

Korea Customs Service (KCS):

Support for Tariffs Reduction on Emergency Air Transportation in Regard to COVID-19

- ♦ The government announced the '**Export Support Measures Related to COVID-19**' at the '**Expanded Trade Strategy Coordination Meeting** (presided over by the Prime Minister)' held at the Korea World Trade Center at 14:00 on Thursday, February 20.
 - In order to support small and medium-sized enterprises that are struggling from shortage of parts from China due to COVID-19,
 - It was decided to temporarily apply a special case of imposing customs* duties by applying **ocean freight rates**, not **air freight rates**, to the core automobiles components that are transported by air.
 - * $\text{Tariff} = (\text{Price of goods} + \text{Transportation fare} + \text{Insurance fee, etc.}) \times \text{Tariff rate}$
- ♦ The government held an on-site roundtable conference and identified the that the importing companies are facing significant challenges due to tariffs imposed on air freight rates** when urgently importing automobile parts by air*
 - * As one of the implications of the COVID-19 pandemic, the production of wiring harnesses in China has plummeted, leading to an urgent situation in which domestic car factories have been shutting down since February 7.
 - **Air freight rates are at least 15 times higher than ocean freight rates.
- ♦ The improvement measures were prepared through prompt consultation with relevant ministries.

<Details of on-site Roundtable Conference>

1. February 7 (Fri) On-site meeting in regard to COVID-19, hosted by the Deputy Prime Minister for economic affairs
2. February 11 (Tue) Meeting in regard to support for export and import industries suffering from COVID-19, presided over by the Commissioner of the Korea Customs Service (KCS)
3. February 13 (Thu) Meeting with business community leaders in regard to COVID-19 responses, presided over by President Moon Jae-in

- ◆ The government amended the KCS's 「Notice on the Determination of Taxation on Imported Goods」 in February (Administrative Notice: February 20 ~ February 24)
 - A tariff is temporarily imposed on the basis of the ocean freight rates, for the goods that have changed its **shipping method** from sea to air, or **air shipping goods*** that have changed its overseas business partners due to an emergency, such as COVID-19 outbreak
 - * Notification of the target and application period to be announced on February 25 by the Commissioner of the Korea Customs Service
 - In order to provide practical support to the importing company, it will be retroactively applied from the import declaration on February 5 (announcement date of support plan for COVID-19 related customs clearance)
- ◆ In order to minimize the impact of COVID-19 on our economy, the government will,
 - Operate on an **emergency response system** and continuously prepare related measures by actively reflecting the voice of the industry.

Korea Customs Service (KCS):

Expansion of Items Subject to Customs Duty Mitigation in Case of Emergency Import of Raw Materials in Response to COVID-19

- ♦ The Korea Customs Service (Commissioner Noh Seok-hwan) is committed to supporting the **domestic manufacturing industries** that are facing challenges in supplying **raw and subsidiary materials** due to the worldwide spread of COVID-19.
 - It was decided to expand the scope of application of the special air freight cost announced on February 20 at the '**Expanded Trade Strategy Coordination Meeting** (presided by the Prime Minister)'.
- ♦ The two items added for application are **other plastic insulated wires (HSK 8544.42-2090)** and **DC motors (8501.10-1000)**.
 - The items to be added this time will be applied retroactively from the items on February 5* that have been filed for practical support to the industry.
 - * Announcement date of support plan for COVID-19 related customs clearance

【Features of Special Air Freight Costs Announced on February 20】

- (Review background) In the meeting to combat COVID-19, the companies raised issues that the tariff burden will increase if the key parts of automobiles are imported by air.
- (Main contents) Relief on customs* burden by applying ocean freight costs, not air freight costs, to the parts that are urgently transported by air
 - * $\text{Tariff} = (\text{Price of goods} + \text{Transportation fare} + \text{Insurance fee, etc.}) \times \text{Tariff rate}$ // air freight costs are more than 20 times higher than ocean freight costs
- (Applicable period) From the date of announcement of COVID-19 related customs clearance support (February 5) to the day when the alert level of the infectious disease crisis is lowered to **yellow**
- (Applicable) Goods announced separately by the Commissioner of the Korea Customs Service

-1st (February 25): wiring harness used for automobile production (HSK 8544.30-0000)

- ◆ This additional product was selected among the difficulties in the industry received by the **Customs Import and Export Enterprise Support Center** and **Material Parts Supply and Demand Support Center*** of Ministry of Trade, Industry and Energy
 - * A private and public joint and private center composed of government departments, including Ministry of Trade, Industry and Energy, Korea Customs Service, related organizations, associations, etc.
- It was selected as confirming the urgent changes to the shipping method due to COVID-19 (ship → air) occurred among two or more companies that import the same goods.
- ◆ The Korea Customs Service will continue to listen to the voice of the industry to minimize the impact of the COVID-19 outbreak on our importing and exporting companies.
 - If the spread of COVID-19 has caused a serious damage, such as suspension of operations, and it was inevitable to import the items by air, report to the **Customs Import and Export Enterprise Support Center**.

※ Customs Import and Export Enterprise Support Center Contact information

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