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IN
TRADE**

SHINHAN Customs Service Inc.



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Do you know the thymus?

“
**How arrogant and foolish to believe
only what I see and accept only
what I know.**
”



Grace Chang

CEO/Customs consultant

Have you ever heard of the thymus?

The thymus is located in the center of our chest behind the sternum, where the ribs are connected, just in front of the heart. It is shaped like a flat triangle divided in two like a butterfly, and is known to be very small and light. At birth, it is a soft tissue weighing about 10 g and eventually grows to about 25 to 35 g. Unlike other organs, it reaches its maximum size and function around the age of 13 to 16 during puberty in humans. After that, it gradually shrinks and becomes adipose tissue, and its function almost disappears.

The thymus is an organ of the lymphatic system. Unlike other organs, it does not function throughout life, but when it is active, it plays a major role in the immune system. First, it is responsible for the maturation of T lymphocytes, a type of white blood cell. Immature lymphocytes created in the bone marrow move to the thymus and undergo maturation. It becomes T lymphocytes (T cells). T cells directly attack cancer cells or virus-infected cells, or they play a role in helping other immune cells.

Second, the thymus is one of the endocrine glands that secretes hormones. Hormones made by the thymus gland help the T cells form and grow, allowing the immune system to function smoothly. It plays an important role in immune and hormonal therapy.*

The thymus, which plays an important role in the human body, has remained as an “organ of mystery” in 2000 years of medical history since Galen of Pergamum (AD 130-200) described it as “organ of mystery”. The thymus grows in the human body until puberty, then shrinks in function and size. In adulthood, especially in old age, it becomes just a small fat mass and loses its function. This may be the reason why it has not gained attention in the medical field for a long time.**



The New Customs Study for this month is 'Challenges to Discover 30 System Improvement Tasks for the Efficiency of International Trade and Cost Reduction for Import/Export Companies', Analysis on Recent Customs Judicial Precedent covers 'The Claim that the Item in Question Falls as Overseas Processed Item under Article 101, Paragraph 1, Item 2 of the Customs Act -2021, 0055 (12.29.2021)', and HS case solved by logic reports 'The HS Case of Lithium Iron Phosphate Battery' and Global Customs Insight is 'The Import/Export Declaration and Duty-Free Status When a Company in Vietnam Leases Molds, etc. From Overseas Customers and EPE for Manufacturing and Production', and FTA and import/export practical business guide is 'Checklists for Handling Import/Export Practices Using RCEP'. In addition Contents and Opinion of Customs Trade Revision is 'Regulations on the Application of Quota Tariffs under Article 71 of the 'Customs Act.'

"Because you have seen me, you have believed. Blessed are those who have not seen and yet have believed." (John 20:29)

I recently heard the word 'thymus'. Thymus (Direct translation of thymus is a fountain of heart.)? Is there a fountain in my heart? I didn't know there was an organ with such a beautiful name in my heart...? I searched the internet. Following the unfamiliar terms, I got closer to the mysterious invisible thymus gland. I suffered from an autoimmune disease for a long time. White blood cells, whose job is to attack bacteria or viruses that invaded from outside the body, started attacking the healthy cells in my body. Inflammation and pain came from all over the body, including joints. I was bewildered because I did not know the reasons for the sudden symptoms.

I thought my body was mine. I thought I knew it well and was in total control of it. However, It was a huge misunderstanding. The body I thought I knew was an image I imagined looking at the human body diagram in the encyclopedia. I had no clue what was happening inside my body. I do not know why cancer cells appear, how they grow and die, and how white blood cells, which are responsible for attacking and destroying cancer cells, attack my body. I have been cured (?) after many years of trying different remedies, but I don't know which one was most effective. I didn't even know about the existence of the thymus gland which is responsible for auto-immunity, and T cells which got matured at the thymus.



I had never heard of it or seen it before. But as I heard and read about it, I came to know and believe in its existence. How little do we actually see with our own eyes in our lives? How many things that I haven't seen yet actually exist? How arrogant and foolish to believe only what I see and accept only what I know.

I look into my inner thymus, thinking of the thymus gland shrunk into gray fat mass. After fulfilling the entrusted mission, it quietly keeps its place. Now there is nothing you can do for the thymus gland that has done its job. I rest my arrogant foolishness claiming that I know my thoughts that cannot be seen or touched, when I don't fully understand my body that I can touch. I continuously put down my arrogance of saying I know of others and of the world well when I am not even able to hold onto my thoughts.

It's a noisy and hectic world. Peace be with you.

