



Exporter Questionnaire



Product	Wind towers
From	China and Korea
Period of Investigation	1 January 2012 to 30 June 2013
Response due by	24 October 2013 Extended to 7 November 2013
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TABLE OF CONTENTS

GOODS UNDER CONSIDERATION	3
SECTION A COMPANY STRUCTURE AND OPERATIONS	4
A-1 IDENTITY AND COMMUNICATION	4
A-2 REPRESENTATIVE OF THE COMPANY FOR THE PURPOSE OF INVESTIGATION	5
A-3 COMPANY INFORMATION	5
A-4 GENERAL ACCOUNTING/ADMINISTRATION INFORMATION	7
A-5 INCOME STATEMENT	12
A-6 SALES	14
SECTION B SALES TO AUSTRALIA (EXPORT PRICE)	16
SECTION C EXPORTED GOODS & LIKE GOODS	23
SECTION D DOMESTIC SALES	25
SECTION E FAIR COMPARISON	30
E-1 COSTS ASSOCIATED WITH EXPORT SALES	30
E-2 COSTS ASSOCIATED WITH DOMESTIC SALES.....	33
E-3 DUPLICATION	40
SECTION F EXPORT SALES TO COUNTRIES OTHER THAN AUSTRALIA (THIRD COUNTRY SALES)	42
SECTION G COSTING INFORMATION AND CONSTRUCTED VALUE	44
G-1. PRODUCTION PROCESS AND CAPACITY	44
G-2. PROVIDE INFORMATION ABOUT YOUR COMPANY'S TOTAL PRODUCTION IN THE FOLLOWING TABLE: ..	45
G-3. COST ACCOUNTING PRACTICES	45
G-4 COST TO MAKE AND SELL ON DOMESTIC MARKET	47
G-5 COST TO MAKE AND SELL GOODS UNDER CONSIDERATION (GOODS EXPORTED TO AUSTRALIA).....	50
G-6 MAJOR RAW MATERIAL COSTS.....	52
SECTION H EXPORTER'S DECLARATION	54

GOODS UNDER CONSIDERATION

The goods under consideration (the goods) i.e. the goods exported to Australia, allegedly at dumped prices are wind towers: The applicants describe the goods as:

certain utility scale wind towers, whether or not tapered, and sections thereof (whether exported assembled or unassembled), and whether or not including an embed being a tower foundation section.

Further the applicants detailed that wind towers are designed to support the nacelle (an enclosure for an engine) and rotor blades for use in wind turbines that have electrical power generation capacities equal to or in excess of 1.00 megawatt (MW) and with a minimum height of 50 metres measured from the base of the tower to the bottom of the nacelle (i.e. where the top of the tower and nacelle are joined) when fully assembled.

A wind tower section consists of, at a minimum, multiple steel plates rolled into cylindrical or conical shapes and welded together (or otherwise attached) to form a steel shell, regardless of coating, end-finish, painting, treatment or method of manufacture, and with or without flanges, doors, or internal or external components (e.g., flooring/decking, ladders, lifts, electrical junction boxes, electrical cabling, conduit, cable harness for nacelle generator, interior lighting, tool and storage lockers) attached to the wind tower section.

Goods specifically excluded from the scope are nacelles and rotor blades, regardless of whether they are attached to the wind tower. Also excluded are any internal or external components which are not attached to the wind towers or sections thereof.

SECTION A COMPANY STRUCTURE AND OPERATIONS

This section requests information relating to company details and financial reports.

A-1 Identity and communication

Please nominate a person within your company who can be contacted for the purposes of this investigation:

Head Office:

Name	Win&P., Ltd.
Position in the company	Ross Baek Team Leader Tower Project Sales
Address	178, Baumoe-Ro Secho-Gu Seoul, Korea
Telephone	+82-2-2040-1812 +82-10-8649-0740
Facsimile number	+82-2-2051-5804
Email address of contact person	wjbaek@winnp.co.kr

Factory:

Address	513, Haesaneop-Ro Sanam-Myeon Sacheon-Si Gyeongsangnam-Do Korea
Telephone	+82-55-851-8822
Facsimile number	+82-55-853-9109
Email address of contact person	wjbaek@winnp.co.kr

A-2 Representative of the company for the purpose of investigation

If you wish to appoint a representative to assist you in this investigation, provide the following details:

Name	Daniel Moulis
Address	6/2 Brindabella Circuit Brindabella Business Park Canberra International Airport Australian Capital Territory Australia 2609
Telephone	+ 61 2 6163 1000
Facsimile number	+ 61 2 6162 0606
Email address of contact person	daniel.moulis@moulislegal.com
All communications in relation to this matter should be directed to Moulis Legal in the first instance.	

Note that in nominating a representative, the Commission will assume that confidential material relating to your company in this investigation may be freely released to, or discussed with, that representative.

A-3 Company information

1. What is the legal name of your business? What kind of entity is it (eg. company, partnership, sole trader)? Please provide details of any other business names that you use to export and/or sell goods.

The legal name of the entity concerned with the goods under consideration for the purposes of this matter is “Win&P., Ltd.”.

Win&P., Ltd. is a limited liability company.

2. Who are the owners and/or principal shareholders? Provide details of shareholding percentages for joint owners and/or principal shareholders. (List all shareholders able to cast, or control the casting of, 5% or more of the maximum amount of votes that could be cast at a general meeting of your company).

Win&P., Ltd. is wholly owned by UNISON Co., Ltd.

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3. If your company is a subsidiary of another company, list the principal shareholders of that company.

See Attachment 1 [CONFIDENTIAL ATTACHMENT]. [CONFIDENTIAL TEXT DELETED – details of intercompany arrangements.]

4. If your parent company is a subsidiary of another company, list the principal shareholders of that company.

See Attachment 2 [CONFIDENTIAL ATTACHMENT].

5. Provide a diagram showing all associated or affiliated companies and your company's place within that corporate structure.

See Attachment 3 [CONFIDENTIAL ATTACHMENT].

6. Are any management fees/corporate allocations charged to your company by your parent or related company?

No.

7. Describe the nature of your company's business. Explain whether you are a producer or manufacturer, distributor, trading company, etc.

The factory has three manufacturing segments – wind, tower and forging, Wind segment handles the manufacturing, procurement and sale of full wind power generation solutions for customers, ie the tower, generator, blades and installation. Installation is provided under EPC contracts (not all contracts are EPC contracts). Tower segment is the relevant segment for the goods under consideration. Forging segment is a separate segment that produces detailed “forged” parts for wind towers (such as flanges) and generators (such as shaft).

[CONFIDENTIAL TEXT DELETED – details of supplier/s, intercompany arrangements.]

8. If your business does not perform all of the following functions in relation to the goods under consideration, then please provide names and addresses of the companies which perform each function:

- produce or manufacture
- sell in the domestic market
- export to Australia, and
- export to countries other than Australia.

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The business performs all of these functions.

Production activities take place at the factory, and the exporter's sales and administration activities are based in Seoul.

9. Provide your company's internal organisation chart. Describe the functions performed by each group within the organisation.

See Attachment 4 [CONFIDENTIAL ATTACHMENT].

10. Provide a copy of your most recent annual report together with any relevant brochures or pamphlets on your business activities.

See <http://www.winnp.co.kr/>.

A-4 General accounting/administration information

1. Indicate your accounting period.

Calendar year.

2. Indicate the address where the company's financial records are held.

All financial records for production and sales are accessible from the exporter's headquarters building in Seoul.

3. Please provide the following financial documents for the two most recently completed financial years plus all subsequent monthly, quarterly or half yearly statements:

- chart of accounts;

See Attachment 5 [CONFIDENTIAL ATTACHMENT].

- audited consolidated and unconsolidated financial statements (including all footnotes and the auditor's opinion);
- internal financial statements, income statements (profit and loss reports), or management accounts, that are prepared and maintained in the normal course of business for the goods under consideration.

These documents should relate to:

- the division or section/s of your business responsible for the production and sale of the goods under consideration, and
- the company.

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English translated versions of the relevant financial statements are provided in Attachment 6 [CONFIDENTIAL ATTACHMENTS].

