

PwC Customs Services Corporation

# Customs Compliance Total Care Service



피더블유씨관세법인



Understanding your challenges

- **Document retention requirement**
    - Article 12 of the Korea Customs Act (KCA) prescribes that import · export-related documents should be retained up to five years. Close attention is required as failure to comply with document retention requirements can result in penalty under the offense of false reporting.
- Precedents show importers were penalized for the offense of false reporting because the physical location of their server was located outside Korea and relevant documents were not handled by their employees.
- **Strengthened regulations on submission of documents in related party transactions**
    - Failure to submit documents relating to related-party transactions can be subject to a fine imposition of up to KRW 30 million.
    - Provided that transaction value (invoice price) can be denied due to insufficient documents, it is recommended to check the required documents in advance to mitigate risks and present requested documents to the customs auditors upon request.

What we offer

- **Assistance with retaining import and export documents**
  - Conduct a compliance review of retaining documents on a regular basis and report the findings with high-level comments on areas for improvement.
- **Document retention support for related party transactions**
  - Provide assistance in obtaining transfer pricing documents from the headquarters.
  - Review the collected documents and provide comments on areas for improvement or to formulate defense strategies.
  - Provide regulatory updates on related-party transactions.

Understanding your challenges

- **Importance of customs compliance review**
  - Once an importer makes a voluntary amendment for under-reported duties, a revised import tax invoice will be issued and value-added tax (VAT) will be refundable through an input VAT deduction. However, after the notification of a customs audit, the issuance of a revised import tax invoice is restricted unless the taxpayer proves that an error in the prior declaration was attributable to the “importer’s mistake or slight negligence”.

	Voluntary disclosure	Customs’ duty assessment
Issuance of a revised import tax invoice	O	X
Input VAT deduction	O	X

What we offer

- **Compliance review and risk assessment**
  - Assess customs risks associated with customs valuation, product classification, duty reduction, refund, etc. so that importers can make a voluntary disclosure in advance to secure VAT refund and save daily compounding interests.
- **Filing of an advance ruling request**
  - The authorities are reluctant to give a ruling requested by importers if there are on-going customs audits or challenges raised by the auditors. PwC can provide assistance in identifying such issues in advance and requesting an advance ruling to the relevant authorities.
- **Formulating defense strategies for future customs audits**
  - Review common issues challenged by the customs, develop defense strategies and take corrective measures in advance.



## Understanding your challenges

### ■ Advance reporting requirement

- The Foreign Exchange Transactions Act (FETA) requires advance reporting requirements for foreign exchange (F/X) transactions. Failure to comply with this requirement can result in a penalty, administrative fine, and/or imprisonment.

### ■ Increased investigations of illegal F/X transactions

- In March 2021, the Financial Investigation Department 2 of the Seoul Customs Office (SCO) reformed its organization to include three Foreign Exchange Inspection Teams, which have been conducting full-scale inspections\* on illegal F/X transactions since then.

\* Inspection on the compliance of advance reporting requirements includes F/X payment receipt (e.g., third party payment receipt, offset), capital transactions (e.g., foreign real estate purchase, overseas financing, loans), price manipulation, tax evasion, etc.

## What we offer

### ■ F/X compliance risk management

- Review areas that are often being examined by the auditors by using similar investigation techniques used by the auditors (e.g., risk indicators and reconciliation between bank and customs records).
- Review F/X compliance and propose measures to enhance compliance and business stability.

### ■ Develop strategies for future investigations

- Implement an internal monitoring system on F/X transactions to mitigate identified risks and prevent making the same mistakes.

## Understanding your challenges

### ■ Origin verification

- Customs authorities of export and import countries are strengthening origin verification to prevent undue preferential treatment and duty evasion.

### ■ The effect of RCEP

- RCEP, which offers businesses trade benefits and cost-saving opportunities to companies, took effect in Korea in February 2022. Taxpayers should review chances to save related costs by utilizing available FTA.

## What we offer

### ■ Mock audit of the FTA origin verification

- Assess whether the company can obtain required documents prior to the origin verification audit and provide assistance in preparing of related documents.
- Conduct a mock audit using the same investigation techniques as the auditors to assess the eligibility of preferential treatment and provide solutions to mitigate identified risks.

### ■ FTA guidance for preferential treatment

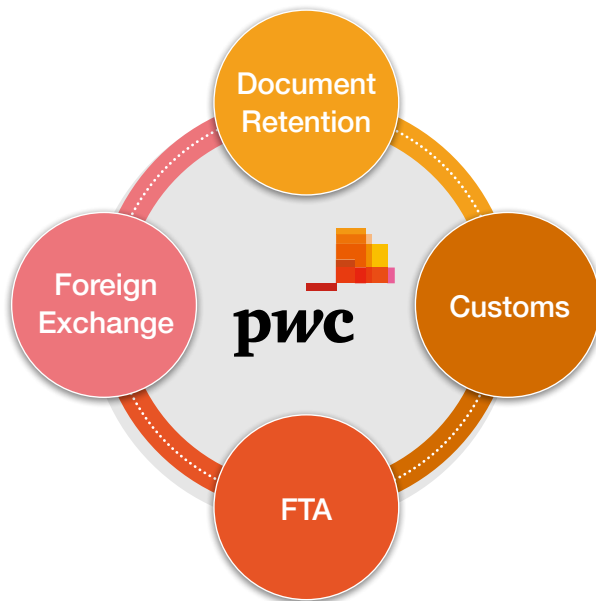
- Examine feasible cost-saving ideas by matching the logistic system with available FTA benefits based on a thorough understanding of the company's internal system, such as introducing a new logistics hub to save logistics costs.



## Customs Compliance Total Care Service

Our Customs Compliance Total Care Service can mitigate risks on customs and trade, offering the highest quality of customs service.

\* Our services can be offered separately or as a one-stop, based on your needs.



PwC CSC is Korea's leading customs service firm that consists of unrivaled professionals – former customs officials, licensed customs attorneys, attorneys-at-law, and CPAs. We commit to providing the best solution for our client's success.

- Practical experience in solving customs issues arising in a wide range of industries.
- Connection to Samil PwC and PwC's global network.
- Strong network with former KCS officials.

## General Advice Service



### Customs and Trade

- Advise on overall customs and trade including customs valuation, product classification, import and export requirements, customs laws and regulations, etc.
- Provide updates on customs regulations and relevant issues (if necessary).



### Foreign Exchange Transactions

- Advise on F/X transactions (e.g., whether the foreign exchange transaction is subject to declaration).
- Offer guidance on F/X transaction report subject to advance reporting requirements.



### Free Trade Agreement

- Advise on queries about the origin criteria stipulated in each FTAs (e.g., eligibility of goods for preferential treatment after changes in its supply chain, etc.).
- Provide updates on FTA and global trade issues (if necessary).

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