* Robert M, Sargis, MD, An Overview of Thymus, Jan 18, 2022, @endocrineweb newsletter,

<https://www.endocrineweb.com/endocrinology/overview-thymus>

**RSNA (Radiology Society of North America), 2006 <https://pubs.rsna.org/doi/full/10.1148/rq.262045213>



The New Customs Study

Challenges to Discover 30 System Improvement Tasks for the Efficiency of International Trade and Cost Reduction for Import/Export Companies

The current increase in import prices and the slowing down of export growth are a heavy burden on trading companies.

On May 31st, I saw that the price of 900 ml of grapeseed oil at the mart has increased by more than 20% to 13,900 won. It seems that businesses and households are in a more difficult situation in 2022 than last year due to the rise in import prices and the worsening of terms of trade. I never imagined that a situation worse than a pandemic would come, but I have experienced so many difficulties in a short period of time.



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Oil prices have risen to the same level as the historical oil shock situation, and other energies such as coal and gas have also risen as a chain reaction. This is a situation that nobody has ever experienced before. The prices of electricity, cement, and steel also have risen making the investment in domestic facilities or construction difficult.

Soaring shipping rates, shortages of semiconductors, and uncertainties in the supply chain will still threaten companies in the second half of 2022. Import volume in April 22 decreased by 5.2% from the previous year due to a decrease in machinery and equipment and primary metal products, but increased by 19.4% compared to the same month of the previous year due to higher prices of mining products, computers, electronic and optical equipment, coal and petroleum products. Import prices have risen by more than 25% even with a simple calculation, and we are experiencing tremendous inflation.

As for the export volume in April, 2022, computers, electronic and optical equipment, transportation equipment, etc. increased by 1.9% compared to the same month of the previous year, but the export price index increased by 14% compared to the same month of the previous year, falling short of the import price index and is likely to post a loss.

Even with simple calculations, difficulties are expected for exporting companies. Domestic importing companies and domestic companies will have to endure the pain caused by inflation.

Developing countries aim to increase tariffs and internal taxes to secure financial resources for economic recovery

After my last overseas business trip at the end of December 2019 before the pandemic, I went on my business trip to Vietnam at the end of April 22. I witnessed that Southeast Asian countries are actively moving to restore their daily life and easing quarantine regulations a lot.

For two years, countries that mainly perform production experienced a shortage of budget for corona prevention due to disruptions in supply and demand of raw materials, increase in unemployment, and financial deterioration during repeated lockdown and easing. There has been a lack of budget to improve the economy.

In particular, we are making efforts to secure the necessary financial resources for active economic reconstruction in countries where many Korean manufacturing companies have entered, such as China, India, Vietnam, Indonesia, Malaysia, and Thailand, targeting foreign companies that have entered Korea. We are conducting research to reduce the benefits of tax exemption and other benefits that have been granted so far and to collect taxes from a new perspective in accordance with new guidelines, interpretations of regulations, and the judgment of institutions. Some industries, such as auto parts, are treating companies in a different atmosphere than before, such as taking measures to collect taxes in these countries.

Korea expects to expand tax and customs investigations to raise funds for supplementary budget and loss compensation

In the presidential and local elections, both parties in Korea have been competing to increase the supplementary budget, judging that direct funding of financial aid to the people is the most effective way to gain votes. An additional budget of 62 trillion won, which is the highest in Korean history, has been compiled and implemented.

In a situation where inflation continues, such as rising import prices, it is evident the supplementary budget will make the situation worse. To ease the situation, excess taxation and budget adjustment will be used without issuing the government bond. This means tax and customs investigation will be strengthened for tax collection from companies and households. It is expected that the investigation will be carried out in the second half of this year and in the first half of next year, starting with about 60% of companies whose tax and customs investigations have been postponed during the Covid period to support small business owners.

The possibility that the issue of tariff rate on goods imported and exported will arise is particularly high.

In early May, 2022, KCNET, a subsidiary of the Korea Customs Service's investment company, supplied a HS code comparison system to the World Customs Organization (WCO) and disclosed it to all countries and companies so that the current HS CODE reporting status and ratio can be compared.

After testing with samples, the HS unit is often different even for the same item, raising the possibility that the dispute of HS classification between customs and companies in each country will increase.

In particular, companies exporting to developing countries are likely to continue to encounter HS issues at the time of customs clearance or after customs clearance, so it is necessary to pay attention to the HS classification of imported as well as exported goods

This HS comparison system allows anyone to easily capture the HS code by simply entering the product name, so even public officials with less HS expertise will try to easily collect them.

Both corporations and the government should be cautious in their implementation so that the goal can be achieved while reducing wasteful factors.

