

# PART I.

## Import procedures in Korea



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This section explains Korea's import clearance procedures, and its basic principles. This is followed by a presentation of the details of the import clearance system, the documents needed, with an explanation for the various procedures. There are useful charts about import procedures, government institutions dealing with imports, information on tax laws and a summary of the tax items on import trade.

### Import clearance procedures: basic principles

Customs clearance refers to procedures in which customs officials compare and check documents and actual goods against national regulations related to export and import before allowing goods to continue on their journey. The government of Republic of Korea has enacted laws which provide for import regulations, such as Customs Act, Foreign Trade Act, Foreign Exchange Transaction Act, and Export and Import Act for the international balance of payments and development of national economy. These laws provide the mandate for the customs agency to confirm and execute regulations, for the entry clearance of import products from foreign countries.

Korea's import clearance procedures are implemented mainly based on the provisions of the Customs Act. The objective of the Customs Act is to contribute to development of the national economy by imposing and collecting customs duties, setting appropriate customs clearance for exported or imported goods, and securing revenues from customs duties.

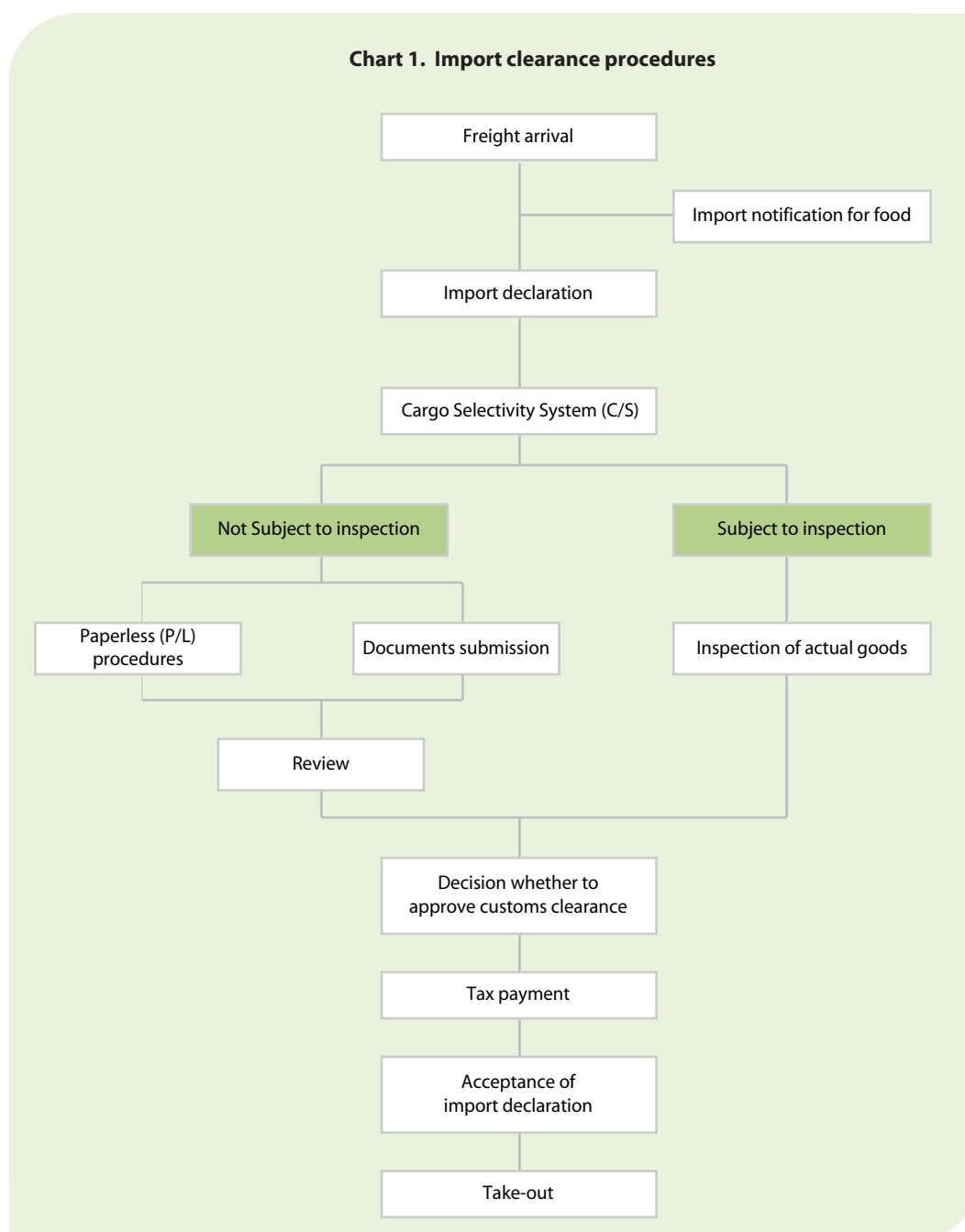
Importation refers to bringing foreign goods to Korea, for consumption. (Importation does not include the act of transporting goods through a bonded area). Goods with an unaccepted import declaration are not considered domestic goods. Carry-in goods brought into Korea can continue with customs clearance procedures, after acceptance of the import declaration.

