

July 2, 2025

KCS AMENDS PUBLIC NOTICE OF OPERATION OF CUSTOMS VALUATION AND DIRECTIVE ON ACQUISITION OF DATA

I. REASONS FOR AMENDMENT

1. Public Notice of Operation of Customs Valuation

- Preparation of customs valuation declaration system reform plan and establishment of procedures such as consolidated submission system
- Revision of the price declaration form and clarification of the regulations on provisional price declaration
- Expansion of working-level meetings for the preliminary examination of the method of determining the customs value of imported goods among related parties (the "Preliminary Examination of Related Parties")

2. Directive on the Acquisition of Taxation Data

- To bolster responses to data submission non-cooperation
- To change the countermeasures against non-performance of data submission obligations
- To specify the frequency and period of request for data submission

II. KEY AMENDMENTS

1. Public Notice of Operation of Customs Valuation

1) Introduction of Consolidated Submission System for Documents for Declaration of Customs Valuation (§ 4)

- To enhance convenience in submitting data for determination of customs value
 - In case of repeated imports under same conditions, the submission of valuation documentation is required only for the first import declaration and may be omitted for subsequent import declarations.
 - List of document to be submitted for verifying the accuracy of the declared customs value has been specified depending on type of import transaction (Annex No. 8).

Categories (8)	Data for Determination of Customs Value (at least one for each category)
Royalties	<ul style="list-style-type: none"> • Contracts for payment of royalties for the use of patents, utility models, design rights, trademarks, and other rights similar thereto • Statement of calculation or royalty payment statements
Production Support	<ul style="list-style-type: none"> • Contracts related to production support • Statement of calculation of goods and services related to the production of imported goods or a statement of supply
Commissions	<ul style="list-style-type: none"> • Contracts for commission and brokerage fees, etc. • Statement of calculation or statement of commission and brokerage fees payment
Freight and Insurance Premiums	<ul style="list-style-type: none"> • Contracts concerning freight, insurance premiums and other transportation services • Statement of calculation or freight and insurance premiums payment statements and other expenses for transportation service
Containers and Packaging Costs	<ul style="list-style-type: none"> • Overseas Packaging Service Agreement, Container Lease Agreement • Statement of calculation or statement of overseas packaging services and container lease costs payments
Ex-Post Facto Vesting Profits	<ul style="list-style-type: none"> • Contracts related to the amounts that are directly or indirectly vested to a seller out of the amount of revenue generated from resale, disposition or use of imported goods • Statement of calculation or payment statements related to above
Indirect Payments	<ul style="list-style-type: none"> • Data related to the price of imported goods and the offsetting of the payments against the seller's debts • Data related to the amount of the seller's debts paid by the buyer • Data related to other indirect payments • Statement of calculation or payment details of indirect payments
Related Party Transactions	<ul style="list-style-type: none"> • Data on the determination of the price of imported goods under the Customs Act • Transfer Price Report or explanatory materials related to imported goods

* Upon submission of the data on determination of the customs value pursuant to Article 4(2) of the Public Notice, it is mandatory to submit the "invoice" and the "contract for the purchase of imported goods" as prescribed in Article 15, Paragraph 5, Items 1 and 2 of the Enforcement Decree, respectively, on the initial price declaration.

- Considering concerns over potential delay in customs clearance which might be caused by a company's preparation of the customs valuation data and the reporting agent's review of such customs valuation data, ex-post facto submission of such data is permitted.
- If a transaction does not fall under any of the foregoing 8 categories where it is required to submit the customs valuation data, permission is given to submit the statement of basis for non-submission along with the statement of price declaration.
- Exemption from the requirements for submission of customs valuation data: Compliant businesses (AEO and ACVA) and importers with less than KRW 500 million in taxes paid in the previous year are required to submit a statement of price declaration but are exempt from the obligation to submit customs valuation data.
- Plan for management of companies failing to submit customs valuation data: For companies failing to submit the customs valuation data, the Korea Customs Service ("KCS") will request such data after import customs clearance. If the requested data is not submitted in response, measures such as customs audits may be initiated.

2) Revision of the Price Declaration Form (Annex Nos. 3 and 4)

- Questions requiring subjective judgment are to be revised to solicit objective fact-finding questions.
- A new question will be added to allow a reporting entity to specify the method of determining the import price between related parties.
- A new field will be added to allow the reporting entity to state only the initial import declaration number for the same/repeated import declarations.

3) Clarification of Regulations on the Processing of Provisional Price Declarations (§ 6)

- The act of accepting a provisional value declaration is merely an act-of-fact, which can be described also as a task of checking formality requirements, not the examination of whether the reporting entity is eligible to submit the provisional value declaration.
- The regulations will be amended to allow the head of the competent customs office to check the existence of minor errors as to the statement of basis for the submission of provisional value declaration and the estimated date of final determination of customs value, and allow revisions prior to the final price declaration.