It is the role of import and export companies, customs and trade authorities that promote the development of the national economy through tariffs and trade. In particular, customs duties and customs clearance involve the actual movement of goods, so if time is delayed, transportation and storage charges will increase, and cause the interference of production and distribution.

In particular, it is difficult to find a truck capable of long-distance transportation in a situation where the income of freight transportation companies and drivers has sharply decreased due to the recent increase in diesel prices. In order to reduce costs as much as possible in the era of high oil prices, companies and service providers should come up with cost-saving measures, and the front-line customs office should provide support for prompt customs clearance.



Particularly, trucks need to use early morning or night time when road traffic is smooth to minimize the fuel consumption. Prompt customs clearance procedure is a way to support the companies.

Nevertheless, the front-line customs should continue to research to ensure intelligent and efficient monitoring of intellectual property rights infringing items or items that pose a great risk to public health and the environment.

Challenge to discover 30 major system improvement tasks to reduce costs and improve efficiency

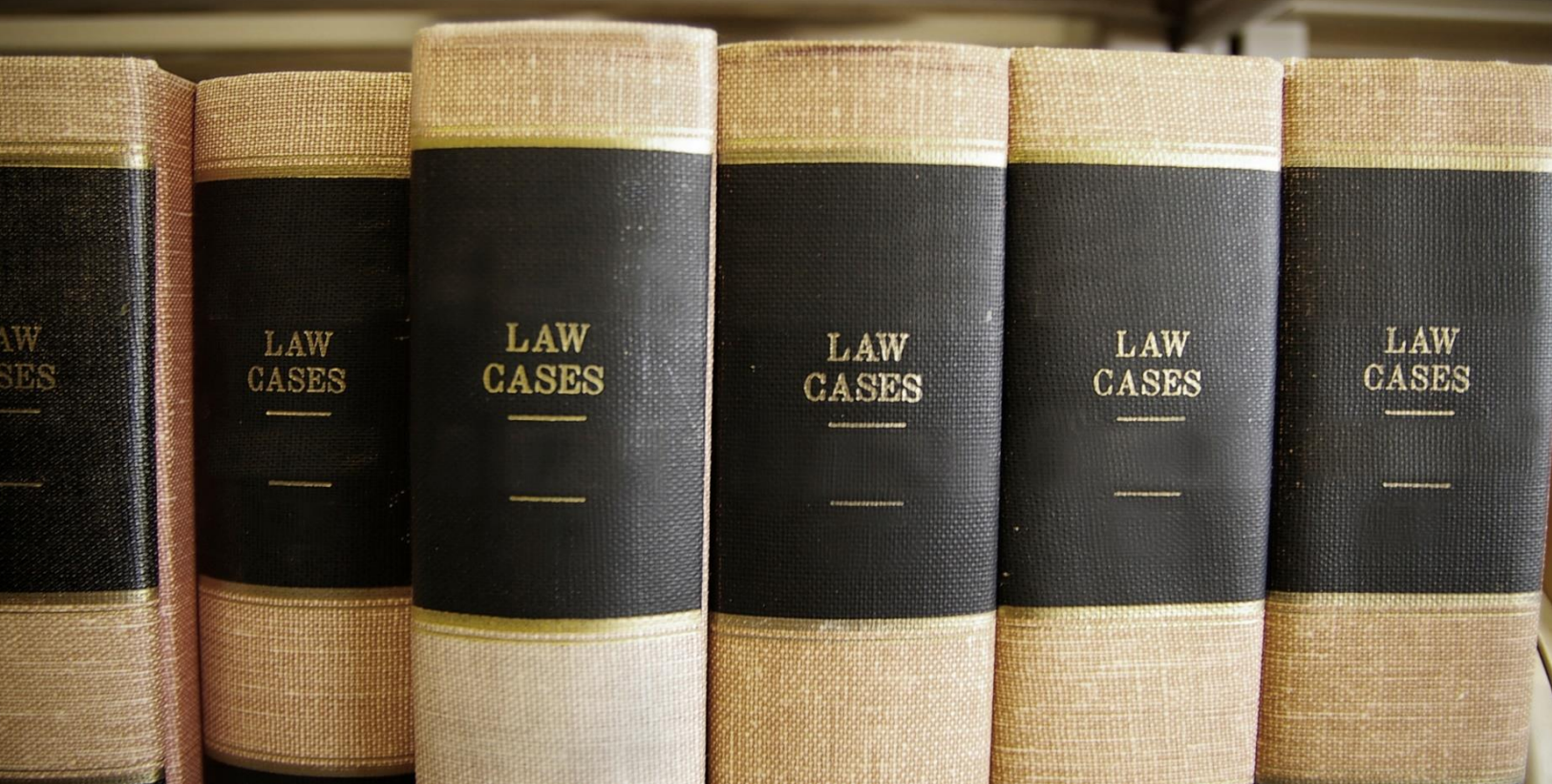
With the launch of the new government in May, 2022, many changes are expected in the government's policy direction and customs system. The system would work when the system is improved with the suggestions made by the companies and experts.