4. If you are not required to have the accounts audited, provide the unaudited financial statements for the two most recently completed financial years, together with your taxation returns. Any subsequent monthly, quarterly or half yearly statements should also be provided.

Not applicable.

5. Do your accounting practices differ in any way from the generally accepted accounting principles in your country? If so, provide details.

Not applicable, in that the accounting practices do not differ from the generally accepted accounting principles in place for unlisted companies in Korea (“K-GAAP”).

6. Describe:

The significant accounting policies that govern your system of accounting, in particular:

The major accounting policies applicable are explained in the footnotes to the audited reports.

- the method of valuation for raw material, work-in-process, and finished goods inventories (eg last in first out –LIFO, first in first out- FIFO, weighted average);

Finished goods inventories are valued on a first in/first out (“FIFO”) basis. Inventory write-offs of raw materials and finished goods will occur if there is a difference between the physical inventory count and the inventory control records. When there is an inventory write-off, the loss is recorded as a non-operating expense. If the fair value of inventory is less than its cost, a contra-inventory account representing the valuation loss is presented to reduce the inventory to its net realizable value. This valuation loss is charged to the cost of sales for financial reporting purposes only. The inventory value in the cost accounting system is not adjusted but remains at the actual cost. If the circumstances which caused the valuation loss cease to exist, causing the market value to rise above the carrying amount, the valuation loss is reversed and limited to the original carrying amount before valuation. This reversal is a deduction to the cost of sales. Inventory valuation loss, or its reversal, is recorded on a quarterly basis.

Raw-materials, work-in-process, finished goods inventories in production are valued at the lower amount of their cost or net realizable value. Cost is determined using the weighted average method. The cost of finished goods, semi-finished goods and work in progress consists of

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the raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inventory write-offs of raw materials and finished goods will occur if there is a difference between the physical inventory count and the inventory control records. When there is an inventory write-off, the loss is recorded as a non-operating expense. If the fair value of inventory is less than its cost, a contra-inventory account representing the valuation loss is presented to reduce the inventory to its net realizable value. This valuation loss is charged to the cost of sales for financial reporting purposes only. The inventory value in the cost accounting system is not adjusted but remains at the actual cost. If the circumstances which caused the valuation loss cease to exist, causing the market value to rise above the carrying amount, the valuation loss is reversed and limited to the original carrying amount before valuation. This reversal is a deduction to the cost of sales. Inventory valuation loss, or its reversal, is recorded on a quarterly basis.

- costing methods, including the method (eg by tonnes, units, revenue, direct costs etc) of allocating costs shared with other goods or processes (such as front office cost, infrastructure cost etc);

Cost of finished goods, semi-finished goods and work in progress consists of the raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity).

1. Raw material

For the 3 main material types: (a) steel plates, (b) flanges and (c) internals, the production records track consumption of all inputs and outputs to raw material on a project basis. The factory does not assign specific cost centre codes to main raw material inputs.

2. Direct labour

Direct labour expended for production activities is recorded in the financial accounting system, and then allocated.

Direct labour can be classified into two categories. One is employee labour cost. The other is subcontracted labour cost. Employee and subcontracted labour cost is allocated by project rate of progress to each project.

Project rate of progress is monthly determined by the ratio of input labour hour for each project and total labour hours for total projects. Labour hours are set out from the standard labour hour of process conducted by subcontractor.

3. Indirect labour, depreciation and overhead

Indirect labour, depreciation and overhead is recorded in the financial accounting system, and is then allocated. Indirect labour, depreciation

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NON-CONFIDENTIAL VERSION

and overhead cost are allocated by project rate of progress to each project.

- valuation methods for damaged or sub-standard goods generated at the various stages of production;

The quality of products is tested when all processing has ended. Cost of manufacturing does not differ by grade of product. Defective products are treated as “non-prime”. This includes sub-standard goods, accidentally damaged goods and goods affected by other imperfect aspects leading to customer refusals.

- valuation methods for scrap, by products, or joint products;

Steel scrap is generated from the production of wind towers and steel products. In the production of wind tower, when the skirt is produced steel plates are consumed and the edges of the steel plates are scrapped. Also for steel products, some of the remaining steel plates are scrapped. They are temporarily stored and sold to unaffiliated companies. Sales of steel scrap are recognised as domestic sales income in income statements. For the purpose of this response, sales of steel scrap were deducted in manufacturing cost.

- valuation and revaluation methods for fixed assets;

In general, fixed assets are valued at their acquisition cost. Either the declining balance method or the straight-line method of depreciation over the estimated useful lives of most assets is used.

- average useful life for each class of production equipment and depreciation method and rate used for each;

Production side	
Buildings	40~60 years
Structures	10~40 years
Machinery	5~10 years
Vehicles, others	2~9 years
others	3~10 years
finance lease asset	5~10 years

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Sales side	
Buildings, structures	40 years
Machinery	10 years
Vehicles, others	5 years
others	5 years

- treatment of foreign exchange gains and losses arising from transactions;

Foreign exchange gains and losses may be incurred on foreign currency transactions due to exchange rate fluctuations between the time an expense is incurred in a foreign currency and the time of payment. Such gains and losses are separately reported as “gains/losses on foreign currency transactions” when payment accrues.

- treatment of foreign exchange gains/losses arising from the translation of balance sheet items;

Non-monetary assets and liabilities denominated in a foreign currency are translated at the effective exchange rate at the time of acquisition. Monetary assets and liabilities denominated in a foreign currency are translated at the effective exchange rate on the date of the balance sheets.

- inclusion of general expenses and/or interest;

General and administrative expenses, and financing charges (such as interest and discount expenses), that are related to debt used to fund the manufacture, purchase, or construction of tangible fixed assets, and which are incurred prior to completion of the assets, may be capitalized to inventory or fixed assets accounts. These capitalized expenses are then depreciated over the useful life of the asset.

Financial expense is not capitalised in inventory accounts.

- provisions for bad or doubtful debts;

Provision for bad or doubtful debts is calculated according to reasonable and objective standard for accountant receivables. Bad debt is recognized as a cost incurred in sales activities as selling and administrative expense. For cost incurred in other activities, bad debt is recognized as other operating expense.

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- expenses for idle equipment and/or plant shut-downs;

Except for assets under regular maintenance or held for the purpose of disposal, there is no idle equipment. Including machinery, as these assets are classified as non-operating assets not fixed assets, they are adjusted to their net realizable value (NRV). Under Korean GAAP, if the fair value of this asset is less than historical cost, the valuation loss is presented to reduce the book value to its net realizable value annually.

- costs of plant closure;

Not applicable, in that there were no plant closures in the period of investigation.

- restructuring costs;

Not applicable, in that there were no restructuring costs in the period of investigation.

- by-products and scrap materials resulting from your company's production process; and

Steel scrap is generated from the production of wind towers and steel products. In the production of wind tower, when the skirt is produced steel plates are consumed and the edges of the steel plates are scrapped. Also for steel products, some of the remaining steel plates are scrapped. They are temporarily stored and sold to unaffiliated companies. Sales of steel scrap are recognised as domestic sales income in income statements. For the purpose of this response, sales of steel scrap were deducted in manufacturing cost.

- effects of inflation on financial statement information.

The inflation rate in Korea has been very moderate in recent years, and there has been no need to account for the effects of inflation on financial statements.

7. In the event that any of the accounting methods used by your company have changed over the last two years provide an explanation of the changes, the date of change, and the reasons for it.

Not applicable, in that the accounting methods have not changed over the last two years.

A-5 Income statement

Please fill in the following table. It requires information concerning all products produced and for the goods under consideration (*'goods under consideration'*)

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NON-CONFIDENTIAL VERSION

(the goods) is defined in the Glossary of Terms in the appendix to this form). You should explain how costs have been allocated.

