount.

- ② If the declared amount includes domestic goods purchased in duty free shops, the purchase price of the domestic goods (liquors and perfumes are not included) shall be deducted first from the scope of basic tax exemption.

- **Application of the simplified flat tariff rate**

- ① In calculating the amount of the tariff, a simplified flat tariff rate of 20% shall be applied if the total price of the taxable goods per traveler is not more than USD 1,000. Goods that are not eligible for simplified tariff rate are excluded.
- ② If the total value of taxable goods per traveler exceeds USD 1,000, the simplified tariff rate shall be applied to the total price of the goods in excess. In this case, the tariff rate shall be applied first to the items that would result in the lowest tariff amount. If the value of an item or a set of items exceeds USD 1,000, the simplified tariff rate will be applied to the total price of the goods from which the basic tariff exemption is deducted.

- **Application of the FTA conventional tariff to travelers' hand-carried goods**

- ① In calculating the amount of the tariff, if the country of origin of the hand-carried goods is a country with which South Korea has signed an FTA, the customs office shall apply the FTA conventional tariff, in accordance with the stipulations of Article 2 of the Enforcement Decree of the Act on Special Cases of the Customs Act for the Implementation of Free Trade Agreements.
- ② The customs office may ask for proof of the country of origin and the purchase receipt before applying the FTA conventional tariff.



**Chapter 4****Return****• Definition of terms**

① A person who seeks to return goods that were held in custody or deposited shall file an application for return of the goods to the head of the customs office along with the documents listed in 1 through 3 of the following list. However, when the application is being filed by an agent, the documents described in 1 and 3 through 6 must be submitted.

1. Deposit slip or custody slip
2. Personal identification
3. An airplane or ship boarding ticket (Flight attendants can submit their flight certificates or certificate of crew qualification issued by immigration.)
4. A power of attorney (POA) for the return of goods
5. The mandator's passport, resident registration card, driver's license (copy)
6. Agent's passport (copy)

**• Return methods**

1. Hand-carried return on a plane or ship: The owner returns the goods by carrying the goods by hand onto a plane or ship.
2. Other returns: The goods are returned as checked-in baggage on ships (airplanes) because factors like the reason for the return of the goods, the characteristics of the goods, and their quantity, price and volume make it impossible to carry them by hand.

3. B/L return: The traveler requests the shipping company (airline company) to return the goods. The shipping company (airline company) issues a B/L (AWB for an airline company) to the traveler and takes full responsibility for returning the goods.
4. EMS return: The traveler requests the customs office to return the goods and the goods are sent via EMS.

## Chapter 5

# Customs Clearance Procedure when Departing the Country

- **Carry-out declaration of hand-carried goods**

Travelers who leave the country with the following goods must file a carry-out declaration of the goods with the customs office.

1. Valuables and expensive items to be carried out by travelers who temporarily leave the country and items carried into the country when the travelers re-enter the country
2. Duty-free goods sold by the owner of a duty-free shop to foreign tourists as specified in Article 4 of the Special Regulations on VAT and Individual Consumption Taxes for Foreign Tourists
3. Goods which travelers want to hand-carry out of the country after acceptance of the export declaration by the customs office
4. Goods that are prohibited by law from being carried out of the country
5. Goods recognized by the head of the customs office to be samples (e.g., goods for display at exhibitions, or goods for export consulting purposes) carried out of the country by travelers



- **Carry-out declaration of hand-carried goods and confirmation**

- ① In order to receive tax exemptions for hand-carried goods that a traveler wants to carry out and then bring back upon returning to the country, the traveler must submit a carry-out declaration to the head of the customs office prior to departure through the customs service website or in-person at the time of departure. The customs office must then issue a carry-out declaration approval for the hand-carried goods. Upon returning to the country, the traveler must hand in this approval form to the customs office at the port of entry. This allows the traveler to avoid paying tariffs on hand-carried goods.
- ② The head of the customs office shall issue a carry-out declaration (approval) form for hand-carried goods only if it is deemed reasonable after examining the reasons for taking the goods out of the country. In making the decision, the head shall consider such factors as the traveler's personal data, occupation, age, gender, purpose of travel, duration of stay, etc.

- **Carry-out confirmation of duty-free goods sold to foreign tourists**

When a foreign tourist seeks to receive a refund or remittance of the amount equivalent to the VAT and individual consumption tax borne by the foreign tourist when purchasing goods, he or she must submit a declaration to the head of the customs office at the port of entry and obtain confirmation of the carry-out declaration.

- **Carry-out declaration of goods whose export declaration has been accepted**

A person who wishes to hand carry-out goods whose export declaration has been accepted must submit to the head of the customs office a copy of the export declaration completion certificate and obtain confirmation that the good has been loaded onto a ship or plane.

## Chapter 6

## Post-Payment of Taxes

- **Eligibility**

All South Korean nationals who reside in the country and who declare hand-carried goods will be considered to be persons who will be allowed to pay the tariffs levied by the customs office on their hand-carried goods at a later period. However, the following persons shall not be accorded this privilege:

1. Tax defaulters
2. Travelers who are considered highly likely to commit a crime
3. Persons who are under 19 years of age
4. Persons whom the head of the customs office considers to be unqualified for post-payments

- **Tax post-payment application**

Travelers who intend to make post-payment of tariffs must provide information necessary for the management of arrears, such as their phone number, address, and resident registration number or passport number.



**Chapter 7**

## Customs Clearance of Goods Temporarily Carried Into the Country on Condition of Being Carried Out again

- **Scope of eligible travelers and goods**

① The following categories of travelers will be cleared by customs on condition that the temporarily carried in goods will be carried out again when they leave the country.

1. Persons residing overseas who are temporarily visiting South Korea (including visits for the purpose of temporary visits to relatives, tourism, attendance of conference, inspections, etc.)
2. Persons holding South Korean nationality who have resided abroad for at least one year, such as Korean expats, international students, overseas branch employees
3. Other persons considered by the head of the customs office to be eligible

② Temporarily carried-in goods are goods belonging to a person who temporarily enters the country. They are defined as goods worn on the body, ornamental goods, and occupational goods. They are goods to be used in South Korea and which must be carried out again.

- **Procedure for customs clearance of goods for temporary carry-in**

① A person who is seeking to obtain a tax exemption on temporarily carried-in goods on condition of carrying them out again must complete an application for the certificate of temporarily carried-in goods (on condition of carrying them out again), which contains information about the person, and the price, name and quantity of the goods, and must submit it to the head of the customs office.

- ② After examining the application form, the head of the customs office shall issue a certificate of temporarily carried-in goods (on condition of carrying them out again) if the head decides to permit a tariff exemption for the temporarily carried-in goods. However, if it is impossible to verify the person's address in South Korea, the customs office will hold custody of the goods and will only release them after the person deposits some collateral for the goods.

- **Tariff exemption period for goods destined for carry-out**

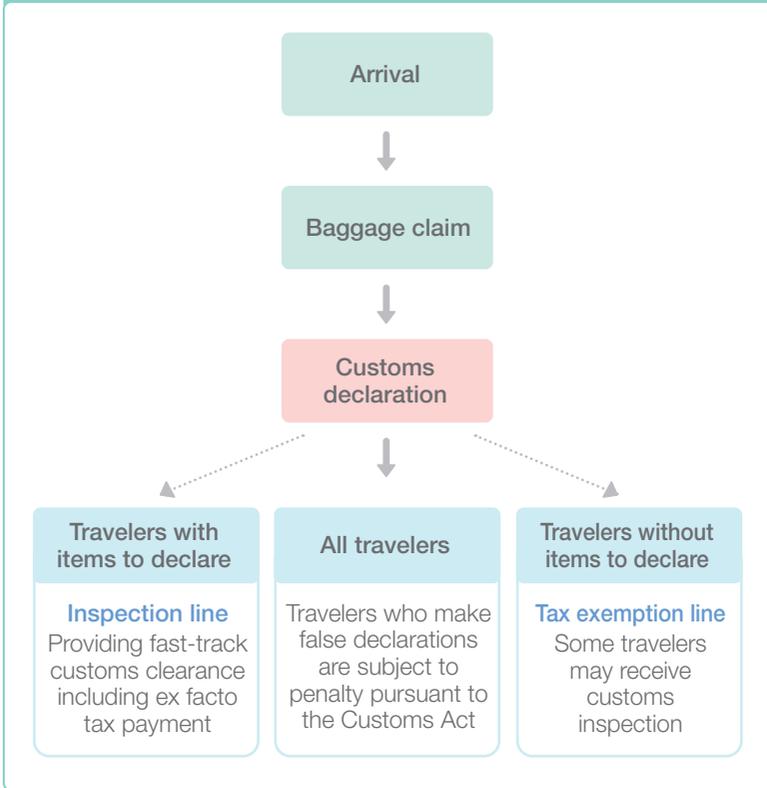
- ① When issuing the certificate of temporarily carried-in goods, the period of tariff exemption for the goods to be carried out of the country shall be restricted to not more than one year in consideration of the traveler's sojourn period in South Korea; but the traveler shall have until the first date of departure to take the goods out of the country again. However, the head of the customs office may extend this carry-out period up to one year for unavoidable reasons.
- ② A person who wishes to extend the carry-out period must file an application for an extension of the carry-out period for temporarily carried-in goods (on condition of carrying them out again) to the head of the customs office. The application form may be submitted via regular mail, fax, or email.
- ③ Upon receipt of an application, the head of the customs office shall review the reasons for the extension, and take the steps to extend the period if deemed reasonable. However, the total extension period shall not exceed one year, although there is no limit on the number of such extensions allowed.



- **Confirmation of carry-out of goods temporarily carried into the country on condition of being carried-out again**

- ① Before a traveler departs the country with carry-out goods for which tariff exemptions have been granted (on condition of carrying them out again), he or she must declare the goods being carried out and obtain from the head of the customs office a confirmation that the goods have indeed been carried out of the country.
- ② If, for some unavoidable reason, a traveler cannot carry-out the goods (that he or she has temporarily brought into the country) when departing the country, he or she shall explain the reason for such to the head of the customs office. He or she must also file an application for an extension of the carry-out period for the temporarily carried-in goods in question.
- ③ The head of the customs office may conclude, after reviewing a person's identity, purpose of travel, and other factors, that that person intends to carry-out his goods. In this case, and if any of the following conditions are met, the head may suspend the obligation to take out the temporarily carried-in goods for a certain period.
  1. Where the temporarily carried-in goods have been deposited in a bonded area
  2. Where the person has deposited collateral equivalent to 120% of the tariff imposed on the goods temporarily carried into the country
  3. Where a government department, local government agency or a public institution recognized by the head of the customs office which has something to do with the temporarily carried-in goods guarantees the payment of tax in the name of the head of the organization in the event of the carry-out or non-carry-out within the period.

Customs clearance process for a traveler's hand-carried goods



# VI | Customs Clearance of Moving Goods

## Chapter 1

### General Provisions

- **Purpose**

The purpose of this regulation is to maintain the efficient operation of the customs office by enabling the rapid import clearance of moving goods.

- **Definition**

1. The term “person who is moving” refers to a South Korean national (excluding South Korean nationals who are permanent residents overseas) who has resided in a foreign country for at least one year (6 months if accompanied by family members) or a foreigner or an overseas resident of South Korean nationality who intends to reside in South Korea for at least one year (6 months if accompanied by family members).
2. A “short-term resident” can refer to any of the following persons:
  - A. A South Korean national who has lived abroad for at least three months and not more than one year, or a foreigner who wants to live in South Korea for at least three months and not more than one year (including South Korean nationals who are permanent residents overseas)
  - B. A South Korean national with accompanying family members who has lived abroad for at least three months and less than six months, or a foreigner with accompanying family members who wishes to live in South Korea for at least months and less than six months (including South Korean nationals who are permanent residents overseas)

3. The term "family" refers to the spouse, direct blood relatives and siblings of the person (as well as those of the spouse) as defined in Article 779 of the Civil Act.
4. The term "durable household goods" refers to goods used at home, such as furniture and household appliances. The goods must not have deteriorated or altered in a short period of time; however, this shall not apply to personal goods, such as miscellaneous goods and clothing.
5. The term "accompanying family members" refers to a family that has lived together for at least 2/3 of the minimum required residence period of the person who is moving by forming a household together.