As a customs service provider, I am planning to identify at least 30 tasks by the end of this year for the system improvement that can reduce the cost of customs and trade for companies, and increase the efficiency of customs clearance. These will be proposed to each relevant organization such as the Customs Office, the Ministry of Trade, Industry and Energy, Korea Chamber of Commerce, KOTRA, and the International Trade Association.

Even during the corona pandemic, we have submitted several suggestions for prompt customs clearance of items necessary for quarantine, but now we would like to collect suggestions for system improvement that is practically helpful to import and export companies.

Please feel free to make suggestions for improvement in all areas, including import/export customs clearance, customs investigation, AEO, ACVA, customs refund, foreign exchange, FTA verification, and customs system. We will go through the difficulties that import and export companies face together

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Analysis on Recent Customs Judicial Precedent

The Claim that the Item in Question Falls as Overseas Processed Item under Article 101, Paragraph 1, Item 2 of the Customs Act –2021, 0055 (12.29.2021)

1. Facts

- When exporting frozen mackerel to a processing company to process frozen mackerel into frozen mackerel fillets, the claiming corporation reported the transaction classification as 29 (exporting raw materials for consignment processing) and reported the item number as HSK No. 0303.59-1000.
- The claiming corporation imported the frozen mackerel fillet (hereinafter referred to as “the item in question”) processed using the above frozen mackerel from the processing company, and reported the transaction classification as 29 (import after consignment processing) and the item number as HSK. 0304.89-9000 (tariff rate 10%), and applied for the reduction of the customs duty equivalent to the declared export value of frozen mackerel according to Article 101 (1) 2 of the 「Customs Act」 and Article 119 (2) of the Enforcement Decree of the same Act.



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- As a result of examining the above application for reduction or exemption, the Disposal Office judged that the item number 10 units of the item in question and the export product, frozen mackerel, did not match, and it was not possible to verify the sameness of the export item and the item in question. Thus the reduction of the customs was not approved and the corrected customs were notified. (Hereinafter referred to as "issued disposition").

2. Judgment

(1) Claims made by Claimant

The frozen mackerel exported by the claiming corporation and the item in question imported after processing, considering the characteristics of the product, the identity is recognized based on the import/export declaration form, contract for processing, and sanitary certification office, processing log, product photos even if the item numbers in 10 units on the item classification table do not match. Therefore it is subject to the customs reduction according to Article 101 (1) 2 of the [「Customs Act」](#) and Article 56 (2) of the Enforcement Decree of the same Act.

As explained in the commentary on the tariff rate table for the third class, the essential material and composition are the same before or after processing, as explained in relation to the simple processing method of fish. Only the item number of 10 units has been changed after processing the mackerel into fillet by slicing the mackerel horizontally. The head of the customs office can confirm that the frozen mackerel used for the processing of the item in question is exported from Korea.

(2) The opinion of the Disposal Agency

The claiming corporation claims that documents proving the identity of the goods (import license, processing log of processing company, customs inspection and quarantine veterinary certificate, export license, etc.) have been submitted, but each document does not seem to have a direct and objective relationship with the item in question.

In addition, the product in question is processed to the extent that it is impossible to confirm the sameness with the raw material, and the identity could not be confirmed because the inspection by Korean customs was not carried out during import and export. Even if the inspection was made, it is not possible to confirm the identity of the product because it is not a product that the production serial number can be clearly identified due to the nature of the product.

3. Conclusion

The product in question is frozen mackerel, which is exported free of charge, as a raw material, and the head, bones, guts, and fins are removed at a processing company and processed into fillets, which are then frozen. At the time of export, the item number of the frozen mackerel, which is the raw material of the item in question, is HSK No. 0303.59-1000, and the item number of the item in question is HSK No. 0304.89-9000 at the time of import.

According to [Article 101 \(1\) 2 of the 「Customs Act」](#), to receive the reductions of customs for items processed overseas, in principle, the item number of 10 units in the item classification table of “goods exported for processing or repair” should be identical as the item number of 10 units in the item classification table of imported goods after processing or repair” as stipulated in the main sentence of Article 56 (2) of the Enforcement Regulations of the same Act. According to the provisions of the proviso, the cases where tax reduction or exemption for products processed overseas can be applied are: “In the case of exporting products that are discarded due to a decrease in yield and performance, reprocessing them through a melting process, and re-importing them. Also, in view of the characteristics or serial number of the imported goods, it must be a product that the head of a customs office can confirm that the imported goods are exported from Korea”. However, it is difficult to conclude that the item in question is 'goods exported from Korea' and is difficult to confirm the identity of the product, so it is judged that there is no fault in the disposition of this case in which customs duties were levied without the application of reduced or exempt duty on overseas commissioned goods.

