



# Tax News Flash

## - Customs

April 2024

Samjong KPMG provides readers Customs related recent local issues and trends. This newsletter is a monthly publication of Samjong KPMG. If you need more detailed explanation, please feel free to contact Key contacts.



**Korea Customs Service Introduces New Rule to Enhance Data Acquisition in audit: Pre-Risk Assessment, Document Preparation Vital for Multinational Enterprises in Today's Environment.**

The Korea Customs Service (KCS) plans to enhance its response to non-cooperation in submitting data during customs audits to improve data collection effectiveness and ensure accurate customs audits. To achieve this goal, it will establish and implement a new administrative regulation named the "Directive on Securing Taxation Data during Customs Audit.

This suggests that multinational enterprises (MNEs) should consider proactively preparing necessary data through pre-risk assessment or utilizing pre-cooperation programs such as the Advanced Customs Valuation Arrangement (ACVA) prior to undergoing customs scrutiny.

### **[Main Contents of the Administrative Regulations]**

The administrative regulations stipulate various sanctions against Non-Cooperating Submitters who intentionally delays, refuses, or make selective submission of favourable data in response to data submission requests as follows:

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### **1) Suspension or Extension of Customs Audit**

The KCS may suspend or extend customs investigations within a period of up to 20 days, which will not count towards the investigation period or extension period.

### **2) Fines**

The KCS may impose fines of up to KRW 100 million if taxpayers fail to submit data related to transfer pricing (TP) or submit false data. If corrected data is not submitted within the specified period, fines of up to KRW 200 million may be imposed.

Additionally, fines of up to KRW 50 million may be imposed for non-cooperation such as providing false statements or failing to comply with orders to submit taxation data.

### **3) Non-issuance of amended VAT invoice.**

If data related to TP is not submitted by the deadline or false data is submitted, the KCS may not issue amended VAT invoice for additionally imposed VAT resulting from the customs audit.

### **4) Denial of Transaction Price**

If data related to customs value is not submitted within the deadline or if the submitted data does not comply with generally accepted accounting principles, the customs value (TP) may be denied, and alternative valuation may be pursued.

### **5) Reporting, Referral, Notification Disposition**

If non-cooperating submitters of taxation data violate Article 12 of the Customs Act and Article 3(1) of the Enforcement Decree of the Customs Act by committing false declaration offenses, reporting, referral, or notification disposal measures may be taken.

### **6) Other Sanctions:**

In addition to the above, the KCS may select non-cooperating submitters for irregular customs investigations, exclude them from monthly payments system, or increase inspection rates, among other measures.

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