Customs duties are to be imposed on all goods imported to Korea based on the Customs Act. A key feature of customs duties in Korea is the use of the self-assessed payment system in which anyone under an obligation to pay taxes must calculate the tax amount voluntarily based on methods prescribed in the Taxation Act. This amount must be reported and paid to the Customs Office. In the event of errors or omissions of the amount, the tax amount will be settled based on administrative measures taken by the head of the Customs Office.

### Features of Korea's import clearance system

Import clearance procedures must be applied to all goods entering Korea from foreign countries.

**Chart 1. Import clearance procedures**



The issuance of an import clearance will allow the importation to proceed, when the Customs Office receives an import declaration and decides that the declaration meets the requirements. This procedure is an administrative operation to confirm that a certain import declaration corresponds with the actual goods and whether it satisfies all relevant rules before allowing foreign goods to enter as domestic goods. Korea's import declaration has adopted the Automated Import Clearance System and Internet Customs Clearance System (UNI-PASS) to simplify import clearance procedures. The previous customs clearance procedures based on paper documents was changed to a paperless customs clearance. Not all goods imported to Korea are subject to inspection. The Cargo Selectivity System (C/S) however will select goods with

a high probability of non-compliance based on pre-registered standards to enhance efficiency of inspection.

## Basic procedures for import clearance

### Procedures prior to import declaration

#### *Review of HS Code.*

HS Codes of goods are applied to imports because HS codes decide restrictions on export and import and rates of customs duties. Import traders must check in advance if the relevant goods may be exported or imported and how much taxes (such as customs duties, value-added tax, and individual consumption tax) will be imposed. Anyone wishing to import must provide his/her declaring agency (customs duties companies) with exact information (such as usage, materials, composition).

#### *Procedures prior to customs clearance.*

Import permission is based on Food Sanitation Act, Plant Quarantine Act, Livestock Epidemic Prevention and Control Act, and other laws. Food items imported from abroad must be processed in accordance with Korean laws and regulations such as Food Sanitation Act, Plant Quarantine Act, Livestock Epidemic Prevention and Control Act, and others. Compliance with relevant laws including food-related laws for food import clearance must take place before customs clearance of the Customs Office based on the Customs Act and in association with customs clearance system of the Customs Office. Anyone wishing to import food must complete review and inspect items by relevant institutions and carry out clearance procedures based on the Customs Act.