	Most recent completed financial year (specify)		Investigation period	
	All products	Goods Under Consideration	All products	Goods Under Consideration
Gross Sales (1)				
Sales returns, rebates and discounts (2)				
Net Sales (3=1-2)				
Raw materials (4)				
Direct Labour (5)				
Depreciation (6)				
Manufacturing overheads (7)				
Other operating expenses (8)				
Total cost to make (9=4+5+6+7+8)				
OPERATING INCOME (10=3-9)				
Selling expenses (11)				
Administrative & general expenses (12)				
Financial expenses (13)				
SG&A expenses (14)=(11+12+13)				
INCOME FROM NORMAL ACTIVITIES (15)=(10-14)				
Interest income (16)				
Interest expense (enter as negative) (17)				
Extraordinary gains and Losses – enter losses as				

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NON-CONFIDENTIAL VERSION

negative (18)				
Abnormal gains and losses – enter losses as negative (19)				
PROFIT BEFORE TAX (20)=(15+16+17+18+19)				
Tax (21)				
NET PROFIT (22)=(20-21)				

Note: if your financial information does not permit you to present information in accordance with this table please present the information in a form that closely matches the table.

Prepare this information on a spread sheet named "**Income statement**".

Please see “Income statement” spread sheet at Attachment 7 [CONFIDENTIAL ATTACHMENT], which comprises all the requested electronic spread sheets.

This information will be used to verify the completeness of cost data that you provide in Section G. If, because of your company’s structure, the allocations would not be helpful in this process, please explain why this is the case.

A-6 Sales

State your company's net turnover (after returns and all discounts), and free of duties and taxes. Use the currency in which your accounts are kept, in the following format:

	Most recent completed financial year (specify)		Investigation period	
	Volume	Value	Volume	Value
Total company turnover (all products)				
Domestic market				
Exports to Australia				
Exports to Other Countries				
Turnover of the nearest business unit, for which financial statements are prepared, which includes the goods under consideration				

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NON-CONFIDENTIAL VERSION

Domestic market				
Exports to Australia				
Exports to Other Countries				
Turnover of the goods under consideration				
Domestic market				
Exports to Australia				
Exports to Other Countries				

Prepare this information in a spread sheet named "TURNOVER".

Please refer to “Turnover” spread sheet at Attachment 7 [CONFIDENTIAL ATTACHMENT].

This information will be used to verify the cost allocations to the goods under consideration in Section G.

Also, you should be prepared to demonstrate that sales data shown for the goods is a complete record by linking total sales of these goods to relevant financial statements.

Sales and cost data for the goods under consideration can be reconciled to company financial statements.

SECTION B SALES TO AUSTRALIA (EXPORT PRICE)

This section requests information concerning your export practices and prices to Australia. You should include costs incurred beyond ex-factory. Export prices are usually assessed at FOB point, but the Commission may also compare prices at the ex-factory level.

*You should provide details of **all** goods under consideration (the goods):*

- *invoiced during the investigation period; and*
- *subject to tenders that were won during the investigation period, even in circumstances where the goods were not invoiced or **shipped** to Australia during the investigation period. In this circumstance, please provide details of any expenses already incurred with respect to the goods shipped outside of the investigation period,*

For tender sales, the Commission considers the contract date will normally be taken to be the date of sale. To ensure that the Commission can make a proper assessment of date of sale, we request the contract date, invoice date and delivery date. If you consider that a date other than the contract date is the appropriate date of sale, please provide a response outlining your reasons for this.

B-1 For each customer in Australia to whom you shipped goods in the investigation period list:

Name	Address	Contact name and phone/fax number where known	Trade level (eg: distributor, wholesaler, retailer, end user, original equipment)
[CONFIDENTIAL TEXT DELETED – customer details]			

B-2 For each customer identified in B1 please provide the following information.

- (a) Describe how the goods are sent to each customer in Australia, including a diagram if required.

The exporter receives a request for quotation (“RFQ”) from the intending purchaser and reviews the RFQ. The exporter prepares and sends a quotation, and negotiates about price, period for payment, and scope. After the negotiation, the exporter receives a purchase order (“PO”) from the client.

[CONFIDENTIAL TEXT DELETED – details of supplier/s, intercompany arrangements.]

At shipment, a bill of lading is issued (“B/L”).

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Please refer to Attachment 8 [CONFIDENTIAL ATTACHMENT].

- (b) Identify each party in the distribution chain and describe the functions performed by them. Where commissions are paid indicate whether it is a pre or post exportation expense having regard to the date of sale.

When production is completed, the goods are loaded on to trucks using crane rental company. [CONFIDENTIAL TEXT DELETED – details of crane rental, freight and inspection companies]

[CONFIDENTIAL TEXT DELETED – details of commissions paid]

- (c) Explain who retains ownership of the goods at each stage of the distribution chain. In the case of DDP sales, explain who retains ownership when the goods enter Australia.

The sales term for sales to Australia during the investigation period was [CONFIDENTIAL TEXT DELETED – details of sales terms]

- (d) Describe any agency or distributor agreements or other contracts entered into in relation to the Australian market (supply copy of the agreement if possible).

[CONFIDENTIAL TEXT DELETED – details of agency and distribution arrangements]

Please see Attachment 9 [CONFIDENTIAL ATTACHMENT] for copies of sales documentation.

- (e) Explain in detail the process by which you negotiate price, receive orders, deliver, invoice and receive payment. If export prices are determined through a tender process, supply copies of winning tender bids.

[CONFIDENTIAL TEXT DELETED – details of supplier/s, intercompany arrangements.]

When the exporter receives a purchase inquiry it will work out a quotation based on [CONFIDENTIAL TEXT DELETED – way in which price is worked out]

The prospective customer may ask for a re-quotation, in which case the exporter will consider whether it can re-quote.

If the quotation is successful, an internal P/O is sent to the factory for production and timing.

The exporter sends invoices on the dates designated in the contract. [CONFIDENTIAL TEXT DELETED – details of payment arrangements]

NON-CONFIDENTIAL VERSION

NON-CONFIDENTIAL VERSION

[CONFIDENTIAL TEXT DELETED – details of customer sourcing method]

- (f) State whether your firm is related to any of its Australian customers. Give details of any financial or other arrangements (eg free goods, rebates, or promotional subsidies) with the customers in Australia (including parties representing either your firm or the customers).

Not applicable, [CONFIDENTIAL TEXT DELETED – customer details]

- (g) Details of the forward orders of the goods under consideration (include quantities, values and scheduled shipping dates).

Exported but not yet imported:

[CONFIDENTIAL TEXT DELETED – details of forward orders]

Not yet exported:

[CONFIDENTIAL TEXT DELETED – details of forward orders]

- B-3** Do your export selling prices vary according to the distribution channel identified? If so, provide details. Real differences in trade levels are characterised by consistent and distinct differences in functions and prices.

Not applicable, in that there was only one distribution channel.

- B-4** Prepare a spread sheet named “Australian sales” listing all shipments (i.e. transaction by transaction) to Australia of the goods under consideration in the investigation period.

Where a contract has been won during the investigation period but the goods are not yet shipped, provide details of these goods with any expenses incurred to date and the scheduled delivery date specified in the contract.

You must provide this list in electronic format. Include the following export related information:

Column heading	Explanation
Customer name	names of your customers
Level of trade	the level of trade of your customers in Australia
Model/product code	code used in your records for the model/grade/type identified. Explain the product codes in your submission.