4. Implications

Article 101 Paragraph 1, Item 2 of the Customs Act stipulates that the reduction or exemption of overseas commissioned goods is applied to 'goods exported for processing or repair and meeting the standards prescribed by Ordinance of the Ministry of Strategy and Finance'. This applies only to cases where the sameness between the exported and imported goods can be verified after processing or repair abroad, it is necessary to check whether the item classification matches 10 units in advance.



HS case solved by logic

The HS Case of Lithium Iron Phosphate Battery

1. Overview

Secondary batteries are batteries composed of one or more electrochemical cells that can be charged and discharged. Secondary batteries come in a variety of shapes and sizes, from button cells to megawatt systems that are connected to stabilize the power distribution network. They are made of various electrode materials and combinations of electrolytes such as lead acid, nickel cadmium (NiCd), nickel hydride (NiMH), lithium ion (Li- ion), lithium ion polymer (Li-ion polymer).



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Recently there have been various researches and developments in technology to improve the secondary battery capacity and to reduce explosion risks. As the combination and ratio of components such as anodic materials are varied, the need to pay attention to HS CODE classification for secondary batteries has increased.

Secondary batteries are largely classified into lithium-ion batteries and all-solid-state batteries. Currently, electric vehicles are powered by lithium-ion batteries. This lithium-ion battery is composed of an anode material, a cathode material, a separator and an electrolyte. When the anode material is mixed with three materials, nickel, cobalt, and manganese, it is called a ternary system battery (NCM), and if it is made of lithium iron phosphate, it is called an LFP battery.

Recently, Tesla announced that it would use LFP (lithium iron phosphate) batteries, which are mainly produced in China, and Mercedes-Benz also announced that "it will change batteries for small and semi-medium electric vehicles to LFP batteries from 2024." Global electric vehicle companies like Volkswagen and Ford are also considering the adoption of LFP batteries. It is clear that the proportion of imports and exports of LFP battery cells, modules, and packs will increase in the future.

In the HS case solved by logic, I would like to talk about HS classification through the Notice of Item Classification Change (2019) and the HS revision in 2022 for LFP batteries (lithium iron phosphate batteries).

<Product>

- Product Name: Lithium Iron Phosphate Battery (LiFePO₄)/Model: SE60AHA

- Product Description:

- 1) Lithium iron phosphate (LiFePO₄) is used in the chemical material constituting the anode of the storage battery to increase the number of charges and discharges more than twice and to solve the problems in explosion and ignition since it has stronger durability for deterioration.

- 2) Used as a secondary battery for various purposes for industrial equipments, campers, electric motorcycles, golf carts
- 3) Electrolyte is liquid.
- Dimensions: 142mm×50mm×217mm (L×W×H)

2. Review of Item Classification

1) HS CODEs under consideration

The HS CODEs that LFP batteries can be classified are as follows.

<Based on HS classification for 2021>

HS	8507.80-0000	8507.60-1000	8507.60-9000
Tax rate	Basic tax rate: 8% Korea-China FTA agreement tax rate: 0%	Basic tax rate: 8% Korea-China FTA agreement tax rate: 0%	Basic tax rate: 8 % Korea-China FTA agreement tax rate: 0%
Terms in heading	Storage Battery (including separators, either rectangular or square)	Storage batteries (including separators, either rectangular or square)	Storage batteries (including separators either rectangular or square)
subheading	Other batteries	Lithium Polymer batteries	Other Lithium Ion batteries

2) Item classification review

The important point to consider in item classification of lithium ion storage batteries (HS 8507.60-9000) and lithium polymer batteries (HS 8507.60-1000) is to check whether the electrolyte is a liquid or a polymer gel (polymer).

A lithium polymer battery consists of an anode, an electrolyte, and a cathode. The electrolyte between the anode and cathode acts as a separator that separates the positive and negative electrodes and transfers lithium ions. In addition, since the polymer gel (polymer) type electrolyte is used, it needs to be checked whether the product subject to the classification (Its electrolyte is a liquid) falls under other storage batteries (HS 8507.80-0000) and other lithium ion storage batteries (HS 8507.60-9000).

