

South Korea: Customs and Excise considerations related to COVID-19

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The South Korean Government has taken various measures in response to the COVID-19 pandemic. In line with the Government's actions, the Korea Customs Service (KCS) is making an all-out effort to stop the spread of COVID-19 while minimizing damages in the various areas related to customs practice and administration.

This Alert summarizes the key customs and excise measures implemented by the KCS.

Customs duty relief and other benefits

- ▶ Medical and surgical masks (HSK 6307.90) are subject to a 0% duty rate temporarily from 18 March 2020 to 30 June 2020. Prior to this temporary relief, the MFN rate (base duty rate)¹ of the masks was 10% without any duty relief.
- ▶ Melt Blown (HSK 5603.12, 5603.92), the raw material for mask production, is also subject to 0% duty rate for the same period as above (The MFN rate is 8%).
- ▶ The KCS issued a regulation that temporarily allows a company to assess the dutiable value of imported goods based on the maritime freight cost instead of the air freight cost for imports of core parts of automobiles through air transportation. The issued regulation will support small- and medium-sized enterprises (SMEs), struggling with the shortage of Chinese parts (i.e., wiring harness) caused by the COVID-19 pandemic.

– In the case of urgent importation of automobile core parts, the companies are exposed to higher customs duty payments due to the higher transportation costs of air carriers. The regulation will allow companies to pay less customs duties, as air freight usually costs 15 times more than maritime transportation.

Customs clearance

- ▶ In order to ensure a faster supply of masks in Korea, the KCS has implemented the "24-hour mask clearance system" throughout 34 regional customs offices nationwide, operation of the "faster mask clearance support team," as well as granting customs duty relief and quota application, among others. The system has been in place since 9 March 2020.
- ▶ The KCS is focusing on the "faster mask clearance support team" by also ensuring faster clearance on other related medical products such as the MB filters, protective clothing and extending the tax filing deadline with implementation of installment payments.

Simplified procedures for Free Trade Agreement (FTA) applications

- ▶ On 27 April 2020, the KCS released guidance on the FTA claims to help companies facing difficulties in obtaining certificates of origin from different countries. The KCS has extended the retrospective claim period by an additional one year (in some cases, totaling two years from the date of the import declaration). Also, the authority has allowed deferred payments of customs duties. The importers are now allowed to make the payments within a year of the declaration date, which is a significant extension from the 15-day limit prior to this guidance. The new guideline can be applied immediately, but the authority has not specified on when it will end.

- ▶ Further, origin verification can be suspended for companies importing from China, and such companies can request a suspension of any audit that is currently being taking place. The KCS is reviewing whether to include countries other than China for the suspension of audits.

Exemption of import license

- ▶ Medical and surgical masks imported for the following purposes are exempted from the license requirements of the Korean MFDS (Ministry of Food and Drug Safety):
 1. When the company imports the masks to distribute to its employees free of charge; or
 2. When the masks are imported for the purpose of either donations or as relief goods.

Export restrictions and other measures

- ▶ A ban on the export of medical and surgical masks (HSK 6307.90) was announced on 6 March 2020, by the KCS. However, individuals can still export such masks up to 30 pieces for personal use.
- ▶ The authority has invested KRW5 trillion as an economic stimulus on the overseas projects.
 - The Korea Trade Insurance Corporation (KTIC) will offer support by providing loan/guarantee for export activities.
 - The KTIC will offer lower insurance/guarantee fees for small- and medium-sized export companies.
 - It also will offer export stable funds, production/manufacturing stable funds, etc. and support on earlier account receivable collection.

Endnote

1. The MFN rate is a normal non-discriminatory tariff charged on imports (excludes preferential tariffs under free trade agreements and other schemes or tariffs charged inside quotas).

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