NON-CONFIDENTIAL VERSION

NON-CONFIDENTIAL VERSION

Itemised prices	Where the contract/ sale provided for separate prices for each item please show these items separately on each line. Eg for tower sections, flanges, mechanical and internals, lifts (where applicable) and for any free issue stock.
Contract number	Show order confirmation, contract or purchase order number
Contract date	Date contract was agreed with Australian customer – ensure all contracts entered in to during the investigation period are included, regardless of whether the goods were invoiced or delivered to your Australian customers outside of the investigation period
Invoice number	invoice number
Invoice date	Invoice date - ensure details of all invoiced goods during the investigation period are included, regardless of whether the contract was agreed or the goods were shipped outside of the investigation period.
Delivery date	if the delivery date differs from the invoice date please specify. If delivery has not occurred, include the scheduled delivery date set out in the contract for sale.
Shipping terms	Delivery terms eg. CIF, C&F, FOB, DDP (in accordance with Incoterms)
Payment terms	agreed payment terms eg. 60 days=60 etc
Quantity	Quantity in units shown on the invoice.
Gross invoice value	gross invoice value shown on invoice <i>in the currency of sale, excluding taxes.</i>
Discounts on the invoice	if applicable, the amount of any discount deducted on the invoice on each transaction. If a % discount applies show that % discount applying in another column.
Other charges	any other charges, or price reductions, that affect the net invoice value. Insert additional columns and provide a description.
Invoice currency	the currency used on the invoice
Exchange rate	Indicate the exchange rate used to convert the currency of the sale to the currency used in your accounting system
Net invoice value in the currency of the exporting country	the net invoice value expressed in your domestic currency as it is entered in your accounting system

NON-CONFIDENTIAL VERSION

NON-CONFIDENTIAL VERSION

Rebates or other allowances	the amount of any deferred rebates or allowances paid to the importer in the currency of sale
Other discounts	the actual amount of any other discount not deducted from the invoice. Show a separate column for each type of discount.
Ocean freight**	the actual amount of ocean freight incurred on each export shipment listed. If the goods are not yet shipped, provide an estimate of ocean freight.
Marine insurance	Amount of marine insurance. If the goods are not yet shipped, provide an estimate of marine insurance.
FOB export price**	the free on board price at the port of shipment.
Packing*	Packing expenses
Inland transportation costs*	inland transportation costs included in the selling price. For export sales this is the inland freight from factory to port in the country of export. If the goods are not yet shipped, provide an estimate of inland freight.
Handling, loading & ancillary expenses*	handling, loading & ancillary expenses. For example, terminal handling, export inspection, wharfage & other port charges, container tax, document fees & customs brokers fees, clearance fees, bank charges, letter of credit fees, & other ancillary charges incurred in the exporting country.
Warranty & guarantee expenses*	warranty & guarantee expenses
Installation expenses	Any expense associated with the installation of the goods if included in the contract
Technical assistance & other services*	expenses for after sale services, such as technical assistance or installation costs.
Commissions*	Commissions paid. If more than one type is paid insert additional columns of data. Indicate in your response to question B2 whether the commission is a pre or post exportation expense having regard to the date of sale.
Other factors*	any other costs, charges or expenses incurred in relation to the exports to Australia (include additional columns as required). See question B5.

** FOB export price and Ocean Freight:

FOB export price: An FOB export price must be calculated for each shipment - regardless of the shipping terms. FOB price includes inland transportation to the port of exportation, inland

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NON-CONFIDENTIAL VERSION

insurance, handling, and loading charges. It excludes post exportation expenses such as ocean freight and insurance. Use a formula to show the method of the calculation on each line of the export sales spread sheet.

Ocean freight: as ocean freight is a significant cost it is important that the actual amount of ocean freight incurred on each exportation be reported. If estimates must be made you must explain the reasons and set out the basis - estimates must reflect changes in freight rates over the investigation period.

Freight allocations must be checked for consistency.

* All of these costs are further explained in section E-1.

Please refer to the spread sheet “Australian sales” at Attachment 7 [CONFIDENTIAL ATTACHMENT].

- B-5** If there are any other costs, charges or expenses incurred in respect of the exports listed above which have not been identified in the table above, add a column (see “other factors” in question B-4) for each item, and provide a description of each item. For example, other selling expenses (direct or indirect) incurred in relation to the export sales to Australia.

Columns for “credit expense” and “duty drawback” have been included in the “Australian sales” spread sheet.

- B-6** For each type of discount, rebate, allowance offered on export sales to Australia:
- provide a description; and
 - explain the terms and conditions that must be met by the importer to obtain the discount.

Where the amounts of these discounts, rebates etc are not identified on the sales invoice, explain how you calculated the amount shown in your response to question B4. If they vary by customer or level provide an explanation.

[CONFIDENTIAL TEXT DELETED – details of discounts, rebates and allowances]

- B-7** If you have issued credit notes (directly or indirectly) to the customers in Australia, in relation to the invoices listed in the detailed transaction by transaction listing in response to question B4, provide details of each credit note if the credited amount has **not** been reported as a discount or rebate.

[CONFIDENTIAL TEXT DELETED – details of credit notes]

- B-8** If the delivery terms make you responsible for arrival of the goods at an

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agreed point within Australia (eg. delivered duty paid), insert additional columns in the spread sheet for all other costs incurred. For example:

Import duties	Amount of import duty paid in Australia
Inland transport	Amount of inland transportation expenses within Australia included in the selling price
Other costs	Customs brokers, port and other costs incurred (itemise)

[CONFIDENTIAL TEXT DELETED – details of sales terms]

B-9 For contracts where the goods were also shipped to Australia during the investigation period, please provide a complete set of all documentation related to the export sale. For example:

- the contract between your company and your Australian customer;
- the commercial invoice;
- bill of lading, export permit;
- freight invoices in relation to movement of the goods from factory to Australia, including inland freight contract;
- marine insurance expenses; and
- letter of credit, and bank documentation, proving payment.

The Commission will select additional shipments for payment verification at the time of the visit.

[CONFIDENTIAL TEXT DELETED – details of export sales] A complete set of documentation for [CONFIDENTIAL TEXT DELETED – details of export sales] is provided at Attachment 9 [CONFIDENTIAL ATTACHMENT].

SECTION C EXPORTED GOODS & LIKE GOODS

- C-1** Fully describe all of the goods you have exported to Australia during the investigation period. Include specification details and any technical and illustrative material that may be helpful in identifying, or classifying, the exported goods.

The product codes set out in the respective sales spread sheets contain [CONFIDENTIAL TEXT DELETED – details of product coding based on major characteristics] the key cost criteria for classification of the exported goods. See Attachment 10.

Specification details of the goods exported to Australia during the investigation period are set out in Attachment 11 [CONFIDENTIAL ATTACHMENT].

The manufacturing process for the product is set out in Attachment 12 [CONFIDENTIAL ATTACHMENT].

- C-2** List each unique unit of goods exported to Australia (these types should cover all types listed in spread sheet “**Australian sales**” – see section B of this questionnaire).

EXPORT TYPE		
Product code of each unique unit of the goods exported to Australia		

[CONFIDENTIAL TEXT DELETED – details of export sales] Please refer to Attachment 11 [CONFIDENTIAL ATTACHMENT] for details.

- C-3** List each unique unit of wind tower sold on the domestic market during the investigation period.

DOMESTIC TYPE		
Product code of each unique unit of the goods sold domestically		

NON-CONFIDENTIAL VERSION

The same product codes as explained in C-1 (see Attachment 10 [CONFIDENTIAL ATTACHMENT]) have been assigned to each transaction of domestic sales in the “Domestic Sales” spread sheet at Attachment 7 [CONFIDENTIAL ATTACHMENT].

Specification details of the goods sold on the domestic market during the investigation period are set out in Attachment 13 [CONFIDENTIAL ATTACHMENT].

- C-4** Please provide any technical and illustrative material that may be helpful in identifying or classifying the goods that your company sells on the domestic market.

Specification details of the goods sold on the domestic market during the investigation period are set out in Attachment 13 [CONFIDENTIAL ATTACHMENT].

NON-CONFIDENTIAL VERSION

SECTION D DOMESTIC SALES

This section seeks information about the sales arrangements and prices in the domestic market of the country of export.

The Commission's preliminary view of normal value:

The Commission considers that it may not be appropriate to determine normal values in accordance with section 269TAC(1) of the Act, using your domestic sales as adjusted for proper comparison with export sales, as the goods under consideration are capital goods that are manufactured to order.