- **Calculation of the residence period**

- ① The residence period shall be calculated in accordance with The Civil Act, and the starting date shall be included.
- ② The period of residence for moving persons and short-term residents who are South Korean nationals shall start from the date of their first departure to the date of their final arrival. In the case of foreigners, the residence period will be calculated based on the data disclosed on the foreigner entry permit (issued for different qualifications of stay, as required by The Immigration Control Act), employment contract, etc.
- ③ In the calculation of the residence period, a moving person (if he or she is a South Korean national) must stay in a foreign country for at least 2/3 of their total length of residence.



## Chapter 2

## Customs Clearance of Shipments for International Moving

- **Recognition of moving goods**

- ① Tariffs may not be collected by the customs office on goods that are recognized as moving goods after taking into account the reason for the person's moving, and well as the person's occupation, number of family members, and other circumstances.
- ② Durable household goods shall be recognized based on the criteria shown in the table below. However, the customs office may take into account the residential environment and exercise some flexibility in applying the criteria.

**[ Number of items accepted as moving goods depending on family members ]**

Family members	Number of items accepted as moving goods
1 – 2	1
3 – 4	2
5 – 6	3
9	4

- ③ The period of residence may be verified in one of the following ways:
  1. In principle, for South Korean nationals, the dates of arrival and departure can be checked through the International Traveler Information System or the Public Information Sharing System. If the person moving submits in advance his or her certificate of entry and exit, the dates can be checked through this document.

2. For overseas permanent residents, the dates of arrival and departure can be checked through an employment contract shown upon arrival, or through passport validity certificates issued by the Minister of Foreign Affairs and Trade to people who arrive for the purpose of a permanent return to the country.
3. For foreign nationals, the dates of arrival and departure can be checked through their certificate of alien registration issued by the head of the immigration office (their visa if the certificate has not been issued yet), or a domestic employment contract.

④ If relocation is unavoidable for a person due to one of the following reasons, the head of the customs office may exempt from tariffs the moving goods that a person is bringing into the country, irrespective of the period of residence:

1. Death or illness
2. Bankruptcy
3. Refusal of entry, deportation
4. Other circumstances that the head of the customs office recognizes as valid

- **Carry-in period allowed for moving goods**

- ① In order for goods to be recognized as moving goods, the moving person must arrive in South Korea within six months from the date of entry (referring to the date of entry of the ship or aircraft loaded with the moving goods).
- ② The moving goods belonging to permanent overseas residents, naturalized citizens or persons with restored South Korean citizenship who give up their permanent overseas residency after entering the country must arrive in South Korea within six months from one of the following dates:



1. Persons who give up their permanent overseas residency after arriving in South Korea: The date of the residency renouncement
  2. Naturalized citizens of South Korea: Date of cancellation of foreign nationality or acquisition of Korean nationality
  3. Persons with restored South Korean citizenship: Date of restoration of citizenship or date of cancellation of foreign nationality.
- ③ In the following cases, goods carried-in by a person who is moving to South Korea will be accepted as moving goods even if they arrive after six months have elapsed.
1. Where there has been an unavoidable event such as a natural disaster in the person's country of residency, or when other reasons such as bankruptcy of the shipping company result in the moving goods arriving late in South Korea
  2. In the case of permanent overseas residents who renounce their residency after arrival in the country, naturalized citizens or persons with restored South Korean citizenship, individuals recognized by the customs office to have resided for some time in their addresses in South Korea, even though their goods arrive after 6 months
  3. Other circumstances that the head of the customs office deems as justifiable
- **Moving goods that must be taxed**
    - ① The following non-tariff exempted goods carried in by the person who is moving (excluding goods that the person will carry out when he or she departs the country) must be taxed:
      1. Vessels
      2. Aircraft

3. Automobile (except for cars exported from Korea and vehicles carried in by a reporter with foreign nationality that the Minister of Culture, Sports and Tourism confirms are for reporting purposes)
  4. Jewels, pearls, starch, coral, pumpkins, ivory, and products derived from them whose taxable price is no less than KRW 5 million
  5. Goods generally acknowledged for household use and used for less than three months before the person who is moving enters South Korea
  6. Goods that clearly fall outside the scope of what can reasonably be regarded as moving goods
- ② The shipper is at an advantage when selecting which goods should be taxed.
  - ③ The following rules shall apply in the customs clearance of automobiles:
    1. A motor vehicle that can be cleared by customs without import approval must meet the following requirements: In such cases, exemptions from self-certification or emission gas and noise certification shall be determined according to the relevant statutes.
      - A. A passenger car or motorcycle as defined in Article 3 of the Motor Vehicle Management Act
      - B. An automobile that is registered in the name of the person who is moving (including any accompanying family members), and for which three months or more have elapsed since its registration
      - C. One automobile will be allowed per household (including family members who belong to the same household).



2. The calculation of the automobile ownership period is as follows; however, if the date of loading is not less than 7 days earlier than the date of arrival in South Korea, the date of loading shall apply.
    - A. The period starting from the day the automobile is registered in the name of the person who is moving (or one of the accompanying family members) in the previous country of residence to the day the person enters South Korea. The date of registration may also be for a temporary registration.
    - B. When a family member of the person under whose name the automobile is registered arrives at a later date, bringing the automobile into the country, the date of entry of this family member will count as the starting point of the ownership period.
  3. The ownership period can be ascertained with an automobile registration card (or temporary registration card) or a certificate of ownership. Depending on the particular situation of each country where the person has resided, other documents containing car registration information shall be referenced.
- **Determination of taxable price**
    - ① The calculation of the taxable price of moving goods or carried-in goods declared by a short-term resident of South Korea shall be based on the public notice on determining the taxable price of imported goods. The following standards shall apply to taxable moving goods that exceed the scope of recognition of moving goods.
      1. If the period of use is less than 3 months: 80% of the new product price
      2. If the period of use is less than 6 months: 60% of the new product price
      3. If the period of use is 6 months or longer but less than 1 year: 40% of the new product price

4. If the period of use is 1 year or longer: 20% of the new product price
- ② The taxable price of an automobile is calculated by first finding the list price of a new model from a regularly published motor vehicle price guide. Then the amount of depreciation in the value of the automobile for the period starting from the first registration date to the date the import declaration is filed must be deducted from the list price. The final taxable price is the list price plus the operating cost and insurance premiums. However, when the customs office is presented with actual purchase price data that can be corroborated objectively, the price will be accepted.

- **Preparation of a carry-in list of moving goods and import declaration**

- ① The import declaration for moving goods must be filed under the name of the declarer. However, the carry-in list can be made by any of the following individuals:
  1. The person who is moving or who is a short-term resident
  2. Accompanying family members of the person who is moving
  3. A person who has been delegated by a person who is moving or can be proven to be a family member with a family relations certificate
- ② A person who wishes to file an import declaration of moving goods must submit the following documents to the head of the customs office:
  1. Import declaration
  2. Carry-in list of moving goods
  3. Packing list
  4. Bill of lading (B/L) or air waybill
  5. A document which substantiates the period of residence



6. Automobile-related documents
  7. Documents used in declaring hand-carried goods (including unaccompanied baggage) when a person has entered the country (limited to people who declare hand-carried goods)
  8. Other documents deemed necessary by the head of the customs office
- ③ When filing an import declaration for the following goods, the name of each product should be entered in the first column. All other goods that are not to be taxed should be entered under the term “HOUSEHOLD GOODS”.
1. Goods that must be taxed
  2. Goods (automobiles, shotguns, etc.) that would require an import declaration acceptance completion certificate for the purpose of registering them in the country after customs clearance
  3. Goods that a declarer wants to record in the import declaration form as a separate entry for post-confirmation purposes
- **Processing of carried-in goods belonging to short-term residents**
    - ① Goods that are generally recognized as personal goods - based on such factors as the person’s reason for residing in South Korea, occupation, period of residency, place of residency, and whether they belong to the category of short-term residents who have not used them for at least three months - shall not be taxed.
    - ② If a short-term resident seeks an exemption from the tariff on carried-in goods, he or she must produce a lease contract to prove that he has found a place of residence and has been living there for some time.
    - ③ Short-term residents who are carrying-in goods like automobiles that must be taxed must follow the general import clearance procedure.

- **Payment of tariffs**

- ① The general principle when paying tariffs on taxable moving goods is that the tariffs must be paid after the acceptance of the import declaration. However, if the declarer is a person who could be described as any one of the following, he or she must pay the tariff before the import declaration can be accepted.
  1. A person who has been punished for violating the law during the two-year period since filing an import declaration
  2. A person who has defaulted on duties, such as tariffs, during the two-year period since filing an import declaration
  3. A person who has to pay tariffs that exceed KRW 2 million
  4. A person whom the head of the customs office considers unsuitable for post-payment after considering his or her occupation and place of residence in South Korea
- ② The person who is moving must pay the due tariffs within 15 days from the date of receiving a customs duties notice

- **Additional tariff collection**

When a person who is moving fails to declare a taxable good at the time of filing the import declaration, the customs office shall levy an additional tariff equivalent to 20% of the customs duties that are already due on the goods not declared.

- **In-house investigation and filing of an accusation**

- ① The head of the customs office must immediately launch an investigation into a violation of the statutes if, during the course of clearing the moving goods, any of the following issues are uncovered.



1. A person who is moving is found to have carried-in one of the following goods without disclosing it on the declaration form
  - A. Goods brought in at the request of another person
  - B. Goods deemed unsuitable for personal use or household use
  - C. Goods recognized as goods for sale based on the type and quantity of goods
  - D. Goods being carried in in quantities that are far too much for the number of family members
  - E. Goods not eligible for tariff exemptions (Article 12 (2) of the Integrated Public Notice) which have neither been declared nor checked as regards the requirements
2. When a person who is carrying in moving goods has entered misleading details in the carry-in list which could affect the determination of the tariffs in a critical way
3. When the freight carrier has transported goods belonging to a third party or commercial goods by concealing them among the moving goods
4. When, based on the quantity, packaging method and details of the declaration, the head of the customs office believes there is a need to investigate the goods for a possible violation of the regulations
  - ② The investigation must be carried out by the department that discovers the violation. If the investigation confirms that a violation has occurred, the appropriate steps must be taken, such as the delivery of a notice of disposition, a notice of assessment, etc.
  - ③ If the investigation reveals a criminal infringement, the investigation department must be instructed to seek an accusation.