#### *Calculation of the amount of the import tax.*

There are various types of taxes imposed on imports. Each product may have a different tax. Not all taxes are imposed on import goods, and tax rates may vary. These taxes include customs

**Table 1.1. Institutions and relevant laws on imports in Korea**

Institution for review, inspection & website	Relevant laws	Subject items
Korea Food & Drug Administration (KFDA) <a href="http://eng.kfda.go.kr">http://eng.kfda.go.kr</a>	Food Sanitation Act Act on Health Functional Food	Agricultural and forestry products food and food additives, equipment, containers or packages, and health functional food.
National Fisheries Products Quality Inspection Service <a href="http://www.nfis.go.kr/English/">http://www.nfis.go.kr/English/</a>	Food Sanitation Act, Act on Quality Management of Marine Products	Marine products
National Plant Quarantine Service <a href="http://www.npqqs.go.kr/homepage/english/">http://www.npqqs.go.kr/homepage/english/</a>	Plant Quarantine Act	Fruits and vegetables
National Veterinary Research Quarantine Service <a href="http://www.nvrqs.go.kr/Main_Index.asp">http://www.nvrqs.go.kr/Main_Index.asp</a>	Livestock Epidemic Prevention and Control Act	Meat and processed meat products

duties, individual consumption tax, liquor tax, transportation tax, special tax for rural development, education tax, value-added tax, and other special taxes.

**Table 1.2. Types of taxes applied to imports**

Tax item	Explanation
Customs duties	Customs duties are divided into: (a) ad valorem duties imposed in regular rates based on prices and (b) specific commercial duties imposed as regular amount based on quantities or volume of imported goods. Specific commercial duties are imposed on films for movies, VTR tapes, and some agricultural products.
	Customs duties = taxable amount (CIF price) X customs duties rates
Individual consumption tax	Imported goods subject to individual consumption tax are listed in the Enforcement Decree on the Individual Consumption Tax Act. This act includes such goods as oil, liquefied gas, automobiles, toys, jewelry, and luxurious furniture.
	Individual consumption tax = (taxable amount of customs duties + customs duties) X (individual consumption tax rates, 10% to 30%)
Transportation tax	Transportation tax is imposed on gasoline and other similar alternative oil as well as diesel oil. As specific commercial duties, regular amount per liter will be imposed.
Special tax for rural development	Special taxes are imposed on goods whose customs duties are to be reduced or other goods to which individual consumption tax will be imposed.
	<ul style="list-style-type: none"> <li>Special tax for rural development related to individual consumption tax = (special consumption tax amount) X (special tax rates, for rural development 10%)</li> <li>Special tax for rural development related to reduction of customs duties = (reduced amount of customs duties) X (special tax rates for rural development 20%)</li> </ul>
Liquor tax	Liquor tax applied to alcoholic beverages.
	<ul style="list-style-type: none"> <li>Liquor tax = (taxable amount of customs duties + customs duties) X (liquor tax rates, 5 to 130%)</li> </ul>
Value-added tax (VAT)	VAT is imposed when goods with property values are imported. However, value-added tax may be exempted for some agricultural and marine products (fruits, vegetables, frozen marine products, and others).
	<ul style="list-style-type: none"> <li>Value-added tax = (taxable amount of customs duties + customs duties + individual consumption tax + liquor tax + transportation tax + special tax for rural development + education tax) X (value-added ratio, 10%)</li> </ul>
Education tax	An additional education tax is also imposed on goods on which individual consumption tax, transportation tax, or liquor taxes have been imposed.
	<ul style="list-style-type: none"> <li>Education tax related to individual consumption tax = (individual consumption tax amount) X (education tax rates, 30%)</li> <li>Education tax related to transportation tax = (transportation tax amount) X (education tax rates, 15%)</li> <li>Education tax related to liquor tax = (liquor tax amount) X (education tax rates, 10% to 30%)</li> </ul>

**Box 1.1. Documents necessary for import declaration**

- ① Invoice
- ② Packing list
- ③ Bill of lading or air waybill
- ④ Certificate of origin
  - Only when necessary: such as when applying preferential tariff and FTA tariff concession.
- ⑤ Import permit
- ⑥ Other required documents