*The Commission seeks information on your domestic sales for the purpose of determining profit so that a normal value can be properly constructed pursuant to section 269TAC (2)(c), using your cost to make and sell plus amounts for selling, general and administrative expenses and profit. If you consider that this is appropriate, **you do not need to complete Section E (fair comparison) of this questionnaire.***

*If you consider that it is appropriate for the Commission to determine normal values pursuant to section 269TAC (1) of the Act, **please ensure you complete Section D, Section E and Section F of this questionnaire.***

Information requested in relation to domestic sales:

In Section B, the Commission requests information in relation to your export sales to Australia. The Commission requested the following:

- *details of all invoiced sales made during the investigation period; and*
- *details of all tenders won during the investigation, regardless of whether the goods were invoiced and delivered outside of the investigation period. In these circumstances, the Commission requested that you provide an estimate of when the goods will be delivered to your Australian customers.*

*In relation to domestic sales, the Commission requests that you provide details of ALL of your invoiced sales during the investigation period. You **do not need** to provide details of tenders that were won during the investigation period but invoiced outside of the investigation period.*

*If there is an extraordinarily large volume of sales data and you are unable to provide the complete listing electronically you **must** contact the case officer **before** completing the questionnaire. If the case officer agrees that it is not possible to obtain a complete listing he or she will consider a method for sampling that meets the Commission requirements. If agreement cannot be reached as to the appropriate method the Commission may not visit your company.*

If you do not have any domestic sales of like goods you must contact the case officer who will explain the information the Commission requires for determining a

NON-CONFIDENTIAL VERSION

normal value using alternative methods.

D-1 Provide:

- a detailed description of your distribution channels to domestic customers, including a diagram if appropriate;
- information concerning the functions/activities performed by each party in the distribution chain; and
- a copy of any agency or distributor agreements, or contracts entered into.

If any of the customers listed are associated with your business, provide details of that association. Describe the effect, if any, that association has upon the price.

The exporter follows the same selling process in the case of domestic sales as was explained in the case of its export sales in B-2(e) above. See Attachment 14 [CONFIDENTIAL ATTACHMENT].

D-2 Do your domestic selling prices vary according to the distribution channel identified? If so, provide details. Real differences in trade levels are characterised by consistent and distinct differences in functions and prices.

Not applicable, in that there was only one distribution channel.

D-3 Explain in detail the sales process, including:

- the way in which you set the price, receive orders, make delivery, invoice and finally receive payment; and the terms of the sales; and
- whether price includes the cost of delivery to customer.

If sales are in accordance with price lists, provide copies of the price lists.

[CONFIDENTIAL TEXT DELETED – details of supplier/s, intercompany arrangements]

When the exporter receives a purchase inquiry it will work out a quotation based on on [CONFIDENTIAL TEXT DELETED – way in which price is worked out]

The prospective customer may ask for a re-quotation, in which case the exporter will consider whether it can re-quote.

If the quotation is successful the internal P/O will be sent to the factory for production and timing.

NON-CONFIDENTIAL VERSION

NON-CONFIDENTIAL VERSION

The exporter sends a tax invoice on the date designated in the contract, and the customer will then pay the contracted price in cash or by a note on regular payment date.

Delivery terms on the domestic market [CONFIDENTIAL TEXT DELETED – sales terms]

- D-4** Prepare a spread sheet named “**domestic sales**” listing **all** sales of like goods made during the investigation period. The listing must be provided on a CD-ROM. Include all of the following information.

Column heading	Explanation
Customer name	names of your customers. If an English version of the name is not easily produced from your automated systems show a customer code number and in a separate table list each code and name.
Level of trade	the level of trade of your domestic customer
Product code	code used in your records for the model of the goods identified. Explain the product codes in your submission.
Itemised prices	Where the contract/ sale provided for separate prices for each item please show these items separately on each line. Eg for tower sections, flanges, mechanical and internals, lifts (where applicable) and for any free issue stock.
Contract number	Show order confirmation, contract or purchase order number
Contract date	Date contract was agreed with your domestic customer. Do not include information relating to contracts where the goods were invoiced outside of the investigation period.
Invoice number	invoice number
Invoice date	invoice date
Delivery date	If the delivery date is different to the invoice date please specify
Delivery terms	eg ex factory, free on truck, delivered into store
Payment terms	payment terms agreed with the customer eg. 60 days=60 etc
Quantity	quantity in units shown on the invoice eg kg.
Gross Invoice value	gross value shown on invoice <i>in the currency of sale</i> , net of

NON-CONFIDENTIAL VERSION

NON-CONFIDENTIAL VERSION

	taxes.
Discounts on the Invoice	the amount of any discount deducted on the invoice on each transaction. If a % discount applies show that % discount applying in another column.
Other charges	any other charges, or price reductions, that affect the net invoice value. Insert additional columns and provide description.
Net invoice value in the currency of the exporting country	the net invoice value expressed in your domestic currency as recorded in your accounting system
Rebates or other Allowances	the actual amount of any deferred rebates or allowances in the currency of sale
Quantity discounts	the actual amount of quantity discounts not deducted from the invoice. Show a separate column for each type of quantity discount.
Packing*	packing expenses
Inland transportation Costs*	amount of inland transportation costs included in the selling price.
Handling, loading And ancillary expenses*	handling, loading & ancillary expenses.
Warranty & Guarantee expenses*	warranty & guarantee expenses
Installation expenses	Any expense associated with the installation of the goods if included in the contract
Technical assistance & other services*	expenses for after sale services such as technical assistance or installation costs.
Commissions*	commissions paid. If more than one type is paid insert additional columns of data.
Other factors*	any other costs, charges or expenses incurred in relation to the domestic sales (include additional columns as required). See question D5.

Costs marked with * are explained in section E-2.

Please refer to the “Domestic sales” spread sheet in Attachment 7

NON-CONFIDENTIAL VERSION

NON-CONFIDENTIAL VERSION

[CONFIDENTIAL ATTACHMENT].

- D-5** If there are any other costs, charges or expenses incurred in respect of the sales listed which have not been identified in the table in question D-4 above add a column for each item (see “other factors”). For example, certain other selling expenses incurred.

A column for “credit expense” has been included in the “Domestic sales” spread sheet

Please refer to E-2.4 below for more details about credit expense.

- D-6** For each type of commission, discount, rebate, allowance offered on domestic sales of like goods:

- provide a description; and
- explain the terms and conditions that must be met by the customer to qualify for payment.

Where the amounts of these discounts, rebates etc are not identified on the sales invoice, explain how you calculated the amounts shown in your response to question D4.

If you have issued credit notes, directly or indirectly to the customers, provide details if the credited amount has **not** been reported as a discount or rebate.

[CONFIDENTIAL TEXT DELETED – details of discounts, rebates, allowances and credit notes]

- D-7** Select two domestic sales that are at the same level of trade as the export sales. Provide a complete set of documentation for those two sales. (Include, for example, the tender bid, the contract of sale, commercial invoice, discounts or rebates applicable, credit/debit notes, inland freight contract, bank documentation showing proof of payment.)

The Commission will select additional sales for verification at the time of our visit.

Please refer to Attachment 15 [CONFIDENTIAL ATTACHMENT] for domestic sale documentation.

NON-CONFIDENTIAL VERSION

SECTION E FAIR COMPARISON

As outlined in Section D, please complete Section E only if you would submit that the Commission should determine normal values pursuant to section 269TAC (1).

Section B sought information about the export prices to Australia and Section D sought information about prices on your domestic market for like goods (ie. the normal value).

Where the normal value and the export price are not comparable adjustments may be made. This section informs you of the fair comparison principle and asks you to quantify the amount of any adjustment.

As prices are being compared, the purpose of the adjustments is to eliminate factors that have unequally modified the prices to be compared.

To be able to quantify the level of any adjustment it will usually be necessary to examine cost differences between sales in different markets. The Commission must be satisfied that those costs are likely to have influenced price. In practice, this means that the expense item for which an adjustment is claimed should have a close nexus to the sale. For example, the cost is incurred because of the sale, or because the cost is related to the sale terms and conditions.

Conversely, where there is not a direct relationship between the expense item and the sale a greater burden is placed upon the claimant to demonstrate that prices have been affected, or are likely to have been affected, by the expense item. In the absence of such evidence the Commission may disallow the adjustment.

Where possible, the adjustment should be based upon actual costs incurred when making the relevant sales. However, if such specific expense information is unavailable cost allocations may be considered. In this case, the party making the adjustment claim must demonstrate that the allocation method reasonably estimates costs incurred.

A party seeking an adjustment has the obligation to substantiate the claim by relevant evidence that would allow a full analysis of the circumstances, and the accounting data, relating to the claim.

The investigation must be completed within strict time limits therefore you must supply information concerning claims for adjustments in a timely manner. Where an exporter has knowledge of the material substantiating an adjustment claim that material is to be available at the time of the verification visit. The Commission will not consider new claims made after the verification visit.