4) Expansion of Working-Level Meetings for the Preliminary Examination of Related Party Relationships (§ 51)

- During the initial stages of examination (e.g., the assessment of impact of related party relationship), additional working-level meetings will be held to consult in advance on the method and direction of the assessment of customs value, thereby enhancing the efficiency of the examinations.

5) **Scheduled Implementation Date**

- Implementation date: July 1, 2025
- In case of applications regarding the price declaration and the customs valuation data (Article 4 and Annex No. 8), the goods imported and declared from September 1, 2025 will be subject to the new provisions governing the price declaration and customs valuation data.
- In case of the application regarding the price declaration form (Annex Nos 3 to 6), the new provision will apply to the price declarations filed on December 1, 2025, and onwards.

2. **Directive on the Acquisition of Taxation Data**

1) **Strengthening Responses to Data Submission Non-Cooperation (§3, §4, §5)**

- The existing directive, which was limited to customs audits, will be integrated to include the provisions on the response to non-cooperation in submitting the data regarding the price declaration and tax assessments
- The title of the Directive will be changed to the "Directive on the Acquisition of Taxation Data" to reflect the above.

2) **Changes to Countermeasures to Data Submission Requirements Non-Compliance (§ 12)**

- Removal of provisions regarding the selection of the entities subject to documents submission requirements and upward adjustment of inspection rate, and addition of the provision to discontinue the exemption from bond requirement.

3) **Regulations on the Frequency and Period of Request for Data Submission (§ 8)**

- Taxpayers to be granted at least two opportunities to submit the relevant data, and a period of over 20 days will be provided for data submission.

4) **Scheduled Implementation Date**

- July, 2025 (subject to change depending on the final announcement)
- However, the amended provision requiring the submission of tax data regarding the price declaration shall apply to cases where the data submission is requested on or after September 1, 2025

III. **IMPLICATIONS**

1. **Public Notice of Operation of Customs Valuation**

Upon the implementation of the amended Public Notice, the KCS is expected to closely examine whether the declared value is appropriate, from the initial stage of customs clearance. When declaring the customs value for imported goods, the importers will be

required to submit customs valuation data for each of the eight categories as stipulated in Annexed Table No. 8 for customs valuation. If the import at issue does not fall under any such categories requiring the submission of customs valuation data, submission of a statement of basis for non-submission may be required.

In addition, for those companies that failed to submit customs valuation data the KCS may demand submission thereof, and a failure to submit same within 30 days is expected to result in severe sanctions such as (i) cancellation of monthly payment privilege, (ii) tax amount exams, (iii) the suspension of exemption from bonds, and (iv) irregular customs audits.

Accordingly, the import declarants are required to specify at least one customs valuation determination data for the 8 categories where the confirmation of the details of price declaration is needed: (i) related-party transactions, (ii) royalty payments, (iii) commissions, (iv) production support, (v) freight and insurance premium, (vi) container and packaging costs, (vii) ex-post facto vesting profits, and (viii) indirect payments (if not applicable, the statement of the basis for non-submission must be submitted).

In addition, a new question on the method of determining the individual price of imported goods among related parties was added to the price declaration form. While AEO certified companies are exempted from the requirements for the submission of customs valuation data, if there are related party transactions, the declaration regarding the pricing method for imported goods on the price declaration form is still required to be made. AEO-certified companies engaging in import transactions with overseas related parties should be careful in this regard.

In particular, for related party transactions, while the former price declaration form only required a declarant to tick the pricing methods such as cost-plus method, profit split method, or transactional net margin method, the revised form requires the additional entry of a specific pricing method [e.g., domestic sale price * (1-discount rate, resale margin, etc.) and submission of supporting documents for such specific pricing method. This obviously indicates that a significant level of data submission will likely be required.

Annex No. 3	Price declaration A (actual transaction price method 1)
	(c) Did the special relationship affect the pricing of the imported goods?
	(d) Is the transaction price close to the comparable price under Article 5 of the Enforcement Rules of the Customs Act (optional)?
Former	(e) In related-party transactions, what is the pricing method for the imported goods? ① Comparable Uncontrolled Price Method ② Resale Price Method ③ Cost-Plus Method ④ Profit Split Method ⑤ Transactional Net Margin Method (Operating Profit Margin) ⑥ Transactional Net Margin Method (Gross Cost Plus Margin) ⑦ Transactional Net Margin Method (Berry Ratio) ⑧ Others ()