**Place of arrival for imported freight**

1. When a ship or a plane with freight enters a port or airport, the shipping company or the airliner will decide the place for unloading based on the cargo manifest with bills of lading and air waybills and submit the Declaration of Unloading to the Customs Office along with a cargo manifest.
2. Loaded goods will be placed in bonded areas for import clearance when there is no problem found based on comparison with the cargo manifest.
3. In principle, all imported freight must be placed in bonded areas for customs clearance procedures but when there are special reasons, they can be stored in areas other than bonded areas. In addition, there is a bonded transportation system between bonded areas, used before the import declaration.

**Import declaration**

- Anyone wishing to import must notify the name, standard, quantity, price, package number, place of origin, trademark, and other indicators of goods to be imported to the relevant Customs Office with jurisdiction in the area where the goods are stored.
- Import declaration must be made under the name of customs duties companies, customs corporations (such as companies dealing with customs duties) or importing shippers.
- In general, importing shippers will indicate the name of its customs duties company, to deal with the difficulty in dealing with regulations and declaration.

**Import clearance review and inspection of goods***Import clearance review*

- The Customs Office reviews relevant documents to confirm that an import declaration corresponds to HS Codes and comply with import requirements in laws such as tax rates and taxable amount. The formal and legal requirements of an import declaration will be reviewed based on a paperless process through the internet or electronic data interchange (EDI). If there is no problem, the declaration will be approved.
- As for goods required to submit documents based on the Cargo Selectivity System (C/S), the import declaration documents must be submitted to the Customs Office. The formal and legal requirements will be reviewed before permission and if necessary, the review may proceed into a substantial inspection.

### *Goods inspection of an import declaration: purposes*

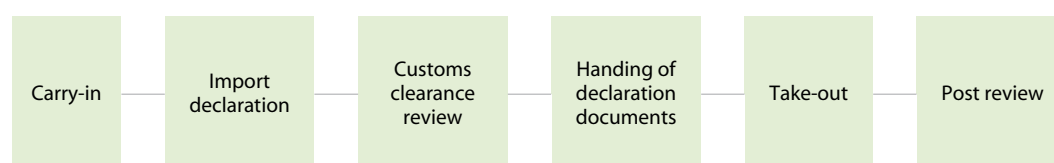
- Confirm that the import items are identical to actual goods;
- Check whether these goods comply with laws related to customs clearance;
- Screen those failing to meet requirements; and
- Prevent non-compliance in advance.

There are goods that have been selected via cargo selectivity due to possible non-compliance. Other randomly selected goods may be subject to inspection by one official. Inspections may also be done by more than one official, or by teams of officials. In addition, there could be whole inspection, partial inspection, and inspection for analyses, with one or more officials. Most of the low-risk goods imported to Korea do not go through Customs Office inspection for speedy and convenient customs clearance, for the facilitation of trade. The selective inspection system concentrates on high-risk goods, focusing on control of cargo, which may be imported under a suspected false notification or with a possibility of unfair trade.

## **Acceptance of import declaration and take-out**

Upon completion of customs clearance, assessed values will be decided and customs duties will be imposed. Upon payment of customs duties, a Certificate of Acceptance of Import Declaration will be issued and the importer could take out the goods from the bonded areas.

### **Summary of the import clearance procedures**



### **Box 1.2. Key items to check in the import procedures**

- Before departure or entry:
- Restrictions on export or import
  - Acceptance of import declaration
  - Take-out after acceptance
  - Post individual assessment

- Before and after arrival at bonded warehouse areas:
- Items subject to confirmation
  - Customs clearance withheld
  - Take-out before acceptance
  - Review of compliance with laws
  - Requirements, attached documents
  - Withdrawal/dismissal
  - Take-out before declaration