E-1 Costs associated with export sales

(These cost adjustments will relate to your responses made at question B-4, 'Australian sales')

1. Transportation

Explain how you have quantified the amount of inland transportation associated with the export sale (“**Inland transportation costs**”). Identify the general ledger account where the expense is located. If the amount has been determined from contractual arrangements, not from an account item, provide details and evidence of payment.

[CONFIDENTIAL TEXT DELETED – details of transport cost arrangements]

Please refer to Attachment 16 for details [CONFIDENTIAL ATTACHMENT].

2. Handling, loading and ancillary expenses

List all charges that are included in the export price and explain how they have been quantified (“**Handling, loading & ancillary expenses**”). Identify the general ledger account where the expenses are located. If the amounts have been determined using actual observations, not from a relevant account item, provide details.

The various export related ancillary costs are identified in the table at question B4, for example:

- terminal handling;
- wharfage and other port charges;
- container taxes;
- document fees and customs brokers fees;
- clearance fees;
- bank charges, letter of credit fees
- other ancillary charges.

Handling and loading expenses are based on the actual incurred expenses in KRW per ton. The types of expenses are as follow:

(1) export inspection expense

(2) export permit fees

(3) crane rental fee when released at the factory

[CONFIDENTIAL TEXT DELETED – details of export sales] Please refer to Attachment 17 [CONFIDENTIAL ATTACHMENT] for details of calculation of estimated export permit fees.

NON-CONFIDENTIAL VERSION

For details of the inspection expense please refer to Attachment 18 [CONFIDENTIAL ATTACHMENT].

For details of the calculation of the crane rental fee, please refer to Attachment 19 [CONFIDENTIAL ATTACHMENT].

3. Credit

The cost of extending credit on export sales is not included in the amounts quantified at question B4. However, the Commission will examine whether a credit adjustment is warranted and determine the amount. Provide applicable interest rates over each month of the investigation period. Explain the nature of the interest rates most applicable to these export sales eg, short term borrowing in the currency concerned.

If your accounts receivable shows that the average number of collection days differs from the payment terms shown in the sales listing, *and if* export prices are influenced by this longer or shorter period, calculate the average number of collection days. See also item 4 in section E-2 below.

Payment terms according to the original contract have been reported in the "Australian Sales" spread sheet.

Collection days were calculated as the period between invoice date and the actual payment date for the GUC invoiced during POI. For the GUC which was contracted but not invoiced during POI, the credit period was calculated as the difference between the expected invoice date and expected date of payment. See Attachment 20 [CONFIDENTIAL ATTACHMENT].

The calculation of the short-term interest rate is set out in Attachment 21 [CONFIDENTIAL ATTACHMENT].

4. Packing costs

List material and labour costs associated with packing the export product. Describe how the packing method differs from sales on the domestic market, for each model. Report the amount in the listing in the column headed 'Packing'.

Unit packing costs have been calculated based on actual data for packing material, labour cost and overhead.

Details of packing cost are provided in Attachment 22 [CONFIDENTIAL ATTACHMENT].

5. Commissions

For any commissions paid in relation to the export sales to Australia:

- provide a description; and

NON-CONFIDENTIAL VERSION

NON-CONFIDENTIAL VERSION

- explain the terms and conditions that must be met.

Report the amount in the sales listing in question B-4 under the column headed “**Commissions**”. Identify the general ledger account where the expense is located.

[CONFIDENTIAL TEXT DELETED – details of commissions]

6. Warranties, guarantees, installation and after sales services

List the costs incurred. Show relevant sales contracts. Show how you calculated the expenses (“**Warranty & guarantee expenses**”, “**Installation expenses**” and “**Technical assistance & other services**”), including the basis of any allocations. Include a record of expenses incurred. Technical services include costs for the service, repair, or consultation. Where these expenses are included in the contract for sale or closely related to the sales in question, an adjustment will be considered. Identify the ledger account where the expense is located.

[CONFIDENTIAL TEXT DELETED – details of warranty, guarantee, technical assistance and similar service expenses]

7. Other factors

There may be other factors for which an adjustment is required if the costs affect price comparability – these are identified in the column headed “**Other factors**”. For example, other variable or fixed selling expenses, including salesmen’s salaries, salesmen’s travel expenses, advertising and promotion, samples and entertainment expenses. Your consideration of questions asked at Section G, concerning domestic and export costs, would have alerted you to such other factors.

No such other factors have been identified.

8. Currency conversions

In comparing export and domestic prices a currency conversion is required. Fluctuations in exchange rates can only be taken into account when there has been a ‘sustained’ movement during the period of investigation (see article 2.4.1 of the WTO Agreement). The purpose is to allow exporters 60 days to adjust export prices to reflect ‘sustained’ movements. Such a claim requires detailed information on exchange movements in your country over a long period that includes the investigation period.

No such fluctuations have been identified.

E-2 Costs associated with domestic sales

NON-CONFIDENTIAL VERSION

NON-CONFIDENTIAL VERSION

(These cost adjustments will relate to your responses made at question D-4, “domestic sales”)

The following items are not separately identified in the amounts quantified at question D-4. However you should consider whether any are applicable.

1. Physical characteristics

This adjustment recognises that differences, such as structure or design, mean that the goods are not identical. The Commission considers that the goods are unlikely to have identical models sold on the domestic market as they are large capital goods that are produced to order.

To support your claim that the Commission should determine normal values pursuant to section 269TAC (1), you will need to identify and quantify the physical or specification differences in order to ensure fair comparison.

The amount of the adjustment shall be based upon the market value of the difference, but where this is not possible the adjustment shall be based upon the difference in cost plus the gross profit mark-up (i.e. an amount for selling general and administrative costs (S G & A) plus profit).

The adjustment is based upon actual physical differences in the goods being compared and upon the manufacturing cost data.

Using the table below, provide a list of the claimed comparable product sold on the domestic market. Describe in detail the specification differences between the comparable products. Also provide your claimed adjustment on the basis of this specification difference, stating the source of your data.

The Commission will seek to verify your claimed specification adjustments during the verification visit.

EXPORTED TYPE	DOMESTIC TYPE	DIFFERENCES	CLAIMED ADJUSTMENT
Specifications, itemised of each model of the goods exported to Australia	Specifications, itemised of comparable model sold on the domestic market of the country of export	Describe the specification differences in detail. If it is impractical to detail specification differences in this table refer to documents which outline differences	The claimed adjustment must be quantifiable and supported by evidence that is available for verification by the Commission

The model exported to Australia has a directly comparable model in the domestic market based on main characteristics of wind tower in the

NON-CONFIDENTIAL VERSION

product coding system. Descriptions of these are set out in Attachment 10 [CONFIDENTIAL ATTACHMENT], and the specifications of the export and domestic goods themselves are set out in Attachments 11 and 13 [CONFIDENTIAL ATTACHMENT].

2. Import charges and indirect taxes

If exports to Australia:

- are partially or fully exempt from internal taxes and duties that are borne by the like goods in domestic sales (or on the materials and components physically incorporated in the goods), or
- if such internal taxes and duties have been paid and are later remitted upon exportation to Australia;

the price of like goods must be adjusted downwards by the amount of the taxes and duties.

The taxes and duties include sales, excise, turnover, value added, franchise, stamp, transfer, border, and excise taxes. Direct taxes such as corporate income tax are not included as such taxes do not apply to the transactions.

Adjustment for drawback is not made in every situation where drawback has been received. Where an adjustment for drawback is appropriate you must provide information showing the import duty borne by the domestic sales. (That is, it is not sufficient to show the drawback amount and the export sales quantity to Australia. For example, you may calculate the duty borne on domestic sales by quantifying the total amount of import duty paid and subtracting the duty refunded on exports to all countries. The difference, when divided by the domestic sales volume, is the amount of the adjustment).