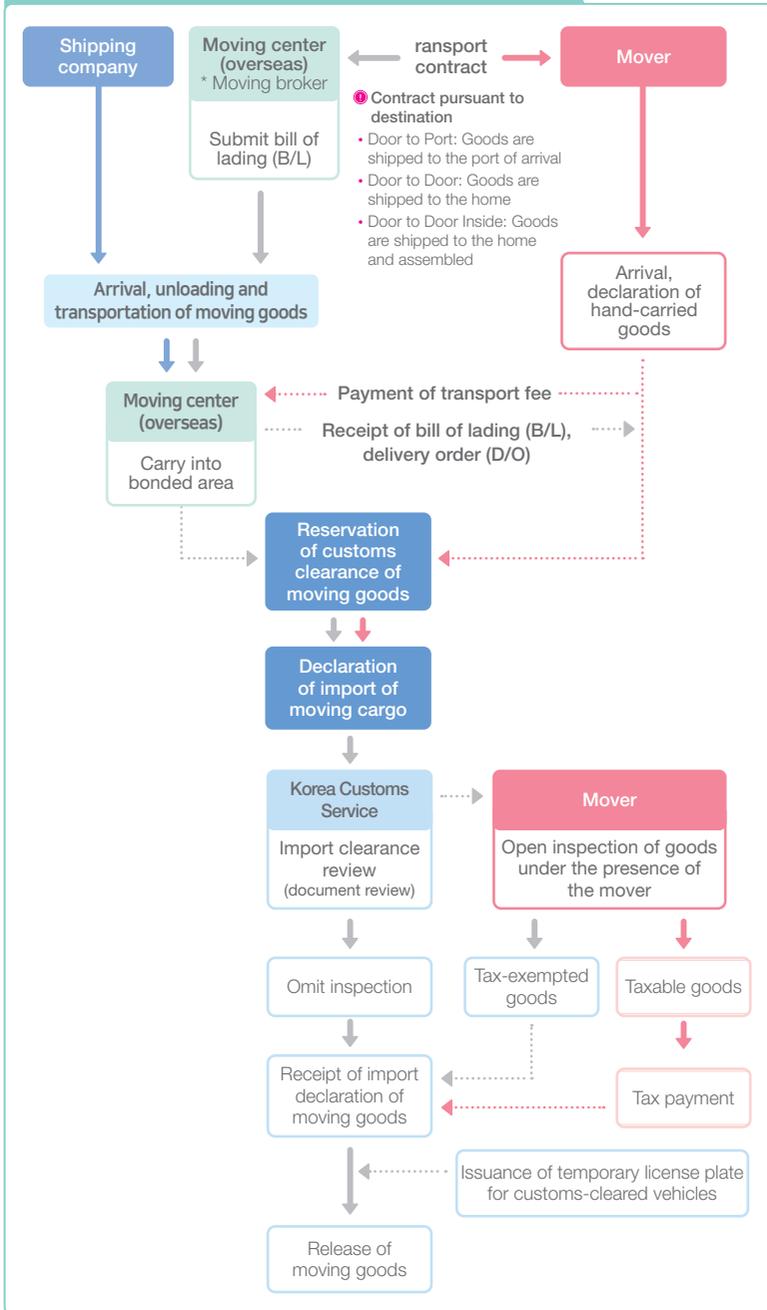
- **Customs offices where moving goods can be cleared**

In principle, moving goods shall clear customs at the port customs office or airport customs office located at the place where the goods have arrived. However, for the convenience of declarers, the moving goods may also be sent by bonded transportation to one of the following customs offices:

1. Seoul Main Customs
2. Incheon Main Customs
3. Busan Main Customs
4. Daejeon Main Customs



### Moving goods customs clearance process



## VII | Foreign Currency Customs Declaration upon Departure / Arrival in South Korea

### • Foreign currency customs declaration upon departure

- ① When a resident or a non-resident exports a means of payment of not more than USD 10,000 (referring to a means of foreign payment, domestic currency, or won-denominated cashier's check), no declaration is required.
- ② When a non-resident departs the country carrying a means of payment (i.e. within the allowed amount), having previously hand-carried it into the country, no declaration is required. Declaration is also not required when a person receives money from abroad, withdraws money from a credit card issued overseas, or receives confirmation from the President of Korea Exchange Bank for money withdrawn from an outside bank account; provided, however, that he or she is able to show a letter of confirmation if required to do so.
- ③ When a resident, who is a South Korean national, exports a means of payment (external means of payment, domestic currency, or cashier's check denominated in won) exceeding USD 10,000 for general overseas travel expenses, he or she may take the money directly overseas if he or she declares it to the head of the customs office before departing the country.

### • Precaution

- ① When overseas migrants, overseas residents, overseas students and travel agents depart South Korea hand-carrying overseas travel expenses exceeding USD 10,000, or if a foreign resident of South Korea intends to leave the country with domestically earned income, he or she must obtain confirmation from the head of the Korea Exchange Bank. (In this case, travelers do not have to complete a separate customs declaration, but a letter of confirmation must be presented at the request of a customs officer.)



- ② In the case of payment for a transaction of goods or payment for a transaction of capital, the traveler may hand-carry them when he or she departs the country after filing a declaration as prescribed for each transaction (e.g., payment for a transaction of goods: declare to the Governor of the Bank of Korea).

● Procedure for departing South Korea with foreign currency

Classification		Residents who are Korean nationals	Non-residents, etc.	
Means of international payment, domestic currency, won-denominated cashier's check	The sum is not more than USD 10,000	No restrictions	No restrictions	
	Over USD 10,000	Overseas moving cost of persons moving overseas, overseas travel expenses of travel agents, overseas students, persons residing overseas	Confirmation of the head of a foreign exchange bank(certificate required)	Not applicable
		General overseas travel expenses of general overseas travelers	Declare to head of customs office	Not applicable
		Means of international payment within the amount most recently hand-carried into Korea	Declare separately depending on purpose, regardless of whether they are brought in from overseas (including foreign residents)	No need to declare (certificate required)
		Means of international payment re-exchanged after acquiring at a casino	Not applicable	No need to declare (certificate required)
		Declaration without going through a foreign exchange bank or declaration of capital transaction (separate from customs declaration)	Declaration without going through a foreign exchange bank or declaration of capital transaction (separate from customs declaration)	Declaration

- **Related regulations**

- ① Article 17 of the Foreign Exchange Transactions Act, Article 31 of the Enforcement Decree of the Foreign Exchange Transactions Act
- ② Chapter 6 of the Foreign Exchange Transactions Regulations - the export and import of a means of payment

- **Foreign currency customs declaration upon arrival**

- ① Approval and declaration are not required when importing a means of payment that is not more than USD 10,000.
- ② No declaration or approval is required for the import of promissory notes, letters of credit or draft exchange.
- ③ When a person enters South Korea hand-carrying means of payment such as foreign currency, domestic currency, checks, etc. whose total amount exceeds USD 10,000, he or she must declare them to the customs official.
- ④ Cashier's checks in Korean won must also be declared.

- **Declaration procedure**

- ① On the traveler's carry-on declaration form, the traveler must mark item No. 3 Foreign Currency as "YES", enter the amount, and then submit it to the customs official.
- ② Travelers must receive one copy of the registration document of foreign exchange after physically checking the currency.
- ③ After entering South Korea (leaving the arrival terminal), it is not possible to receive the registration document of foreign exchange.

※ Failure to declare will result in a fine.



\* T1 Airport Carry-on Goods Team 1 ☎032-722-4422  
T2 Airport Carry-on Goods Team 2 ☎032-723-5119



- **Related regulations**

- ① Article 17 of the Foreign Exchange Transactions Act, Article 31 of the Enforcement Decree of the Foreign Exchange Transactions Act.
- ② Chapter 6 of the Foreign Exchange Transactions Regulations - the export and import of a means of payment.

- **Penalties**

- ① A fine (Article 32 of the Customs Act) will be levied on a person who exports/imports foreign currency without declaring it, provided that the amount involved in the violation of the declaration is not more than USD 30,000.
  - ② If the amount involved exceeds USD 30,000, the person may face up to one year in prison or a fine of up to KRW 100 million. However, if the tripled price of the item that is the subject of the violation exceeds the maximum fine of KRW 100 million, the person will have to pay a fine up to the tripled price of the item.
- ※ The system of declaring the means of payment that a person carries out when leaving a country has been adopted by a number of advanced countries, including the US, Japan and France, with the aim of cracking down on the laundering of drug money and other illegal money. South Korea is also operating the system with the same purpose.

# VIII Bonded Factory System

## Chapter 1

### Definitions

- **What is a bonded factory?**

A form of bonded area, “bonded factory” refers to an area where manufacturing or a similar operation takes place using only foreign goods or some combination of foreign goods and domestic goods.

- **Definition**

- ① The term “declaration of use before arrival of goods” refers to the act of declaring the use of goods to the head of the customs office before the goods arrive in the bonded factory, because the goods must be fed into the production line immediately upon their arrival at the bonded factory.
- ② “Production with domestic materials” refers to the manufacturing/processing, repairing, and performance of similar operations using only domestic raw materials with idle facilities in bonded factories.
- ③ The term “outside production” refers to conducting a bonded operation or a part of a bonded operation in a place outside a bonded factory.
- ④ The term “surplus goods” refers to raw materials and products that are leftover and not used due to a suspension of production, and to by-products and defective goods produced by the bonded operation.
- ⑤ The term “autonomously managed bonded factory” refers to a bonded factory designated by the head of the customs office as an excellent, autonomously managed area.



**Chapter 2**

## Special Permit for the Installation and Operation of a Bonded Factory

- **Eligible factories**

- ① A bonded factory where goods for export are manufactured, processed, repaired, assembled, disassembled, inspected (including quality inspections of raw materials), and packaged among other similar operations. Such goods are made using foreign goods or some combination of foreign goods and domestic goods.
- ② A factory that manufactures and processes goods for importation

- **Requirements**

- ① (Facility requirements) The bonded factory shall be equipped or installed with the following facilities and equipment, and the operator must assess the size, location conditions, and other factors to ensure that the management and operation thereof are not disrupted.
  1. Machinery and equipment necessary for manufacturing, processing, and other bonded operations
  2. Measuring instruments and the accompanying equipment necessary for the inspection of goods
  3. Warehouses, open-air yards and worksites where raw materials, products, surplus goods, and goods that must be customs cleared before use and where other carried-in goods can be stored safely
  4. Firefighting equipment as required by the firefighting laws and fire stations

5. Electrical safety facilities and electrical equipment that comply with the provisions of the Electric Business Act
  6. Facilities suitable for preventing the loss or theft of bonded goods or a contract with a security company that can supply security services
  7. In the case of a bonded factory that handles dangerous goods, the operator must put a standard procedure in place for handling dangerous goods and other facilities required by the relevant laws (Toxic Chemicals Control Act, fire prevention laws, High-Pressure Gas Safety Control Act and others). The operator must also employ a person with a license to handle dangerous materials, and the factory must be located at a site that is suitable for operating a bonded factory specializing in dangerous goods.
- ② (Management requirements) In order to properly manage bonded goods, the bonded factory must meet the following requirements:
1. At least one bonded goods caretaker must be employed for the task of managing bonded goods.
  2. A goods management system must be established (i.e., a system for the handling of carry-in/carry-out of raw materials, production/processing of products, product carry-out, and the handling of surplus goods) and a goods management system (e.g., ERP) must be deployed.
  3. There must be no concerns about raw materials being stolen or smuggled out; and the monitoring and supervision of bonded operations must not be hindered in any way.
  4. In order to be approved for renewal of a special permit, during the previous period of validity of the permit, the bonded factory must have earned an average grade of B or higher for compliance with the regulations.



- ③ For the purpose of managing goods effectively, the operator of a bonded factory may use data storage media (micro film, optical disk, etc.) to separately manage goods according to the types and special needs of different bonded operations. An operator who intends to use storage media in this way must also keep custody of the devices which allow the media to be read and viewed.
- **Special permit for the installation and operation of a bonded factory**
    - ① The following documents must be attached to the application for a special permit for the installation and operation of a bonded factory and submitted to the head of the customs office, whereupon the customs office will issue a certificate of the special permit.
      1. Documents to be submitted by the applicant:
        - A. Business plan (factory location chart and blueprint, goods management system)
        - B. In the case of a factory that handles dangerous goods, copies of required permits issued by the heads of the relevant government agencies
        - C. A copy of the lease (in the case of tenant)
        - D. The Firefighting Facility Inspection Result Report (must be from the past 1 year), in accordance with Article 25 of the Act on Fire Prevention and Installation, Maintenance, and Safety Control of Firefighting Systems, or the Firefighting Facility Construction Inspection Certificate (only for newly constructed factories), in accordance with Article 14 of the Firefighting System Installation Business Act.
        - E. Certificate of inspections, as mandated by Article 63 and Article 65 of the Electric Utility Act and Article 32 of the associated enforcement decree

- F. Profiles of executives (limited to executives whose responsibilities include management of the bonded factory)
2. The following documents shall be confirmed by the customs official. However, if the applicant does not agree with the confirmation, they must be submitted by the applicant.
- A. Factory registration certificate, in accordance with Article 16 of the Industrial Cluster Development and Factory Establishment Act
- B. In accordance with Article 175 of the Customs Act, the abstraction of the resident registration certificate of the CEO and executives of the bonded factory (in the case of executives, only those whose responsibilities include management of the factory)
- C. Certificate of national tax payment
- D. A copy of the corporate register
- ② Upon receipt of the application, the head of the customs office must request deliberation by the bonded factory special permit review committee. The customs office must attach to this request its own views on eligibility, the requirements for receiving a special permit (facility requirements, management requirements) and the reasons for denying the permit.
- ③ The head of the customs office may permit a bonded factory, if he or she thinks the reasons are justified after also taking note of the deliberations of the special permit review committee.
- ④ If the head of the customs office concludes that a company that has applied for the special permit for the installation and operation of a new bonded factory does not have its own goods management system, it will grant the company a six month grace period in which to install an adequate system. It will then issue the permit.