Regarding the products subject to this classification, the manual No. 8507I explains, "A storage battery has the characteristic of being able to be recharged because its electrochemical action is reversible. ... (omitted) ... The main types of storage batteries are as follows. (2) Alkaline storage battery: The electrolyte is usually potassium hydroxide, lithium hydroxide, or thionyl chloride. The electrodes are as follows. (i) Nickel or

nickel mixture anode and iron, cadmium or metal hydride cathode (ii) Lithium cobalt oxide anode or graphite mixture cathode (iii) Carbon anode and metal lithium or lithium alloy cathode (iv) Silver oxide anode and zinc cathode.”

- This product uses lithium iron phosphate (LiFePO₄) for the anode of the storage battery to compensate for the shortcomings of the existing lithium ion, and since it is another storage battery that does not fall within the range of lithium ions exemplified in the tariff table commentary, it is classified in No. 8507.80-9000 according to General Rule No. 1 of the tariff table commentary.

* (Reference number: Category Division 3- 1446 / 06.19.2014)

However, in the literature for products subject to the classification at the 2nd Customs Classification Committee in 2019 defines that “lithium ion storage battery” is a secondary battery, and generates electricity as lithium ions move from the cathode to the anode through the intermediate electrolyte. To look at whether this product falls under the lithium ion storage battery category, this product uses lithium iron phosphate (LiFePO₄) as an anode active material and is a storage battery in which the electrolyte is in a liquid state. When this storage battery is charged, lithium ion flows from the anode to the cathode through the electrolyte. When it is discharged, the lithium ions of the cathode go to the anode. This product is a lithium ion storage battery that can be charged or discharged and is the other storage battery that does not belong in the range of lithium ion indicated on the tariff rate table commentary. So it is classified in No. 8507.60-9000 in accordance with General Rule No. 1 on interpretation of the tariff rate table.

* (Notice of change of Item classification: No. 2019-24 /06.14.2019)

3) Considerations for Notice of Change

In the existing item classification decision (Item Classification 3 and 1446), the LFP batteries were compared, classified and determined that the range of lithium ions as (i) nickel or nickel mixture anode and iron, cadmium or metal hydride cathode (ii) Lithium cobalt oxide anode or graphite mixture cathode (iii) Carbon anode and lithium metal or lithium alloy cathode (iv) Silver oxide anode and zinc cathode in the description of lithium ion storage batteries among secondary batteries. In 2019, the classification committee seems to have recognized the principle and characteristics of a secondary battery that lithium is used as the main cathode active material in the cathode material, and the lithium ions move to the anode through the electrolyte for restoration (charge), and lithium ions from the anode are separated and move to the cathode through the electrolyte for oxidation (discharge) reaction, that continuously generates electricity.



In the case of secondary batteries, various combinations and ratios of anode active materials are implemented through technological development, so there may be situations in which it is not possible to specifically compare and apply the range of terms set out in the commentary. This case can be considered as an example that the correction was made through the notice of change.

3. With respect to the HS revised in 2022

For storage batteries (HS 8507), the HS revision was made in 2022. Previously the existing lithium ion storage batteries (HS 8507.60) were classified into lithium polymer batteries (HS 8507.60-1000) and other lithium ion storage batteries (HS 8507.60-9000) depending on the characteristics of the material. Now they are classified into electric vehicles (HS 8507.60-2000), energy storage devices (ESS, HS 8507.60-3000) and other uses (HS 8507.60-9000) depending on the use of storage batteries. This has the effect of reducing the risk of disagreement on the classification of items by classifying batteries for respective use without having to consider the background, principle, or the material of the secondary battery industry.



Global Customs Insight

The Import/Export Declaration and Duty-Free Status When a Company in Vietnam Leases Molds, etc. From Overseas Customers and EPE for Manufacturing and Production

In relation to the manufacturing activities of companies operating in Vietnam, the rental of molds and equipment is inevitable. There is an Official Letter from the Vietnam Customs General Administration on cases that have recently raised a lot of inquiries and issues related to mold rental.



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1. Types of FDI Companies

Looking at the transaction types of companies carrying out manufacturing activities in Vietnam, there are roughly two types excluding EPE. One is Processing companies that receive raw materials provided free of charge by the Hirer and perform manufacturing and processing as requested, and receive the processing cost in return. The second type is “manufacturing” companies that produce the goods, sell the products to customers and receive money. For this processing company and manufacturing company, the scope of recognition of duty-free raw materials, the legal basis, and the possibility of tax exemption declarations for facilities, etc. are applied differently. It is also a place where many errors occur in the actual application process.