In substantiating the drawback claim the following information is required:

- a copy of the relevant statutes/regulations authorising duty exemption or remission, translated into English;
- the amount of the duties and taxes refunded upon *exportation* and an explanation how the amounts were calculated and apportioned to the exported goods;
- an explanation as to how you calculated the amount of duty payable on imported materials is borne by the goods sold *domestically* but is not borne by the exports to Australia;

Substitution drawback systems

Annex 3 of the WTO Agreement on Subsidies provides: “*Drawback systems can allow for the refund or drawback of import duties on inputs which are consumed in the production process of another product and where the export of this latter product contains domestic inputs having the same quality and*

NON-CONFIDENTIAL VERSION

characteristics as those substituted for the imported inputs”

If such a scheme operates in the country of export adjustments can also be made for the drawback payable on the substituted domestic materials, provided the total amount of the drawback does not exceed the total duty paid.

A column for duty drawback has been included in the Australian sales spread sheet at Attachment 7 [CONFIDENTIAL ATTACHMENT]. The calculation of duty drawback is set out in Attachment 23 [CONFIDENTIAL ATTACHMENT]. The relevant regulation in Korea is provided in Attachment 24.

3. Level of trade

Question D-4 asks you to indicate the level of trade to the domestic customer. To claim an adjustment for level of trade differences you will need to quantify the amount by which level of trade influences price.

Trade level is the level a company occupies in the distribution chain. The trade level to which that company in turn sells the goods and the functions carried out distinguish a level of trade. Examples are producer, national distributor, regional distributor, wholesaler, retailer, end user, and original equipment.

It may not be possible to compare export prices and domestic prices at the same level of trade. Where relevant sales of like goods at the next level of trade must be used to determine normal values an adjustment for the difference in level of trade may be required where it is shown that the difference affects price comparability.

The information needs to establish that there are real trade level differences, not merely nominal differences. Real trade level differences are characterised by a consistent pattern of price differences between the levels and by a difference in functions performed. If there is no real trade level differences all sales are treated as being at the same level of trade.

A real difference in level of trade (may be adjusted for using either of the following methods:

- (a) *costs arising from different functions*: the amount of the costs, expenses etc incurred by the seller in domestic sales of the like goods resulting from activities that would not be performed were the domestic sales made at the same level as that of the importer.

This requires the following information:

- a detailed description of each sales activity performed in selling to your domestic customers (for example sales personnel, travel, advertising, entertainment etc);

NON-CONFIDENTIAL VERSION

NON-CONFIDENTIAL VERSION

- the cost of carrying out these activities in respect of like goods;
- for each activity, whether your firm carries out the same activity when selling to importers in Australia;
- an explanation as to why you consider that you are entitled to a level of trade adjustment.

or

- (b) *level discount*: the amount of the discount granted to purchasers who are at the same level of trade as the importer in Australia. This is determined by an examination of price differences between the two levels of trade in the exporter's domestic market, for example sales of like goods by other vendors or sales of the same general category of goods by the exporter. For this method to be used it is important that a clear pattern of pricing be established for the differing trade levels. Such pattern is demonstrated by a general availability of the discounts to the level - isolated instances would not establish a pattern of availability.

Not applicable, in that no level adjustment has been identified.

4. Credit

The cost of extending credit on domestic sales is not included in the amounts quantified at question D-4. However, the Commission will examine whether a credit adjustment is warranted and determine the amount. An adjustment for credit is to be made even if funds are not borrowed to finance the accounts receivable.

The interest rate on domestic sales in order of preference is:

- the rate, or average of rates, applying on actual short term borrowings by the company; or
- the prime interest rate prevailing for commercial loans in the country for credit terms that most closely approximate the credit terms on which the sales were made; or
- such other rate considered appropriate in the circumstances.

Provide the applicable interest rate over each month of the investigation period.

If your accounts receivable shows that the average number of collection days differs from the payment terms shown in the sales listing, and if domestic prices are influenced by this longer or shorter period, calculate the average number of collection days.

Where there is no fixed credit period agreed at the time of sale the period of

NON-CONFIDENTIAL VERSION

NON-CONFIDENTIAL VERSION

credit is determined on the facts available. For example, where payment is made using an open account system¹, the average credit period may be determined as follows:

1. *Calculate an accounts receivable turnover ratio*

This ratio equals the total credit sales divided by average accounts receivable.

(It is a measure of how many times the average receivables balance is converted into cash during the year).

In calculating the accounts receivable turnover ratio, credit sales should be used in the numerator whenever the amount is available from the financial statements. Otherwise net sales revenue may be used in the numerator.

An average accounts receivable over the year is used in the denominator. This may be calculated by:

- using opening accounts receivable at beginning of period plus closing accounts receivable at end of period divided by 2, or
- total monthly receivables divided by 12.

2. *Calculate the average credit period*

The average credit period equals 365 divided by the accounts receivable turnover ratio determined above at 1.

The resulting average credit period should be tested against randomly selected transactions to support the approximation.

Payment terms according to the original contract have been reported in the "Domestic sales" spread sheet.

Collection days were calculated as the period between invoice date and the actual payment date for like domestic products which were invoiced during the POI. For the like domestic products which were contracted but not invoiced during POI, the credit period has been calculated as the difference between the expected invoice date and expected date of payment.

The credit calculation details are set out at Attachment 20 [CONFIDENTIAL ATTACHMENT]. The calculation of the short-term interest rate is set out in Attachment 21 [CONFIDENTIAL ATTACHMENT].

The following items are identified in the amounts quantified at question D-4:

5. **Transportation**

¹ Under an open account system, following payment the balance of the amount owing is carried into the next period. Payment amounts may vary from one period to the next, with the result that the amount owing varies.

NON-CONFIDENTIAL VERSION

Explain how you have quantified the amount of inland transportation associated with the domestic sales (“**Inland transportation Costs**”). Identify the general ledger account where the expense is located. If the amount has been determined from contractual arrangements, not from an account item, provide details and evidence of payment.

[CONFIDENTIAL TEXT DELETED – sales terms]

6. Handling, loading and ancillary expenses

List all charges that are included in the domestic price and explain how they have been quantified (“**Handling, loading and ancillary Expenses**”). Identify the general ledger account where the expense is located. If the amounts have been determined using actual observations, not from a relevant account item, provide details.

The crane rental fee is based on the actual incurred expense in KRW per ton.

The calculation of the crane rental fee is also provided in Attachment 19 [CONFIDENTIAL ATTACHMENT].

7. Packing

List material and labour costs associated with packing the domestically sold product. Describe how the packing method differs from sales on the domestic market, for each model. Report the amount in the listing in the column headed “**Packing**”.

Unit packing costs have been calculated by each project, based on actual data of packing material and labour cost and overhead.

Unit packing cost calculation is provided in Attachment 22 [CONFIDENTIAL ATTACHMENT].

8. Commissions

For any commissions paid in relation to the domestic sales:

- provide a description
- explain the terms and conditions that must be met.

Report the amount in the sales listing under the column headed “**Commissions**”. Identify the general ledger account where the expense is located.

[CONFIDENTIAL TEXT DELETED – details of commissions]

NON-CONFIDENTIAL VERSION

9. Warranties, guarantees, installation expenses and after sales services

List the costs incurred. Show relevant sales contracts. Show how you calculated the expenses (“**Warranty & Guarantee expenses**”, “**Installation expenses**” and “**Technical assistance & other services**”), including the basis of any allocations. Include a record of expenses incurred. Technical services include costs for the service, repair, or consultation. Where these expenses are included in the contract for sale or closely related to the sales in question, an adjustment will be considered. Identify the ledger account where the expense is located.

[CONFIDENTIAL TEXT DELETED – details of warranties, guarantees, installation expenses and after sales services]

10. Other factors

There may be other factors for which an adjustment is required if the costs affect price comparability – these are identified in the column headed “**Other factors**”. List the factors and show how each has been quantified in per unit terms. For example:

- *inventory carrying cost*: describe how the products are stored prior to sale and show data relating to the average length of time in inventory. Indicate the interest rate used;
- *warehousing expense*: an expense incurred at the distribution point;
- *royalty and patent fees*: describe each payment as a result of production or sale, including the key terms of the agreement;
- *advertising*; and
- *bad debt*.

At the time of submitting this EQ response other factors have not been identified. However the right to present information concerning any later-identified adjustments for consideration and verification by the Commission is reserved.

