

PwC Korea

Customs Newsletter

January 2024

We, PwC Customs Service Corporation (PwC CSC), would like to update you on the trends in customs duty investigations for the year 2024 with the following information.

Trends in Customs Administration Operations for 2024

During the kick-off ceremony of the Korea Customs Service (“KCS”) for the year 2024, the Commissioner emphasized the importance of preventing duty evasion. He stated, “To effectively curb duty evasion, it is crucial to meticulously analyze the risk factors such as the industry, imports, sales volume, and other relevant aspects when sorting out target companies for customs duty investigations. Rigorous customs duty investigations should be conducted, particularly on high-customs value declarations or property flight.” This approach is expected to result in an increased number of companies targeted for customs duty investigations in 2024, along with an escalation in the penalty amounts assigned to each investigation team. Even in cases where effective tariff rates are 0% or equivalent due to preferential tariff applications, there is an expectation of increased customs duty investigations and foreign exchange inspections to detect high-customs value declarations. Therefore, domestic import-export businesses need to be aware of this strengthened policy and proactively prepare for potential customs duty investigations this year.

Amendment/Introduction in “Instructions on Customs Duty Investigations Operations”

The previously enforced “Instructions on Customs Audits Operations” have been renamed as “Instructions on Customs Duty Investigations Operations” (hereinafter referred to as “Customs Duty Investigations Instructions”) and have been in effect since January 1, 2024. The amendment to the instructions incorporates certain recommendations from the Board of Audit and Inspection in Korea, addressing the demands of investigation practitioners. Key changes include:

1. Clarification of Legal Terminology for Customs Duty Investigations and Introduction of Simplified Investigations (Instructions Article 2)

The definition of customs duty investigations has been newly established in Article 2 of the Customs Act and the article of the act is now specified as the legal basis of Customs Duty Investigations Instructions, in Article 2

of the instructions. The term 'Customs Audits' has been replaced with the official legal term, 'Customs Duty Investigations', and 'audit' has been standardized as 'investigation.'

A new type of investigation, 'simplified investigation', has been introduced for low-risk and diligent enterprises, featuring minimal document requirements, streamlined verification procedures, and shortened on-site investigation durations. These companies will also receive guidance and consultation on fulfilling legal responsibilities related to import-export transactions.

<Changes in Customs Duty Investigation Terminology>

Before	After
Customs Audit	Customs Duty Investigation
Corporate Audit	Regular Customs Duty Investigation
Planning Audit	Irregular Customs Duty Investigation
(Newly Established)	Simplified Investigation

2. Extension of Investigation Period for Transactions between Multinational Companies with Special Relationships (Instructions Article 12)

Before the amendment, the period of customs audit was conducted within 90 days, extendable to 120 days if necessary. Through this amendment, the investigation period for transactions between parties within special relationships of multinational companies has been expanded to a maximum of 180 days. This change aims to conduct more thorough investigations into transactions involving special relationships of multinational companies. Please take note of this revision for business purposes.

3. Principled Prohibition of Requesting Taxation Data Submission During Customs Duty Investigation Suspension Period (Instructions Article 36)

Reflecting the recommendations from the Board of Audit and Investigation in 2023, it is now prohibited in principle to ask questions to the subject or to request taxation data submission from the subject of the customs duty investigation during the suspension period. However, it is worth knowing that this prohibition does not apply to data requested before the suspension.

4. Addition of Sanctions to Deter Uncooperative Submission of Data (Instructions Article 38)

Under this amendment, to discourage uncooperative actions, if the subject of the investigation fails to submit requested data or refuses the investigation without justifiable reasons, newly introduced sanctions will be applied. These sanctions include 'customs clearance suspension', 'exclusion from monthly payments of customs duties', and 'non-issuance of a modified tax invoice on import'.

We at PwC CSC will continue to closely monitor trends in customs duty investigations and provide timely updates. If you require further detailed information or assistance with your business needs, please feel free

to contact us.

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