- ⑤ If an operator has to carry out certain aspects of manufacturing at a site outside the bonded factory because of the nature of the job, the head of the customs office will allow it by recognizing the site as a bonded factory if the loss rate of raw materials is stable and if it is recognized that there is no impediment to supervision.
- **Bonded factory special permit review committee**
    - ① The bonded factory special permit review committee must be convened when the granting of a special permit (including renewals) for a bonded factory has to be decided.
    - ② The role of the special permit review committee is to examine the following agenda:
      1. Whether an applicant meets the requirements for special permit; reasons for refusing a permit
      2. Whether a bonded factory has the proper facilities and management, based on the business plans
      3. Whether a group of factories could be treated as a consolidated bonded factory
      4. Ability to fulfill the captain's duties and ability to manage cargoes
      5. Key system improvements needed
  - **Consolidated special permit for multiple bonded factories**
    - ① When two or more factories located in close proximity to each other belong to the same company and the management of carried-in/carried-out goods and inventory management between the two factories can be executed seamlessly, and when one of the following situations exists, the head of the customs office may issue a consolidated special permit for the two factories.

1. When each factory is required for batch operation due to specific characteristics of the manufacturing/processing process
2. When the operator is constructing a new factory within 10 kilometers of the existing bonded factory. However, the head of the customs office may additionally adjust the distance to within one-half of the standard distance if it does not interfere with the crackdown on customs surveillance.

- **Denial of special permit**

- ① The special permit for the installation and operation of a bonded factory shall be denied if any of the following is true:
  1. When there is good reason to disqualify a person as an operator
  2. When a person is in arrears with duties and domestic taxes
  3. When, in the case of handling hazardous goods, the operator has failed to obtain the necessary approval or permit from the head of the government agency
- ② In any of the following cases, the special permit for the installation and operation of a bonded factory may be restricted, if the type and nature of the bonded operation leaves no alternative.
  1. When the purpose of the bonded operation is repair works only
  2. When goods are manufactured and/or processed using discarded goods as raw materials
  3. When goods are manufactured and/or processed using agricultural, fishery and livestock produce as raw materials, the loss rate of which tend to be very unstable
  4. When the entire bonded operation relies on outside production



- **Special permit period**

The special permit will remain valid for a period of 10 years but it shall be renewable. However, if the operator is seeking a permit for a factory whose premises will be a leased space, the period of the permit will be identical to the period of the lease.

- **Renewal of special permit**

① An operator who wishes to renew the special permit for the installation and operation of a bonded factory must send the renewal application to the head of the customs office no later than one month before the ending date of the permit period.

1. A copy of the lease contract (in the case of a tenant)
  2. A firefighting facility inspection result report (issued within the past one year) pursuant to Article 25 of the Act on Fire Prevention and Installation, Maintenance, and Safety Control of Firefighting Systems or a firefighting facility construction inspection certificate (only for newly constructed factories) pursuant to Article 14 of the Firefighting System Installation Business Act
  3. Certificate of inspections pursuant to Article 63 and Article 65 of the Electric Utility Act and Article 32 of the associated enforcement decree
  4. Profiles (only if there is a change in the profile submitted for the previous permit) of executives (limited to executives whose responsibilities include management of the factory the bonded factory)
- ② Upon receiving an application for renewal of a special permit, the head of the customs office will apply the permit's provisions on installation and operation when reviewing the permit requirements and permit restrictions.
- ③ When a company having previously received its permit after a review by the permit review committee of a main customs office

is seeking a renewal of the permit, the head of the customs office with jurisdiction over the company's address must form a committee (chaired by the head or bureau chief and composed of five or more members) to perform a preliminary examination of the case and decide whether to renew the permit or not.

- **Invalidation and succession of special permit**

- ① The head of the customs office shall, without delay, conduct an inventory investigation of a bonded factory after its permit is invalidated and implement the necessary measures.
- ② When an successor or succeeding corporation intends to continue the operation of a bonded factory, the party must submit the special permit bonded factory succession declaration within 30 days of the date of the death of the succeeded or the dissolution of the succeeded corporation, along with the following documents:
  1. Documents that identify the successor or succeeding corporation
  2. In the case of a factory that handles hazardous goods, a copy of the approval or permit from the head of the relevant government agency
  3. A copy of the lease contract (in the case of a tenant)
  4. A firefighting facility inspection result report (must be issued within the past one year) pursuant to Article 25 of the Act on Fire Prevention and Installation, Maintenance, and Safety Control of Fire-fighting Systems or a firefighting facility construction inspection certificate (only for newly constructed factories) pursuant to Article 14 of the Firefighting System Installation Business Act



5. Certificate of inspections, as mandated by Article 63 and Article 65 of the Electric Utility Act and Article 32 of the associated enforcement decree
  6. Profiles of executives (limited to executives whose responsibilities include management of the factory the bonded factory)
  7. Other documents that corroborate the changes in the facilities of the bonded factory if they differ from those described in the special permit
- ③ Upon receipt of a succession declaration, the head of the customs office shall notify the applicant of the results of the review within five days of the date of the declaration.
  - ④ If the head of the customs office decides to approve the succession of a special permit, he or she shall re-issue the special permit certificate for the succeeding bonded factory. The remaining period of the succeeded bonded factory now becomes the permit period for the reissued permit.

### Chapter 3

## Carry-in/Carry-out Procedure

### • Goods for carry-in

- ① The raw materials or materials (bonded factory raw materials) carried into the bonded factory for bonded work shall be limited to those that will be consumed in the manufacture and/or processing of goods for which the head of the customs office has issued a special permit for the installation and operation of a bonded factory.

- ② After import clearance, machinery, equipment, parts, consumables, samples, raw materials for domestic production, and facility equipment and raw materials to be used at the relevant bonded factory's research department can be carried into the bonded factory. Carried-in goods must be declared as imports within 30 days or declared as due to be returned.
- ③ Any of the following goods may be carried into the bonded factory for the smooth operation of the bonded factory system.
1. Goods that are used to repair products produced in the bonded factory and then taken out
  2. Goods that are produced and/or processed in the bonded factory and then carried out, but which then have to be returned to the factory because of a defect, the buyer's refusal to accept the goods, etc.
  3. Goods to be re-exported or supplied as raw materials to other bonded factories after bonded work or repair work
  4. Goods that are built or repaired in the bonded factory and will be loaded on ships (airplane) (goods that could be refunded are excluded)
  5. Goods that are produced with raw materials carried out to overseas sites from the bonded factory where they are manufactured and/or processed and then brought back to the domestic bonded factory where the finishing touches, performance test, assembly, repackaging, and attachment of labels take place; goods whose ownership is transferred after being carried back into the bonded factory; or goods awaiting customs clearance
  6. Raw materials used for manufacturing research/testing equipment using the facilities available in the bonded factory, where such research/testing equipment is required for product R&D activities that take place in the bonded factory



7. Goods that form a set with other goods carried into the bonded factory, or other goods manufactured and/or processed in the bonded factory
  8. Goods that are used for the packaging and/or transporting of other goods carried into the bonded factory or that are manufactured and/or processed in the bonded factory
  9. Goods owned by others that are identical to the goods used for the manufacture or processing of goods for which the bonded factor received special permit, which are carried in for bonded work under a consigned processing contract
  10. Goods to be exported for the purpose of completing the finishing touches, maintenance and repair of goods previously manufactured in the bonded factory and exported overseas, but which require bonded work in a bonded factory before they can be shipped
  11. Fuel stored in ships and airplanes that are carried into a bonded factory for repair work
- ④ When an operator files a carry-in declaration of goods, the head of the customs office may examine or inspect the documents submitted by the operator.
- **Taxation on raw materials**
    - ① A person seeking tariffs on raw materials must file an application (approval) for taxation on raw materials to the head of the customs office. In this case, the customs office may inspect the goods for which the application is filed.
    - ② If a bonded factory meets the following requirements, the operator can apply for comprehensive taxation on raw materials. The operator can request taxation for each type of raw material and each type of product, or taxation of the whole bonded factory that will cover a period of one year.

1. Exported goods produced and sold during the past two years whose price ratio is 50 or higher
  2. The authorized economic operator (AEO)
  3. The name, specifications, consumption amount and inventory levels of each domestic/foreign raw material are clearly recorded and managed by the computer system
- ③ If an operator wishes for corrections to be made to certain details on its application for taxation on raw materials, it must send an online application for correction of comprehensive taxation on raw materials to the customs office and, if required by the head of the customs office, the operator will have to submit additional evidential documents.
  - ④ When an operator wants the FTA conventional tariff to be applied for its use of raw materials, the operator must specify the country of origin, mark YES on possession of certificate of origin, and specify the FTA tariff on the tax rate section when filing the declaration of use for the raw materials. When filing the product import declaration, the operator must attach the declaration of use with the application for FTA conventional tariff consideration.

- **Carry-in and carry-out of goods**

- ① Operators who seek to carry-in and carry-out goods to the bonded factory must file a bonded factory goods carry-in/carry-out declaration to the head of the customs office. The head of the customs office must examine the declaration to check whether the goods are listed for carry-out from the bonded factory and, if they are not eligible, the goods must be sent to another bonded area.



- ② If the goods are carried in through the bonded transportation procedure, the carry-in declaration must be submitted immediately. In these situations, the carry-in declaration can replace the bonded transportation arrival report.
- ③ The carry-in declaration of refundable goods may be replaced with the record of carried-in goods kept by the bonded goods caretaker, and The domestic carry-out declaration can be replaced with the approval to correct/withdraw the carry-in confirmation. However, the carry-out declaration for goods that are not subject to the approval to correct/withdraw the carry-in confirmation must follow the procedures for importing goods.
- ④ When the operator wants to immediately carry out surplus goods before filing an import declaration, he/she must submit a carry-out declaration form before filing an import declaration for the surplus goods produced at the bonded factory.
- ⑤ The carry-out declaration for goods to be carried out of the factory after the export or import declaration has been accepted may be replaced with an acceptance of the export/import declaration. The operator must report any abnormality (including disparities with the contract details) in the goods carried into the bonded factory to the head of the customs office.
- ⑥ In the following situations, an operator may carry out goods, raw materials, by-products, and other surplus goods that are manufactured, processed, repaired or recycled in a bonded factory to another bonded factory using bonded transportation. When the operator seeks to carry out the goods to another bonded area, the operator must request a freight tracking code from the freight tracking system and then take them out according to the bonded transportation procedure.

1. Where the goods are to be carried out to another bonded area or another bonded factory owned by the same corporation for the purposes of stockpiling, storing or selling
  2. Where the goods are carried out to another bonded factory so that they can be used as raw materials in that bonded factor
  3. Where raw materials supplied from another bonded factory are to be returned to the bonded factory because they are defective or their performances are not up to standard
- **Carry-out of raw materials in their original state for processing overseas**
    - ① The following items may be permitted to be carried out of the country in their original state as raw materials when first carried into the country
      1. Raw materials that are needed to fulfill a part of manufacturing and processing processes to be performed abroad
      2. Raw materials that are needed for additional manufacturing, processing, and repair, such as the repair of defective goods exported from bonded factories
      3. Raw materials that are to be used in the manufacturing, processing, repair or other similar operations in overseas factories operated by the bonded factory
      4. Surplus raw materials that are produced by production stoppage, product specification changes or during bonded work
      5. Raw materials that differ from what is described in the contract (However, if the declaration of use has been accepted, the characteristics or forms of the raw materials must not have changed since the time of the declaration.)
    - ② The head of the customs office may permit the transfer of raw materials in their original state between bonded factories in accordance with the bonded transportation procedures under the following circumstances.



