

# PwC Korea

## Customs Newsletter

December 2020

The Strategy and Finance Committee of the Korean National Assembly has passed amendments of 16 tax laws including the Customs Law on November 30, 2020. The finalized amendments differ significantly from the tax reform proposals previously submitted to the National Assembly by the Ministry of Economy and Finance (“MOEF”) in July 2020.

The below summarizes details of the finalized customs-related amendments.

### **1. Current restrictions on issuance of revised import tax invoices to remain in place**

According to the MOEF’s July 2020 tax reform proposals, it was anticipated that the taxpayers would be able to obtain revised import tax invoices when the duty amendment is made due to customs audit results beginning January 2021. According to the finalized amendments to the Value Added Tax Law of Korea, however, the revised import tax invoices will continue to be issued only when an importer demonstrates that there is no negligence on them or an error is found to be caused by the importer’s mistake or slight negligence.

Considering that the final amendments passed by the National Assembly maintain the current restrictions on the issuance of revised import tax invoices, the issuance of revised import tax invoice will continue to be limited when a taxpayer files duty amendments upon being notified of a customs audit or being subject to a customs audit assessment.

### **2. Regulations on submission of documents regarding related party-transactions to remain unchanged**

The National Assembly did not pass the MOEF’s 2020 tax reform proposal to expand grounds under which taxpayers shall submit documents on related-party transactions. Consequently, the Customs Law will maintain the current provisions which stipulate the grounds for submission of documents on related-party transactions. As such, failure to submit the documents on related-party transactions by the deadline requested or submission of false data regarding related-party transactions by an importer may continue to be subject to an administrative fine not exceeding KRW 100 million.

In addition, the final amendments passed by the National Assembly will not reflect the MOEF's proposals to increase the taxpayer's burden of proof on demonstrating the appropriateness of transaction value used in related-party transactions and to introduce penalty provisions for undervaluation of goods subject to 0% tariff rate. As such, the 2021 Customs Law amendments will maintain that the customs authorities may request a taxpayer to provide documents on related-party transactions if the declared transaction value is found to be substantially different from the transaction value of the goods of same kind or quality or similar goods without further specifying the circumstances in which the transaction value may be viewed as "substantially different."

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