2. Manufacturing company’s import declaration of mold rental for production support

When a customer company such as overseas buyers or EPE company in Vietnam purchases products from a specific manufacturing company, there may be cases where equipment or molds are leased or provided free of charge for the products to be manufactured with desired specification or quality. In this case, the manufacturing company must pay customs duties when importing the equipment or mold. (The application of duty-free is possible when this is the case of requester for processing and processing performer relationship.) Detailed precautions for import declaration can be checked in today’s official letter.

As mentioned above, in the case of leasing molds, equipment, etc. from overseas or EPE, regardless of whether the rental conditions are with or without the fee (in fact, there has been some ambiguity in this part, but this Official Letter also mentions that the customs duties are applied without distinction.), import declaration should be made and customs duties need to be paid.

3. Import declaration type, determination of taxable value, and VAT

At this time, the manufacturing company, the importer, must set the rental period and file an import declaration, and the G12 type must be applied for the CD type to be used. At this time, import duties and VAT issues arise, which are applied as follows

.- Import duty: [Actual cost for rental (rent cost) + cost of goods transport] * Tariff rate

** The point is that the price of the goods is not a taxable value, and the rental fee is a taxable value. (In the case of whether the customs will recognize the fact that the rental fee is “free” and allow the taxable price to be calculated only as the transportation cost, it seems that the recognition and scope of recognition differ by region. For further cases, we will inform you later.)

** Included in this Official Letter is that customs duties paid on rental fees will not be refunded when molds are re-exported after the end of the rental period. (In the past, there were local customs that the entire mold price was calculated as the taxable value, customs duties are paid, and refunded if re-exported. From now on, it is expected to be streamlined and unified that the customs duties are imposed only on the rental fees.)

- VAT: Temporary import ↔ Goods to be re-exported are not subject to VAT, so VAT is not charged.

4. Precautions for secondary rental of duty-free equipment, molds, etc.

Meanwhile, in connection with the above, if you receive tax exemption benefits and sublease molds and equipment brought into Vietnam to another company, you must manage the history through import/export CDs by preparing and managing import/export certificate/rental contract for evidence.

For customs inspection in Vietnam, not only the adequacy of liquidation of general duty-free raw materials, but also the possession of duty-free molds and equipment, and the appropriateness of management are reviewed. In this regard, if you are caught taking out unauthorized duty-free facilities, you may be subject to administrative penalty, denial of exemption from duty for the mold itself, and additional tax for violating customs reporting obligations.

Basically, all goods received duty-free from Vietnam must be kept inside our company, and when they are taken out, you must declare import and export before leaving. The details need to be reviewed for each case.



We talked about mold rental. In Vietnam, laws and regulations change frequently, and the ways to handle the same matter in each region are often very different. It is best to check the most updated laws and regulations prior to proceeding the work to reduce customs related risk factors. If you are faced with an ambiguous situation, we recommend that you check with an expert at least once before proceeding with the work. Thank you.



FTA and import/export practical business guide
**Checklists for Handling Import/Export
Practices Using RCEP**

1. Establishment and Use of RCEP Declaration of Origin (Recommended Form)

There are two types of issuance of RCEP Certificate of Origin: institutional issuance and self-issuance. When the exporter is a certified exporter, the voluntary issuance is possible by filling out the required information. In Korea, after the RCEP went into effect in February, the recommended form for the declaration of origin was not announced until recently, but since May 18th, 2022, it has been posted on the Korea Customs Service site. In the case of certified exporters, a declaration of origin can be prepared using the recommended form, and the form can be checked on the FTA portal site of the Korea Customs Service.



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The precautions for using the recommended form are announced along with the recommended form for the RCEP declaration of origin. They are as follows:

- ① The RCEP self-issued country of origin declaration must be completed only by the certified exporter of country of origin.
- ② The OVERLEAF NOTES on this form are for the form completion convenience and need not to be printed.
- ③ Even if a format other than the one recommended or a recommended format with some modification is used, it may be recognized as a declaration of origin if Article 3.18 of the RCEP Agreement is complied with and all of the minimum information requirements are included as stipulated in Annex 3, Paragraph 2.
- ④ It is recommended not to change the form arbitrarily and use the recommended form as much as possible, unless the customs authority of the contracting country specially requests the modification for steady preferential application for exported items.