1. Where, in the case of a company that operates two or more bonded factories after obtaining special permits for the installation and operation of bonded factories, the company has to carry out raw materials in their original state from one bonded factory to another due to unavoidable issues in getting the raw materials supplied in time or due to problems with inventory management, and such issues are considered valid by the customs office
  2. In cases where, for such reasons as changes in the product specifications or the discontinuance of products, raw materials stocked in the inventory of a bonded factory can be transferred for use to another bonded factory without causing any disruptions in the manufacturing and/or processing of the first bonded factory. The foregoing type of transfer is perfectly reasonable in the view of the customs office.
  - ③ If the head of the customs office thinks that, due to certain unavoidable circumstances, the reasons (repair of goods imported into the country, analysis of components of raw materials, use of raw materials for research purposes by the bonded factory) for using raw materials declared for import or declared for carrying into the bonded factory are perfectly valid, he or she may permit the import of the raw materials in their original state.
- **Carry-in of goods which differ from the contract specifications**
    - ① An operator who wishes to carry into the bonded factory goods whose import declaration has been accepted because they differ from what is specified in the contract must file an application for the carry-in of goods that differ from the contract specifications. This application form must be sent to the head of the customs office together with the following documents:

1. An import declaration completion certificate
  2. Proof of the contract details concerning importation of the goods in question
  3. A statement of reason that describes the goods' actual product names, specifications, quantity, and price, and the reasons for bringing them in
- ② The customs official who receives the carry-in declaration for goods that differ from the contract details must check the following items by examining the submitted documents and visually inspecting the goods.
1. Whether the goods differ from what is described in the contract
  2. Whether the goods have undergone changes in their characteristics or forms since being declared as imports
  3. Whether the goods have been carried into the bonded factory within one year of acceptance of the import declaration
- ③ The customs official who approves the carry-in declaration must fill in the details of the approval in the customs office section of the import declaration completion certificate

- **Inspection of the goods carry-in process and the levying of fines**

- ① The head of the customs office may suspend the shipment of goods to a bonded factory for a fixed period of time for any of the following reasons:
1. Where the operator is assessed to be incapable of paying the tariffs on the imported goods
  2. Where it is assessed that it would be very difficult to achieve the purpose of installing and operating a bonded factory due to the inadequacy of the facilities



3. Where an investigation of the inventory reveals that the operator has badly managed the inventory
  4. Where the operator has not carried goods in or out of the bonded factory for one year or longer; where there has been no bonded operation for six months or longer; or when it is assessed that the company will have difficulty achieving the purpose of installing/operating a bonded factory because normal business activities are impossible due to bankruptcy or severe financial difficulties
  5. Where the operator has received warnings from the customs authorities on three or more occasions during the preceding one-year period
  6. Where the operator or user of the goods has violated the law or lawful order
- **Storage and management of goods**
    - ① The operator shall separately store each of the following goods; however, if an operator has facilities for storing and managing goods using a computer system and the head of the customs office acknowledges that such facilities will not interfere with the monitoring and control of the bonded goods, it is not required to comply with the requirements listed below. If goods to be carried into the bonded factory must be kept close to where they will be used, then they will be stored at those places.
      1. Raw materials destined for use in bonded processing (including goods for which a goods carry-in confirmation certificate can be issued)
      2. Foreign goods that must be used after import clearance
      3. Goods manufactured and/or processed and repaired in a bonded factory

4. Surplus goods produced as a result of bonded operations
  5. Goods produced using domestic materials
- ② If the special permit is given to a consolidated bonded factory, the head of the customs office with jurisdiction over the main factory shall manage each process and bonded factory separately. However, when the bonded factory has to be monitored on a continuous basis, the head of the customs office with jurisdiction over a specific factory's address may be asked to investigate the operational state of the bonded factory.
  - ③ The maximum period of storage allowed for goods cleared as imports by customs before they have to be used in the bonded factory will be one year from the date of entry.

- **Temporary storage of goods outside the bonded factory**

- ① When goods manufactured in a bonded factory or declared for use by the operator are too heavy (voluminous) or need to be stored in some special way and could at the same time interfere with some other bonded operation, the operator may obtain permission from the head of the customs office to store the goods in a place other than the bonded factory (such as an outside warehouse).
- ② When the head of the customs office receives an application for a permit to store goods temporarily at an outside site other than the bonded factory, he or she must determine if the presence of the goods will interfere with other bonded operations. The head of the customs office must also look into whether the duration and place of storage and the reasons for storage could hinder monitoring of the bonded goods; and, if no particular issues can be found, the head shall grant an 18-month permit. However, if, due to a disaster or some other unavoidable reason, the storage site has to be changed or the permit period has to be extended, the head of the customs office will approve the change.



- ③ Goods stored in an outside location may be declared for import, change of ownership or discarded in that location without the need to move them somewhere else.
  - ④ Within 30 days of receiving the permission for storage in an outside storage site, the operator must transport the goods to the permitted storage site. In such a case, the carry-out declaration and bonded transport declaration may be replaced with the application for temporary storage in an outside location.
  - ⑤ Goods stored in an outside temporary storage site will be regarded as being in a bonded factory until the end of the permitted period.
  - ⑥ When the operator wishes to carry goods kept at an outside temporary storage site into a bonded factory, the operator must submit an application to carry out (carry in) bonded factory goods to the head of the customs office. If the head of the customs office discovers that goods whose permit period has expired are still stored in the outside temporary storage site, the head shall immediately collect tariffs from the operator.
- **Declaration of use and inspection**
    - ① Before using the goods carried into the bonded factory, the operator must file a declaration of use to the head of the customs office, along with the following documents:
      1. Declaration of use (use the import declaration form)
      2. Import approval or document that can serve as a substitute (only when required)
      3. Invoice
      4. Copies of the bill of lading (B/L) and the air waybill (AWB)
      5. A letter of confirmation by the head of the customs office (only when required)

6. Other documents required by the customs office (packing list, application for repair work, application for mixed production with foreign and domestic goods, consignment processing contract, etc.)
- ② Where a foreign good that has been declared for use is a good that needs to satisfy the proper import requirements in accordance with the following statutes, the declarer must be able to demonstrate to the head of the customs office that the good indeed satisfies the requirements of the statutes.
  1. The Act on the Control of Narcotics, Etc.
  2. The Plant Protection Act
  3. The Wildlife Protection and Management Act
  4. The Act on the Safety Management of Guns, Swords, Explosives, Etc.
  5. The Aquatic Life Disease Control Act
  6. The Act on the Prevention of Contagious Animal Diseases
  7. The Act on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal
  8. The Pharmaceutical Affairs Act (limited to pharmaceutical drugs that could be abused or misused)
  9. The Act on Imported Food Safety Control
  10. The Protection of Communications Secrets Act
  11. The Chemicals Control Act (limited to prohibited goods and restricted goods)
  12. The Defense Acquisition Program Act
  13. Where the head of the customs offices recognizes that there is a need to confirm the import requirements under relevant laws because an urgent response is needed for the protection of public health and safety, such relevant laws



③ If an operator has an excellent record in safely managing exported/imported goods or an excellent record in complying with the regulations, the head of the customs office may allow the operator to file a declaration of use before arrival at the port of entry or let the computer system automatically accept the declaration of use, provided that the operator registers the product category code (HSK) of the raw material into the computer system. However, this shall not be applicable if the goods have been selected for inspection or to check certain document requirements.

- **Withdrawal of declaration of use**

① The operator may submit to the head of the customs office an application for the withdrawal of the declaration of use for goods carried into the bonded factory if, due to an error on the part of the operator, the declaration of use is filed before the goods can be cleared by customs.

② Upon receipt of such an application, the head of the customs office may withdraw the declaration, but only when the goods in question have not undergone any changes in their nature or form.

③ When the goods declared for use have been consumed in production and their nature and form have been altered as a result, the head of the customs office must notify the operator that tariffs and an additional tax will be levied for the consumption of those goods.

- **Declaration of use before arrival in the bonded factory**

① In the event that goods declared for use by the operator before their arrival in the bonded factory and selected for bypassing inspections are reviewed and approved before arrival in the factory, the acceptance of such goods will be automatically processed by the computer system when the arrival of the bonded transportation is reported.

② If an operator has an excellent record in safely managing export/import goods or an excellent record in complying with the regulations, the head of the customs office may omit the review and approval registration of the declaration of use before arrival in the bonded factory that an operator submits to the office, if the operator registers the product category code (HSK) of the raw material in the computer system. However, if the goods have been selected for inspection or to check certain document requirements, the head of the customs office will not omit the review.

- **Mixed production of domestic and foreign goods**

① An operator wishing to start a mixed production work with domestic and foreign goods must first submit an application for mixed production with domestic and foreign goods to the head of the customs office along with a detailed list of the raw materials to be consumed. However, if the customs office concludes that the operator is sufficiently competent to manage the mixed production work, it will use the key raw material list as a substitute for the detailed list described above.

② When requested by the head of the customs office, the operator must submit a statement of the actual amount of raw materials used and receive confirmation from the customs office about the mix ratio of domestic and foreign goods to be used in the production of the goods.

③ The head of the customs office will not require the operator to submit a new application if the latter uses a mixture of foreign goods and domestic goods with exactly the same specifications, product names and rate of loss as the goods for which the operator has previously acquired a permit for mixed production.



- ④ If an operator wishes to obtain the permit for mixed production with domestic and foreign goods in order to manufacture certain goods at another bonded factory or outside the production site using a temporarily issued bonded work permit, he or she must send the application to the head of the customs office with jurisdiction over the bonded factory.
  - ⑤ If the operator wishes to make a correction to the permit for mixed production with domestic and foreign goods, he or she must submit an application for correction of the permit for mixed production with domestic and foreign goods to the head of the customs office and obtain approval for making the changes.
- **Outside production**
    - ① An operator who wishes to produce goods through an outside production facility must sign up a place for outside production by submitting an outside production site registration form to the head of the customs office. The operator must prepare and attach the following documents to the form in order to obtain the permit for outside production. The customs office head should not issue a permit if there are any concerns that the raw materials could be smuggled out illegally.
      1. One copy of a document which verifies the toll manufacturing contract (not needed if the declaration is filed online)
      - ② Upon receipt of an application for outside production, the head of the customs office shall select a place and a period for production (to last no more than 6 months) and issue a permit. However, if any of the following conditions hold true, then the outside production may be permitted within the specified period below.
        1. Situations in which several outside production operations may be permitted in a batch because the toll manufacturing contract allows the operator to gain knowledge of the specific details

(outside production site, type of operation, expected operating duration) of the entire operation beforehand: 1 year

2. Situations in which it takes a long time to produce 1 unit of the goods: 2 years
- ③ In any of the following situations, the head of the customs office may grant a batch permit for the outside production of goods as well as the raw materials used. In this case, information about the site of operation, duration of operation, goods produced and raw materials used must be written in the toll manufacturing contract.
  1. Situations where, due to the nature of the manufacturing process, the operation has to be carried out continuously at the same production site
  2. Situations where an operation has to be carried out continuously at a bonded factory different from the outside production site
- ④ In any of the following situations, the head of the customs office may grant approval to extend the outside production period (or change the site of production) if such request is sent by an operator.
  1. The goods have to be stored continuously for up to one year due to their heavy weight or due to insufficient storage space in the original bonded factory
  2. An extension of up to one year is requested due to the occurrence of a disaster or other unavoidable circumstances
  3. The operator wishes to change the production site due to the occurrence of a disaster or other unavoidable circumstances.
- ⑤ When an operator keeps its own record of raw materials and finished goods that are carried in and out between the original bonded factory and the outside production site or between an outside production site and another outside production site, the



operator is allowed to omit the carry-in/carry-out declaration and the declaration of bonded transportation. The shipment of raw materials and goods from the outside production site to another bonded factory must follow the standard bonded transportation procedures.