Revised	<p>(c) [Arm's Length Pricing Method] In related-party transactions, what is the arm's length pricing method for imported goods?</p> <p>① Comparable Uncontrolled Price Method ② Resale Price Method ③ Cost-Plus Method ④ Transactional Net Margin Method ⑤ Profit Split Method ⑥ Other reasonable methods</p>
	<p>(d) [Import Price Determination Method] What is the transaction price determination method for imported goods in related-party transactions?</p> <p>① Domestic Sale Price (e.g., Standard Sale Price, Average Sale Price, and Net Sale Price, etc.) × (1- discount rate · resale margin rate)</p> <p>② Domestic Sale Price (e.g., Standard Sale Price · Average Sale Price · Net Sale Price, etc.) - Target Sales profit (- freight, customs duties, etc.)</p> <p>③ Manufacturing Cost (e.g., Standard Cost · Third Party Purchase Price, etc.) × (1 + mark-up rate)</p> <p>④ Manufacturing Cost (e.g., Standard Cost · Third Party Purchase Price, etc.) × coefficient</p> <p>⑤ Others (Please enter detailed determination method)</p> <p>(Please submit supporting materials related to the above questions separately.)</p>

2. Directive on the Acquisition of Customs Valuation Data

It is worth noting that, along with the Public Notice of the Operation of Customs Valuation, the Directive on the Acquisition of Customs Valuation Data has also been amended. Previously, the Directive was only applied for "customs audits." However, it has now been expanded to provide a legal basis for securing customs valuation data beginning from the "price declaration and tax assessment" stage. Accordingly, the head of the competent customs office can now request the submission of customs valuation data during the price declaration and tax assessment stages, even outside of a customs audit context. Businesses failing to submit the requested data are expected to undergo the following sanctions:

- (i) Companies failing to submit general data: Cancellation of approval for monthly payment, suspension of exemption from bond requirements, irregular customs audits, filing of a complaint, referral to the prosecution, and notification of penalties.
- (ii) Companies failing to submit data during customs audits: Cancellation of approval for monthly payment, suspension of exemption from bond requirements, irregular customs audits, filing of a complaint, referral to the prosecution, notification of penalty, extension of the on-site customs audit period, and suspension of customs audit.
- (iii) If the relevant person is a related party: In addition to the Subparagraphs (i) and (ii) above, a failure to submit the requested data may result in a fine of up to KRW 100 million. If the requested data has not been submitted within the deadline even after being fined, a

fine of up to KRW 200 million may be imposed. Furthermore, during customs audit or tax amount review, refusal to issue revised import tax invoices for corrected VAT amounts might be also a potential consequence.

3. Countermeasures

From the company's perspective, advance review should be conducted on whether remittances made through non-trade transactions constitute indirect payments or additions to the customs value under the Customs Act, and submit the results at the time of the initial import declaration. In the case of non-trade payments, not only the Customs Act but also the Foreign Exchange Transactions Act (Article 16 or Article 18) must be meticulously reviewed to determine if reporting is required. It is essential to proactively identify such key issues, formulate countermeasures to prevent unforeseen risks, and prepare a response plan.

Moreover, in the case of related-party transactions, detailed materials such as contracts and transfer pricing policies must be submitted at the time of initial import declaration. For foreign-invested companies with a high proportion of related party transactions, a thorough strategy is crucial, as the submission of such data will be required not only during customs audits but from the time of initial import.

The implementation of these revised Public Notice and Directive is expected to give rise to confusion regarding the scope of data submission during import declarations. Therefore, advice on the preparation of customs valuation declaration data, review of internal processes, assessment of whether non-trade transactions constitute indirect payments or additions to the customs value, and advice on reporting obligations under the Foreign Exchange Transactions Act will likely be needed. In the long term, safeguards concerning customs valuation, such as applying for the Advance Customs Valuation Arrangement (ACVA), should be prepared.

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Through numerous cases involving customs valuation, BAE, Kim & Lee LLC has built up extensive experience and know-how in the field of customs valuation, including reviewing whether a company's non-trade payments are subject to additions to customs value or constitute indirect payments, and assessing the adequacy of transaction prices between related parties.

Further, BKL possesses exceptional expertise and rich hands-on experience in customs advisory services. In addition, with foreign exchange specialists, BKL proactively reviews not only the Customs Act but also matters such as reporting obligations under the Foreign Exchange Transactions Act, thereby resolving companies' difficulties. Last but not least, BKL boasts its diverse experience in assisting foreign-invested companies, including advisory services on customs-related transfer pricing and ACVA consulting.

Based on this, BKL provides practical, customized solutions to its clients. Please contact us if you have any inquiries regarding the customs valuation of imported goods or foreign exchange matters in general.

Related Professionals

Seongjun Joo

Partner

T 82.2.3404.6517**E** seongjun.joo@bkl.co.kr**Seungwon Suh**

Partner

T 82.2.3404.0964**E** seungwon.suh@bkl.co.kr**Heeyoon Park**

Foreign Attorney (Washington D.C.)

T 82.2.3404.6987**E** heeyoon.park@bkl.co.kr

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