2. Announcement of the RCEP partner country's certified exporter number assignment system

For the self-issuance of the RCEP Certificate of Origin, an exporter must have the status of a certified exporter. If the RCEP self-issued country of origin declaration was received from the exporter at the time of import in Korea, verification of the certified exporter's number to see if the number is valid needs to be made. As of May 2, 2022, the confirmed contents regarding the partner country's certificated exporter number assignment system have been notified to the Korea Customs Service as follows, and can be referred to as official data when reviewing the suitability of the format of the import certificate of origin

RCEP partner country certified exporter number assignment system
 [Notice of Customs Administration, 5. 6.2022]

(As of May 2, 2022)

Country	Certificated Exporter Number Assignment System
Malaysia	(Example) MY-SC2021B001 * MY: Country Code, SC: Self-Certification, Year: 2021, B: State code, 001: Reference number
Japan	Approval Month (2 digits) + serial number (4 digits) + year of approval (2 digits) + agreement number (RCEP is "04") * (Example) 0412342204
China	"CN" (country code) + local customs (2 digits) + serial number (5 digits) / 9 digits
Thailand	TH-RCEP + Company registration number (13 digits)
Australian	AU + "11-digit Australian business number (ABN)"
Indonesia (not valid)	Day (2 digits) + Month (2 digits) + Year (2 digits) + Serial number (6 digits) + Security (1 digit)

※ The above table is prepared based on the "RCEP Contracting Country Certification Exporter Number Assignment System" circulated by the RCEP Secretariat (May 22, 22).

3. Establishment and implementation of guidelines for Consolidated Certificate of Origin Preparation and Issuance Work

The Korea Customs Service established and implemented the 「Guidelines for the implementation of consolidated certificate of origin preparation and issuance work」 in order to support the smooth use of the consolidated proof of origin system introduced in the RCEP and vitalization of domestic logistics bases since May 18th, 2022. In the case of the Consolidated Certificate of Origin system, there has been no separate guideline so far, so the Korea Customs Service has stipulated the precautions and issuance method of the Consolidated Certificate of Origin for the RCEP and the Korea-ASEAN FTA through the establishment of this guideline.



The guidelines stipulated the issuance method for the RCEP consolidated certificate of origin by dividing into institutional issuance and self-issuance. For the institutional issuance, the benefits of waiving for necessary documents submission or automated examination would not be applied even for the certified exporters. For details, please check the guidelines announced by the International Cooperation Division of the Korea Customs Service.



Contents and Opinion of Customs Trade Revision **Regulations on the Application of Quota Tariffs under Article 71 of the 「Customs Act」**

1. Reason for revision and main contents

According to Article 71 (1) of the Customs Act, when it is necessary to promote imports for smooth supply of goods, or to strengthen the competitiveness of the industry, or to stabilize the domestic price of goods whose import price has risen sharply, quota tariff, which is lower than the basic tax rate, can be imposed to a certain amount. The period of application of quota tariffs on natural gas has been extended to minimize the domestic impact caused by external factors such as rises in international energy prices and crop prices, and to stabilize the living cost of ordinary people. It was scheduled to expire on April 30, 2022 but has been extended to July 31, 2022. The maximum amount for quota tariff application for feed raw materials has been increased from 40,000 tons to 250,000 tons for hulled barley and from 30,000 tons to 60,000 tons for bran. A 0 percent quota tariff is applied on potatoes for chips, a food raw material, from May 1 to November 30, 2022.



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[PROFILE]

- Shinhan Customs
- Import/export customs clearance
- Duty Drawback
- Classification

The customs office plans to apply a quota tariff of 0% until December 31, 2022 for the supply of neon, krypton, xenon gases for semiconductor manufacturing, or aluminum plates for secondary battery anode current collector manufacturing, whose prices are expected to rise due to the recent Ukraine crisis.

2. Revisions

*In case of potatoes for chips, 0% quota tariff applies until November 30, 2022

Tariff rate table No.	Item name	Specification, etc.	Tax rate (%)	quantity limit
1003.90	Barley	feed	0%	250,000 tons
2302.30	Bran	Wheat	0%	60,000 tons
0701.90	Potato (fresh or refrigerated)	chips	0%	12,810 tons
2804.29	Neon, Krypton, Xenon	-	0%	total Import
7601.20	Aluminum ingot (aluminum alloy)	Casting alloy for automobile parts manufacturing	0%	total import
7606.11	plate/sheet/strip made of unalloyed aluminum	secondary battery anode current collector (Except for those aluminum content is more than 99.99/100 of the total weight)	0%	total imports

*In the case of neon, krypton, xenon, and aluminum plates, lowered tariff rates applied until December 31, 2022.



3. Opinion

As supply chain crises and price surges for major resources such as energy, grain, and raw materials rise due to the recent crisis in Ukraine, the chain reaction is making companies at a greater risk and the national economy more difficult. In order to reduce the loss as much as possible, the import/export companies will need to have knowledge on the relevant system such as the quota tariffs application through a trade expert like customs brokers, and make the future plans accordingly.

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