- ⑥ Goods and surplus goods stored at an outside production site which are produced through a bonded operation with an outside production permit can be declared for import or export if the declaration forms are sent to the customs office with jurisdiction over the original bonded factory. Applications can also be sent for the transfer (includes the movement of goods between bonded factories operated by the same company) or disposal of the goods. However, if the head of the customs office concludes that the bonded goods have to be managed and tracked, or selects some of them for inspection, then the goods must be carried into the original bonded goods factory. Bonded goods which cannot be brought to the factory because they are too heavy or for some other reason must be checked at the outside production site.
- ⑦ When some details of an outside production operation are altered, the operator must file an application to the head of the customs office for correction of the outside production permit in order to update the contents of the permit. In this case, if the content of the permit needs to be corrected frequently due to frequent changes in production (design) depending on the type of business, a single application for correction can be made for the actual amount of all raw materials used before the completion report was made, provided that the head of the customs office deems it appropriate.
- ⑧ Upon completion of the permitted outside production work, the operator must submit a report on the completion of the

operation, which will be viewed as the formal completion report. In this case, one completion report may be written for several outside production permits issued for the same site or for the same contract.

- ⑨ If goods whose outside production permit has expired are found stored on the premises of an outside production site, the head of the customs office will collect tariffs from the bonded factory owner who has obtained the permit for the outside production of those goods.
- ⑩ Goods for which a permit for outside production has been issued must be managed by the customs office with jurisdiction over the original bonded factory. However, if the management of the goods is an issue due to the fact that the bonded factory and the outside production site fall under the jurisdiction of different customs offices, the customs office responsible for the outside production site will be asked to manage/supervise the goods and notified of matters to check for.
- ⑪ The head of the customs office who is tasked with managing and overseeing the goods at an outside production site may come across operators whose management of the bonded goods at their sites is judged to be negligent. In such situations, the head of the customs office must immediately notify the customs office that has issued the permit for outside production.
- ⑫ When an operator wants to ship raw materials and/or finished goods for which a permit for outside production has been issued, the operator must use a vehicle that is registered for bonded transportation, or a vehicle owned by the original bonded factory or outside production site.



- **Direct carry-in of raw materials to the outside production site**

① When goods required for outside production must be carried in directly to the outside production site, the operator must indicate on the application form for outside production that a particular item is a good for carriage into the outside production site. However, in the case of an application for outside production submitted in writing, the operator must stamp a seal with the words “Goods Carried in Directly to the Outside Production Site” on the upper-right-hand corner of the form and obtain the approval of the head of the customs office.

② An operator who wishes to ship goods approved for outside production via bonded transportation must attach all of the documents listed below to the bonded transportation declaration form and send it to the head of the customs office.

1. A copy of the outside production permit
2. A copy of the cargo manifest or the B/L (including the AWB)
3. A copy of the invoice

③ When raw materials are to be carried directly into the outside production site, the operator must file the carry-in declaration and declaration of use to the head of the customs office with jurisdiction over the bonded factory address.

- **Repair work**

① The scope of repair work on goods shall be limited to one of the following. A repair work that results in a change of the HS code classification of the good shall not be recognized as a repair.

1. Repairs necessary for preservation of the goods (to prevent corruption, damages, etc.)
2. Repairs aimed at improving a product's appeal (better packaging, addition of label, simple cutting, etc.)

3. Preparatory steps for loading onto vessels (selection, classification, container change, etc.)
  4. Simple assembly work (simple setting, assembly of components with finished product characteristics, etc.)
- ② In the case of repairs, approval for the repairs must be obtained from the head of the customs office. However, if the goods are destined to be re-exported immediately after the repair work, the operator may indicate that the goods are intended for repair on the declaration of use form. When the declaration of use is accepted, the repairs is formally approved.
  - ③ Upon completion of the repairs, the operator must report it to the head of the customs office and obtain confirmation. However, if the operator is planning to export the goods at the same time as the completion of the repair work is reported, the operator may file an export declaration stating that the goods in question have been fully repaired. In this case, the acceptance of the export declaration is interpreted to mean that the repair work completion report has been confirmed.
  - ④ If it is difficult to repair goods carried back in after exporting them, the operator may mark the items as “surplus goods” and export replacements in their place with the prior approval of the head of the customs office.

- **Production with domestic materials**

- ① When the operator of a bonded factory seeks to produce goods with domestic materials, he or she shall submit an application for a permit to produce goods with domestic materials to the head of the customs office.
- ② After receiving such an application, the head of the customs office may grant the permit if he or she believes the operator is qualified after considering the operating conditions in the



bonded factory and any potential issues with the bonded goods discovered by monitoring. In this situation, the operator may file a lump declaration of the names and quantities of goods expected to be used (an estimation that takes into consideration such factors as the operating conditions of the bonded factory, the nature of the operation, and the production period involved) during the bonded operation.

- ③ If, for such reasons as natural disaster or other unavoidable reasons that arise during the permit period, the permit has to be canceled, changed or extended, the head of the customs office may approve an application for correction (cancellation) of the permit for the production of goods with domestic materials.
- ④ The permit for the production of goods with domestic materials may serve as a substitute for the carry-in declaration needed for bringing in domestic materials to the bonded factory to be used as raw materials for the domestic production. Goods made and/or processed in this way through domestic production become domestic products.
- ⑤ When the operator completes the domestic production, he or she must file a domestic production completion report to the head of the customs office. The goods and surplus goods manufactured/processed with the permit for domestic production must be carried out of the bonded factory without delay. In this case, the carry-out declaration may be replaced by the domestic production completion report. However, if there is sufficient storage space for storing the finished goods separately from the bonded goods at the bonded factory, the finished goods may be continuously kept at the factory for a maximum of three months.
- ⑥ If the operator has obtained a bundled permit for domestic production, even before the whole production has been completed, the operator may carry out a portion of the finished

goods to a place outside the bonded factory. In this case, the operator must keep a record of the name and quantity of the goods that he or she is trying to carry out before the entire production has been completed. After completion of the domestic production, the operator must file a domestic production completion report, with this record attached, to the head of the customs office.

- **Declaration of exported/imported or carried-out goods**

When a bonded factory operator seeks to export or import goods manufactured or processed at a bonded factory or a person to whom ownership of the goods has passed wishes to do likewise (this also includes the case of goods produced in a bonded factory being sold to an overseas third party and then imported/exported by another domestic company), he or she must declare such intent to the head of the customs office.

- **Load history management of hand-carried goods**

A person who seeks to carry out goods manufactured/processed in a bonded factory by hand or regular mail must file an export declaration to the head of the customs office with jurisdiction over the bonded factory. The loading history management for these goods should follow the provisions for exported goods as described in the public notice on the processing of export clearance.

- **Temporarily carried-out goods for use as samples in exhibitions**

When a bonded factory operator submits an application for permission to carry out sample goods from the bonded factory to an exhibition venue, a place designated by the headquarters/branch office or a quality inspection company for one of the following reasons, the head of the customs office shall issue a permit with a period of validity of up to six months.



1. When the permit is needed for the provision of an export consulting service or exhibitions
2. When the permit is needed for quality inspections
3. When the permit is needed for research and test purposes

- **Management of the amount of raw materials used**

The operator shall keep a record of and manage the following information about the total amount consumed of each raw material for the manufacture of a particular good through a bonded operation. Furthermore, within three months of the end of the fiscal year, the operator must prepare and keep (storage in a computer system is also accepted) a statement of the actual amount of raw materials used in the bonded factory for the production of goods in that fiscal year. However, if the head of the customs office acknowledges that there is no difference in the rate of loss as the materials are homogeneous and of exactly the same kind, the rate of loss may be calculated by consolidating the products or required raw materials.

1. Product name, model/specifications, quantity
2. Raw material name, model/specifications, domestic/foreign good distinction
3. Actual amount of raw materials used
4. Average amount of raw materials required to produce one unit of the product

- **Handling of surplus goods**

When surplus goods are generated, the operator shall record the form, name, specifications, quantity or weight of the surplus goods and the reason for their generation in the surplus goods management ledger. If the operator intends to use the surplus goods for other bonded operations, he or she must record their use in the ledger.

## Chapter 4

## Management of Special Bonded Factory (precious metal, etc.)

### • Precious metal bonded factory

- ① The licensing and operation of a precious metal and jewelry bonded factory (precious metal bonded factory) must follow the rules described below. Any matters not addressed below should follow the general rules.
  1. Special permit for establishing and operating a bonded factory: The factory must have instruments for inspecting goods and any necessary ancillary equipment, and a warehouse or safe (box/storage) where raw materials and products can be separately stored.
  2. Storage and safekeeping of goods: The head of the customs office may store the bonded goods in a safe box or a warehouse and custom seal them when he or she thinks that it is necessary for the safety of the goods.
  3. Carry-out inspection of goods: For goods not selected for inspection by the computer system, the head of the customs office may establish separate inspection standards and carry out inspections.
  4. Outside work and temporary bonded work of another bonded factory is not allowed. However, the head of the customs office may allow it if he or she considers it a compliant company, and there is no problem with surveillance.
  5. The operator shall keep the gemstone cutting work site separate from the general work site.



6. The head of the customs office may establish regulations (to cover such issues as the carry-in/carry-out of raw materials and the production and management of raw materials, reporting of bonded work, reporting of the completion of bonded work) on the operation of the precious metal bonded factory and start enforcing them with the prior approval of the Commissioner of the Korea Customs Service.
    - ① The management of quantity of raw materials in bonded factories for precious metals shall be the total materials consumed for the bonded work period, and must be based on the following rules:
      1. Approval of the mixed work of domestic and foreign goods: For each case, approval must be obtained for mixing the work of foreign goods and domestic goods. After the completion of each work, a document on the actual quantity of raw materials must be generated and kept on file.
      2. An operator who wishes to import or export goods whose bonded work has been completed must submit a document on the actual quantity of raw materials (attached from 6) used in their manufacture to the head of the customs office.
- **Bonded factory for the production of in-flight meals**
    - ① The licensing and operation of a bonded factory for the production of in-flight meals must follow the rules described below. Any issues not addressed below should follow the general rules.
      1. Storage and safekeeping of goods: If the head of the customs office deems it necessary for the safety management of bonded goods, he or she may have customs officials present when the goods are custom sealed and when the goods are carried in or out.

2. Outside operation and temporary bonded operation of another bonded factory is not allowed.
3. In view of the unique characteristics of the bonded factory for in-flight meals, the head of the customs office may create internal regulations which omit some of the procedures prescribed in this notice and implement them after obtaining the prior approval of the Commissioner of the Korea Customs Service.
  - ② The carry-in and carry-out of in-flight meals produced at the bonded factory must abide by the following rules:
    1. If the operator seeks to carry-in/carry-out in-flight meal products manufactured in a bonded factory, the operator must obtain the prior approval of the head of the customs office by submitting an application for a permit for the loading of in-flight meals.
    2. If the operator of the bonded factory has an excellent safety record in the export/import of in-flight meals or an excellent history of complying with the regulations and laws, the head of the customs office may conclude that the operator manages in-flight meals responsibly and may grant the approval for the loading of in-flight meals to all aircraft scheduled for loading on a particular day by the operator.
    3. If the approved list of in-flight meals for loading differs from those actually loaded, the operator should submit a request for correction of the loading permit within seven days of loading the meals and obtain the approval of the head of the customs office.
    4. After obtaining the permit and completing the loading of the in-flight meals, the operator must get the captain of the flight (or ship) to sign the loading permit to confirm the loading thereof, and then conserve it with the same level of care accorded to the export declaration completion certificate.



- **FTA-type special bonded factory**

Based on Article 2 of the Framework Act on Small and Medium Enterprises, the operator of a business that falls within the scope of an SME may apply for a special permit to operate an FTA-type special bonded factory if he or she satisfies any of the conditions listed below. In such case, the head of the customs office must confirm the fact.

1. A person who is certified as an origin approved exporter
2. A person who exports or is planning to export at least 1/3 of his annual export output to a country that has concluded an FTA with South Korea

- **Autonomously managed bonded factory for SMEs**

If a company that meets one of the requirements listed below applies for a special permit to operate an autonomously managed bonded factory, the head of the customs office may designate the company as an operator of an SME-type autonomously managed bonded factory. The general provisions shall apply to matters not specifically prescribed in this section.

1. SMEs as defined in Article 2 of the Framework Act on Small and Medium Enterprises
2. SMEs whose revenues earned from exports of goods produced in its factory in the previous year exceed 50% of their total revenues (the exported amount is calculated based on the definition of "Export Performance" in Subparagraph 11 of Article 2 of the Enforcement Decree of the Foreign Trade Act)

## Chapter 5

## Autonomously Managed Bonded Factory

- **Eligibility for autonomously managed bonded factory designation and application procedure**

- ① The head of the customs office will designate a company as an autonomously managed bonded factory in the following cases:
  1. Import and export company with an excellent record of safety management (grade A or higher) as prescribed in Article 5 of the public notice on the certification and management of export-import companies with excellence in safety management
  2. A party that employs a bonded goods caretaker to manage the goods stored in a bonded factory pursuant to Article 164 (3) of the Customs Act
  3. A company whose export declaration amount accounts for 50% or more of the total amount of import and export declarations for goods manufactured in its bonded factory in the preceding year, or a company whose total amount of export declarations exceeded USD 10 million in the preceding year (export sales are included in the business performance of the relevant bonded factory in the following cases: in the case of manufacturing/processing raw materials that are declared for use in a bonded factory and then bonded transported to another bonded factory which is run by the same corporation, and are then put through an additional process before being exported; and in the other case of supplying raw materials for export with a domestic letter of credit, based on the Act on Special Cases Concerning the Refund of Customs Duties, etc. Levied on Raw Materials for Export). However, in the case of a new bonded factory that has been expanded from a previously autonomously managed



bonded factory but with the same manufacturing processes in place, the export/import performance record of the previous autonomously managed bonded factory can be applied.

4. A company that provides a dedicated screen for customs-related tasks or provides access to such a system on its enterprise resource management (ERP) system or a business task processing system for checking and inspecting the handling of business tasks such as the carry-in/carry-out of goods, manufacturing and processing, and inventory management
  - ② A party that intends to apply for designation as an autonomously managed bonded factory must submit an application for designation as an autonomously managed bonded factory to the head of the customs office.
  - ③ After receiving an application for designation as an autonomously managed bonded factory, the head of the customs office shall review the requirements, and if the company is deemed qualified, the head shall designate it as an autonomously managed bonded factory and issue a certificate of designation.
  - ④ At least once per year, the head of the customs office shall review the requirements for designation as an autonomously managed bonded factory and the special considerations granted to these bonded factories.



- **Special considerations given to an autonomously managed bonded factory**

- ① The head of the customs office shall allow the following special considerations to companies that are designated as an autonomously managed bonded factory:
  1. When an item brought into a bonded factory (includes goods brought directly into an outside workplace) is intended for use during non-business hours such as public holidays (includes Labor Day and Saturdays in compliance with the Designation of Workers' Day Act) and nighttime, the time period for use of the item specified in the application may be extended to the day following the public holiday or after nighttime has expired.
  2. If the temporary place of bonded operation for another bonded factory happens to be the autonomously managed bonded factory, the bonded transportation procedure may be omitted.
  3. The bonded transportation procedure may be omitted when carrying in and carrying out goods between autonomously bonded factories that are operated by the same company.
  4. If carried-in goods subject to confirmation are brought into the bonded area for emergency use at a time falling outside the usual business hours (public holiday, nighttime), the record of carried-in goods kept by the bonded goods caretaker may substitute a certificate of carry-in.
- ② The autonomously managed bonded factory must have an internal control system that keeps track of the movement of goods when carried in and out, and a manual of business procedures for implementing the special considerations.



# FTA



## I | Overview of FTAs

### Chapter 1

## What is a Free Trade Agreement (FTA)?

- **Definition**

A free trade agreement (FTA) is an agreement between two (or more) countries that gives each country exclusive trade benefits with the other by removing tariffs and trade barriers on the trade of goods and services. Until now, FTAs have been signed by neighboring countries or countries clustered in certain areas, such as the European Union (EU) and the North American Free Trade Agreement (NAFTA), so they are often called regional trade agreements.

- **Overview**

Traditional FTAs and the FTAs between developing countries focused on trade liberalization or tariff reduction in the commodity sector. But since the establishment of the WTO, the scope of an FTA has come to include services, investment liberalization, intellectual property rights, and government procurement and trade relief systems, in addition to removing trade barriers.

- **Reasons for the proliferation of FTAs**

Along with globalism, regionalism (symbolized by the FTA) has become a distinct and characteristic trend of today's international economy, and has been spreading even faster since the launch of the WTO.

For example, while 124 regional trade agreements were signed during the 47-year GATT era, 176 FTAs were signed during the first nine years of the WTO.

We can site the following reasons for the proliferation of regional FTAs.

1. Multilateral negotiations with WTO countries takes a long time, and due to the surge in the number of member states, reaching an agreement has become difficult.
2. The FTA has emerged as an important reform measure in the trade sector in the sense that it contributes to increased productivity by intensifying competition through the opening up of markets.
3. The inflow of trade and direct foreign investment is the engine of economic growth, and FTAs can attract foreign direct investments.
4. Exclusive reciprocal measures, such as an FTA between specific countries, may offer advantages in terms of practical benefits and are effective in alleviating the burdens and addressing the issues that affect each country.
5. The growth of regionalism is motivating isolated countries to respond by taking countermeasures of their own.



## Chapter 2

## Current Status of FTAs

## • FTAs in effect today (16 FTAs, 56 countries)

※ As of Feb. 2020

Counterpart	Schedule			Significance
	Commencement of talks	Signed	Effective	
 Chile	Dec. 1999	Feb. 2003	Apr. 1, 2004	First FTA, access to Latin American markets
 Singapore	Jan. 2004	Aug. 2005	Mar. 2, 2006	Access to ASEAN markets
 EFTA (4 countries)	Jan. 2005	Dec. 2005	Sep. 1, 2006	Access to European markets
 ASEAN (10 countries)	Feb. 2005	Aug. 2006 (trade in goods agreement)	Jun. 1, 2007	Second largest trade counterpart
 India	Mar. 2006	Aug. 2009	Jan. 1, 2010	BRICs countries, large markets
 EU (28 countries)	May 2007	Oct. 2010	Jul. 1, 2011	Largest economic bloc in the world
 Peru	Mar. 2009	Mar. 2011	Aug. 1, 2011	Rich in resources, access to Latin American markets
 USA	Jun. 2006	Jun. 2007	Mar. 15, 2012	Large advanced economic bloc
 Turkey	Apr. 2010	Aug. 2012	May 1, 2013	Access to Europe and Central Asia
 Australia	May 2009	Apr. 2014	Dec. 12, 2014	Rich in resources, main market in Oceania
 Canada	Jul. 2005	Sep. 2014	Jan. 1, 2015	Advanced north American market
 China	May 2012	Jun. 2015	Dec. 20, 2015	Largest trade counterpart
 New Zealand	Jun. 2009	Mar. 2015	Dec. 20, 2015	Main Oceanian market
 Vietnam	Sep. 2012	May 2015	Dec. 20, 2015	Fourth largest investment destination
 Colombia	Dec. 2009	Feb. 2013	Jul. 15, 2016	Rich in resources, emerging Latin American market
 Latin America (4 countries)	Jun. 2015	Feb. 2018	Oct. 1, 2019	Strategic market connecting North and South Americas

- **EFTA:** Switzerland, Norway, Iceland, Liechtenstein
- **ASEAN:** Malaysia, Singapore, Vietnam, Myanmar, Indonesia, the Philippines, Brunei, Laos, Cambodia, Thailand
- **EU:** Austria, Belgium, U.K., Czech Republic, Republic of Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italia, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, Bulgaria, Romania, Croatia
- **Central America:** Nicaragua, Honduras, Costa Rica, El Salvador, Panama (not in effect)

• **FTAs concluded (4 FTAs, 4 countries)**

※ As of Feb. 2020

Counterpart	Progress		Significance
	Start of talks	Status	
 Central America (1 country)	Oct. 2010	Declaration of de facto conclusion of Korea-Central America FTA (Nov. 2016)	Creation of new market
 U.K.	Dec. 2016	Formal signing of Korea-UK FTA (Aug. 2019)	Securing of continuity and stability of trade relations between the two countries
 Israel	May 2016	Conclusion of Korea-Israel FTA (Aug. 2019)	Model country for creative economy
 Indonesia	Mar. 2012	Final conclusion of Korea-Indonesia FTA (Nov. 2019)	Contribution to wider access to East Asian market

• **Central America:** Nicaragua, Honduras, Costa Rica, El Salvador, Panama (not in effect)

• **FTAs under negotiation – 7 FTAs, 24 countries**

※ As of Feb. 2020

Counterpart	Progress		Significance
	Start of talks	Status	
 RCEP (16 countries)	May 2013	28th negotiation (Jul. 2019)	Integration of East Asian economy
 MERCOSUR (4 countries)	May 2018	3rd negotiation (Jul. 2019)	Largest Latin American market
 Korea, China, Japan	Mar. 2013	15th negotiation (Apr. 2019)	Laid groundwork for economic integration of Northeast Asia
 Ecuador, SECA	Jan. 2016	5th negotiation (Nov. 2016)	Secured footing for entry into Latin American market
 Philippines	Jun. 2019	4th negotiation (Sep. 2019)	Young market with both Western and Asian features
 Malaysia	Jun. 2019	3rd negotiation (Sep. 2019)	Framework for expanding mutual trade and investment
 Russia	Jun. 2019	1st negotiation (Jun. 2019)	New Northern Policy, large emerging market

• **RCEP:** 10 ASEAN nations, Korea, China, Japan, Australia, New Zealand, India

• **MERCOSUR:** Brazil, Argentina, Paraguay, Uruguay (Venezuela excluded)



• **Resumed FTA talks and FTA consensus building (2 FTAs, 2 countries)**

※ As of Feb. 2020

Counterpart	Status
 <p>EAEU (5 countries)</p>	<p>Agreed on establishing a joint working group for FTA negotiations at the Korea-Russia summit meetings (Mar. 2016-Sep. 2017)</p> <hr/> <p>Completed EAEU private sector joint research (Aug. 2016)</p>
 <p>PA (4 countries)</p>	<p>Commenced talks on terms of reference (Mar. 2017-Sep. 2019)</p>

- **EAEU (Eurasian Economic Union):** Russia, Kazakhstan, Belarus, Kyrgyzstan, Armenia
- **PA (Pacific Alliance):** Mexico, Peru, Columbia, Chile



# II | Application of FTAs

## Chapter 1

### Rules of Origin

- Rules of Origin Types

General criteria	Substantial transformation criteria	Wholly obtained criterion			
		Sole	Tariff shift criterion	CC CTH CTSH	
			Value contents criterion	RVC	Build-up method Build-down method Net cost method
				MC	
		Process operation criterion	Cutting, sewing, printing, dyeing		
		Optional	<ul style="list-style-type: none"> <li>► 'Or' conditions</li> <li>• Tariff shift criterion 'or' value contents criterion</li> <li>• Tariff shift criterion 'or' (tariff shift criterion and value contents criterion)</li> <li>• (Tariff shift criterion and process operation criterion) 'or' process operation criterion</li> <li>• Value contents criterion 'or' process operation criterion</li> <li>• Tariff shift criterion 'or' (value contents criterion and process operation criterion)</li> </ul>		
			Combination	<ul style="list-style-type: none"> <li>► 'And' conditions</li> <li>• Tariff shift criterion 'and' value contents criterion</li> <li>• Tariff shift criterion 'and' process operation criterion</li> </ul>	
		Supplementary criteria			
		Supplementary criteria	Accumulation	De minimis	
				Material	
Product					
Process					
Intermediate materials					
Indirect materials	Tools, die, equipment, fuel, catalyst				
Price of materials	Price of originating materials				
	Price of non-originating materials				
Tools, accessories					
Containers, packages					
Fungible goods	Specific identification method				
	First-in-first-out method				
	Last-in-first-out method				
	Weighted average method				
Non-qualifying operations (sufficient processing principle)					
Principle of direct transportation					
Outward processing					



Chapter 2

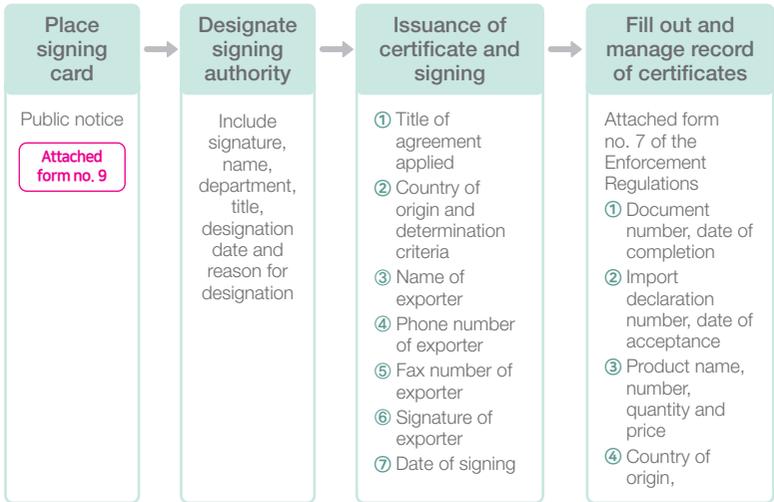
# Issuance of Certificate of Origin

• What is a certificate of origin?

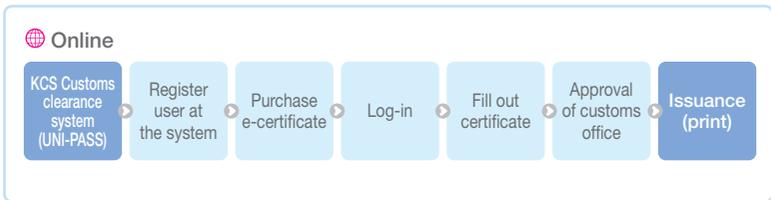
- ① A certificate of origin is a document that certifies that a specific country is the place of production of the goods for which the certificate has been issued.
- ② Documents proving that exported goods have been grown, bred, manufactured and processed in South Korea.

• Procedure for issuing a South Korean certificate of origin

① Self-issuance



② Issuance by a customs office



## ② Issuance by a customs office



### Chapter 3

## Approved Exporter Program

- **What is the country of origin approved exporter program?**

This is a system established by the customs office to grant the right to issue a certificate of origin (Korea-EU FTA) to an exporter who is judged to have the capability to certify the country of origin for its goods. If this does not work out, the system can provide exporters with the benefits of a simplified document attachment function.

- **Types of certified exporters and certification period**

Classification	Approved exporter by company	Approved exporter by item
Application of benefits	All agreements, all items	Approved agreements, HS 6-digit
Effective period of certification	5 yrs	5 yrs (automatic application depending on compliance with regulations)
Certification period	Head customs offices (Seoul, Busan, Incheon, Daegu, Gwangju) and Pyeongtaek customs office	
Certification standards	Counterpart country's ability to prove country of origin and level of compliance with regulations	Ability to prove country of origin and level of compliance with regulations – for each HS 6-digit

• **FTA benefits for certified exporters**

Agreement	Before approval	After approval
Korea-EU	<ul style="list-style-type: none"> <li>Only for exported goods worth 6,000 euros or less</li> <li>- Certificate of origin can be filled out</li> </ul>	<ul style="list-style-type: none"> <li>When exporting goods worth over 6,000 euros, approved exporters can be issued a certificate of origin</li> </ul>
Korea-ASEAN Korea-Singapore Korea-India Korea-China Korea-Vietnam	<ul style="list-style-type: none"> <li>Fill out application for issuance of certificate of origin (apply electronically)</li> <li>Documents required                             <ul style="list-style-type: none"> <li>- Copy of certificate of export declaration</li> <li>- Certificate of country of origin (where manufacturer and exporter are different)</li> <li>- Other documents certifying country of origin</li> </ul> </li> <li>Local verification (if necessary)</li> </ul>	<ul style="list-style-type: none"> <li>Fill out application for issuance of certificate of origin (apply electronically)</li> <li>Submission of additional documents may be omitted</li> <li>Local verification can be omitted</li> </ul>
Korea-EFTA	<ul style="list-style-type: none"> <li>Self-issued certificate of country of origin (when declaring invoice), requires exporter's signature (electronic documents not permitted)</li> </ul>	<ul style="list-style-type: none"> <li>Self-issued certificate of country of origin (when declaring invoice), exporter's signature can be omitted (electronic documents permitted)</li> </ul>
Others	Not applicable	

**Chapter 4**

## Declaration of Origin

• **Definition**

- ① This is a document prepared by a party that produces or supplies materials or final goods used in the production of exported goods, at the request of a producer or exporter. The document identifies the country of origin of such materials or final goods and is provided to the producer or exporter.

- ② In the case of producers of materials or final goods that are continuously and repeatedly supplied to the same producer or exporter for a long period of time, the declaration of origin can be used repeatedly as the comprehensive country of origin certificate for a maximum of 12 months starting from the time the declaration of origin is first created.

- **Purpose**

The purpose of the declaration of origin is to reduce the burden of proving the origins of exported products and to expedite the process of certifying their origins by developing a procedure for verifying the origins of the materials and final products supplied by South Korea.

- **Who prepares the document?**

The declaration of origin is not prepared directly by the exporter, but by the company that produces or supplies the raw materials or parts of the goods in question. The company determines whether the materials are domestic or offshore using the country of origin criteria set forth in each FTA and then fills in the form.

- **Distribution route**

- ① The exporter requests the producer of the supplied materials or final goods to provide him or her with a declaration of origin. With this certificate, the exporter applies for a copy of the certificate of origin.
- ② The requested producer shall confirm the checkpoints for the country of origin verification in the relevant FTA and then prepare a declaration of origin and issue it to the exporter.



## Chapter 5

## Country of Origin Verification

### • Importance of country of origin verification

- ① (Narrow definition) The country of origin confirmation is a series of administrative procedures for checking whether the country of origin requirements (checkpoints for country of origin confirmation, documents that prove the country of origin, etc.) set forth in an agreement or the relevant domestic laws have been met and for imposing sanctions for violations.
- ② (Broad definition) The country of origin confirmation is a series of measures for checking whether all of the preferential requirements (trade partners, tax rate, shipping routes, application procedures, etc.) set forth in an agreement or the relevant domestic laws have been met and for identifying the misleading labeling of goods, in addition to the country of origin confirmation, and for implementing any necessary measures.
- ③ The process of investigating domestic importers, domestic exporters, domestic producers, agencies that issue country of origin certificates, exports and producers in FTA partner countries for the purpose of confirming the appropriateness of preferential FTA tariffs and checking the country of origin of exported/imported goods.

### • Purposes of country of origin verification

- ① Prevention of unfair trade practices
- ② Protection of domestic industries through the prevention of import/export through a third country
- ③ Increase of tax revenues by preventing tax evasion

- ④ Promotion of trade and investment between the countries that are parties to the agreement
- ⑤ Management of the implementation of the FTA by carrying out the confirmation requests of other countries

- **Method of country of origin verification**

The confirmation of exported goods and that of imported goods are separately implemented. The country of origin confirmation procedure unique to each FTA is adopted.

- **Different method of confirmation based on the subject of confirmation**

1. Direct confirmation (US): The customs office of the importing country directly verifies the overseas exporter.
2. Indirect confirmation (EU): At the behest of the importing country, the customs office of the exporting country verifies its exporter. The customs office of the importing country may participate as an observer.
3. Combination of direct/indirect confirmation (Asia)

- **Method of country of origin verification**

Counterpart	Indirect verification	Direct verification	Reply		Legal ground (agreement)
			Due date (period)*	Submitted by	
Chile	-	Written inquiry, request for information, site inspection	30 days (for written requests)	Exporter, manufacturer	Article 5.8
Singapore	-	Request for information, site inspection	30 days (for written requests)	Importer, exporter, manufacturer	Article 5.7
EFTA	Request the customs authority of exporting country (customs authority of importing country may attend)	-	15 months	Customs authority	Article 24 of Annex 1



Counterpart	Indirect verification	Direct verification	Reply		Legal ground (agreement)
			Due date (period)*	Submitted by	
ASEAN	Request the issuing authority of exporting country	Site inspection (exceptional)	2 months (indirect)	Korea: Customs office; ASEAN: Issuing authority	Article 14-16 of Attachment 1 of Annex 3
India	Request the issuing authority of exporting country	Written inquiry, request for information, site inspection (exceptional)	3 months (indirect)	Korea: Customs office; India: Issuing authority	Article 4.11-4.13
EU	Request the customs authority of exporting country (joint inspection by authority of importing country permitted)	-	10 months	Customs authority	Article 27
Peru	Request the customs office of exporting country	Written inquiry, request for information, site inspection	150 days (indirect), 90 days (indirect)	Customs office of exporting country (indirect); Exporter, etc. (direct)	Article 4.8
USA	Request the customs authority of the exporting country (limited to textile or apparel)	Written inquiry, request for information, site inspection	-	Customs authority (indirect); Exporter, etc. (direct)	Article 4.3 (Textile), Article 6.18
Turkey	Request the customs authority of exporting country (joint inspection by authority of importing country permitted)	-	10 months	Customs authority	Article 25
Australia	Request the certificate issuing authority, customs authority of exporting country	Request for information, site inspection	30 days	Issuing authority (indirect); Exporter, etc. (direct)	Article 3.23, 3.24
Canada	-	Written inquiry and site inspection	-	Exporter, manufacturer	Article 4.6

Counterpart	Indirect verification	Direct verification	Reply		Legal ground (agreement)
			Due date (period)*	Submitted by	
China	Request exporting country's customs office	Site inspection (exceptional)	Indirect (6 months)	Customs authority (indirect)	Article 3.23
New Zealand	-	Request for information, site inspection	90 days (for written request)	Importer, exporter, manufacturer	Article 3.24
Vietnam	Request issuing authority of exporting country	Site inspection (exceptional)	6 months	Korea: Customs authority; Vietnam: Issuing authority	Article 3.21
Colombia	Request customs authority of exporting country	Request for information, site visit	Indirect: 150 days; Written request: 30 days	Customs authority (indirect); Exporter, etc. (direct)	Article 3.25
Central America	Request customs authority of exporting country	Written request, request for information, site inspection	30 days (written request)	Person subject to inspection	Article 3.24

※ The initial date of the period differs depending on the agreement, so refer to the relevant agreement for details.

#### Regional blocs

ASEAN (10 countries): Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Vietnam	EFTA (4 countries): Switzerland, Norway, Lichtenstein, Iceland	Central America (5 countries): Nicaragua, Honduras, Costa Rica, El Salvador, Panama
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## Customs Duty Consulting



- **Consulting on custom duties via the customer support center of the Korea Customs Service**
  - ① The customer service center of the Korea Customs Service provides a 'one-call, total service' on all areas related to the administration of customs duties (import/export clearance, FTAs, goods classification system, assessment and reduction/exemption of duties, customs clearance of express cargo and personal items, bonded goods, refunds, etc.).
- **Consulting by phone**
  - ① A consulting service by phone is available from anywhere in the country simply by calling 125 without the area code (82-2-3438-5199 if calling from overseas).
  - ② In December 2014, the Smuggling Reporting Center and the Korea Customs Service's 125 Call Center were combined, and you can now call 125 and press 10 to report suspected or actual cases of smuggling, or press 20 to seek advice on customs duties.
  - ③ The service is available from 9 AM to 6 PM on weekdays (closed on public holidays, Saturdays, and Sundays). Persons who request consulting by booking in advance through ARS at night and on holidays will be catered to the next day.



- **Online consulting service**

- ① Online consulting service can be accessed simply by signing up for consulting at the Internet Consulting Corner at the Korea Customs Service's customer support center website (<https://call.customs.go.kr>).
- ② Anyone can search frequently asked questions in order to find answers to similar issues by visiting the Q&A and FAQ sections on the website.

- **Walk-in consulting**

- ① Consulting is available for persons who visit the Customer Support Center after reserving a time slot by phone (82-2-3438-5113).

- **Consulting on FTAs through the Korea International Trade Association**

FTA Support Center (Trade Call Center: 82-1566-5114)

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