E-3 Duplication

In calculating the amount of the adjustments you must ensure that there is no duplication.

For example:

- adjustments for level of trade, quantity or other discounts may overlap, or
- calculation of the amount of the difference for level of trade may be

NON-CONFIDENTIAL VERSION

based upon selling expenses such as salesperson's salaries, promotion expenses, commissions, and travel expenses.

Separate adjustment items must avoid duplication.

An adjustment for quantities may not be granted unless the effect on prices for quantity differences is identified and separated from the effect on prices for level of trade differences.

No duplication has been identified in the data as presented.

SECTION F EXPORT SALES TO COUNTRIES OTHER THAN AUSTRALIA (THIRD COUNTRY SALES)

As outlined in Section D, the Commission considers that, given the nature of the goods under consideration, it may not be appropriate to determine normal values on the basis of domestic sales (pursuant to section 269TAC(1)), or sales to third countries (pursuant to section 269TAC(2)(d)).

Please complete Section F only if you would submit that it is appropriate for the Commission to determine normal values pursuant to section 269TAC(2)(d).

Your response to this part of the questionnaire may be used by the Commission to select sales to a third country that may be suitable for comparison with exports to Australia.

Sales to third countries may be used as the basis for normal value in certain circumstances. The Commission may seek more detailed information on particular third country sales where such sales are likely to be used as the basis for determining normal value.

F-1 Using the column names and column descriptions below provide a summary of your export sales to countries other than Australia.

Column heading	Explanation
Country	Name of the country that you exported like goods to over the investigation period.
Number of customers	The number of different customers that your company has sold like goods to in the third country over the investigation period.
Level of trade	The level of trade that you export like goods to in the third country.
Quantity	Indicate the number of units sold
Value of sales	Show net sales value to all customers in third country over the investigation period
Currency	Currency in which you have expressed data in column SALES
Payment terms	Typical payment terms with customer(s) in the country eg. 60 days=60 etc

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Shipment terms	Typical shipment terms to customers in the third country eg CIF, FOB, ex-factory, DDP etc.
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Supply this information in spread sheet file named "Third country"

It is not submitted that it is appropriate for the Commission to determine normal values based on Section 269TAC(2)(d) for comparison with the export price of the sales to Australia.

F-2 Please identify any differences in sales to third countries which may affect their comparison to export sales to Australia.

SECTION G

COSTING INFORMATION AND CONSTRUCTED VALUE

The information that you supply in response to this section of the questionnaire will be used for various purposes including:

- testing the profitability of sales of like goods on the domestic market;*
- determining a constructed normal value of the goods under consideration (the goods) - ie of the goods exported to Australia; and*
- making certain adjustments to the normal value.*

You will need to provide the cost of production of both the exported goods (the goods) and for the like goods sold on the domestic market. You will also need to provide the selling, general, and administration costs relating to goods sold on the domestic market; the finance expenses; and any other expenses (eg. non-operating expenses not included elsewhere) associated with the goods.

In your response please include a worksheet showing how the selling, general, and administration expenses; the finance expenses; and any other expenses have been calculated.

Please provide costs associated to each of the export sales detailed at question B4 and domestic sales details in question D4.

For export sales, this will include costs associated with tenders that may be invoiced or delivered outside of the investigation period. Where these costs have not yet been incurred, please provide an estimate of these costs such as, for example, the cost you estimated at the time of bidding for the tender.

*For domestic sales, you only need to include **actual** costs incurred in relation to goods invoiced during the investigation period.*

At any verification meeting you must be prepared to reconcile the costs shown to the accounting records used to prepare the financial statements.

G-1. Production process and capacity

1. Describe the production process for the goods. Provide a flowchart of the process. Include details of all products manufactured using the same production facilities as those used for the goods. Also specify all scrap or by-products that result from producing the goods.

A flowchart of the manufacturing process is provided at Attachment 12 [CONFIDENTIAL ATTACHMENT].

The finished goods produced during the POI are utility wind towers, as well as components for these wind towers [CONFIDENTIAL TEXT DELETED – details of product parts and components] as instructed by

NON-CONFIDENTIAL VERSION

the Commission).

Steel scrap is generated from the production of wind towers and steel products. In the production of wind towers, when the skirt is produced steel plates are consumed and the edges of the steel plates are scrapped. Also for steel products, some of the remaining steel plates are scrapped. They are temporarily stored and sold to unaffiliated companies. The sales of steel scrap are recognized as domestic sales income in the income statements. For the purpose of this response, sales of steel scrap were deducted from manufacturing cost.

Please refer to Attachment 25 [CONFIDENTIAL ATTACHMENT] for scrap offset allocation worksheet.

G-2. Provide information about your company's total production in the following table:

	PREVIOUS FINANCIAL YEAR	MOST RECENT FINANCIAL YEAR	Investigation Period
A – Production capacity (eg capacity of units sold)*			
B – Actual production in volume (eg capacity of units sold)			
C – Capacity utilisation (%) (B/A x 100)			

* rather than showing a 'name-plate' optimal capacity it is more meaningful to show the maximum level of production that may reasonably be attained under normal operating conditions. For example assuming: normal levels of maintenance and repair; a number of shifts and hours of operation that is not abnormally high; and a typical production mix.

Provide this information on a spread sheet named "**Production**".

Please see “Production” spread sheet at Attachment 7 [CONFIDENTIAL ATTACHMENT].

The formula used in the spread sheet is as follows: *Capacity utilisation (%) = Capacity to produce a tower (per day) * total working day (annual)*

Please refer to Attachment 26 [CONFIDENTIAL ATTACHMENT] for details of the calculation method used.

G-3. Cost accounting practices

1. Outline the management accounting system that you maintain and explain how that cost accounting information is reconciled to your audited financial statements.

NON-CONFIDENTIAL VERSION

An outline of the production cost (management) accounting system is provided in Attachment 27 [CONFIDENTIAL ATTACHMENT].

The cost accounting system is based on actual cost, which can be reconciled to its audited financial statements. The cost accounting system is an integral part of the accounting system used to prepare normal financial statements by providing a measure, in accordance with K-IFRS, of the cost of sales, inventory, etc.

- 2 Is your company's cost accounting system based on standard (budgeted) costs? State whether standard costs were used in your responses to this questionnaire. If they were state whether all variances (ie differences between standard and actual production costs) have been allocated to the goods - and describe how those variances have been allocated.

Not applicable, in that the cost accounting system is maintained on an actual basis, and standard or budgeted cost system is not used.

- 3 Provide details of any significant or unusual cost variances that occurred during the investigation period.

Not applicable, in that there was no significant or unusual cost variance during the investigation period.

- 4 Describe the profit/cost centres in your company's cost accounting system.

The cost accounting system is not divided into sector by profit centre. However the accounts are arranged on a segment reporting basis. The cost of each production line is calculated and allocated into the production line concerned.

- 5 For each profit/cost centre describe in detail the methods that your company normally uses to allocate costs to the goods under consideration. In particular specify how, and over what period, expenses are amortised or depreciated, and how allowances are made for capital expenditures and other development costs.

A process accounting system is used, and not a standard or budget accounting system. A flowchart illustrating the cost reporting is provided in Attachment 27 [CONFIDENTIAL ATTACHMENT].

The accounting system is structured so that all costs incurred at the production facilities (including periodic costs) are recorded as production costs. Costs incurred in the selling divisions, administration and other corporate departments are classified as selling, general and administrative expenses.

- 6 Describe the level of product specificity (models, grades etc) that your

NON-CONFIDENTIAL VERSION

NON-CONFIDENTIAL VERSION

company's cost accounting system records production costs.

As already mentioned above, production cost has been calculated on a project basis. Each project is the relevant unit for manufacturing and cost allocation (costs are allocated to each project's product specifically).

- 7 List and explain all production costs incurred by your company which are valued differently for cost accounting purposes than for financial accounting purposes.

Not applicable, in that separate cost accounting system are not maintained, and thus no costs are valued differently for cost and financial accounting purposes.

- 8 State whether your company engaged in any start-up operations in relation to the goods under consideration. Describe in detail the start-up operation giving dates (actual or projected) of each stage of the start-up operation.

Not applicable, in that there were no start-up production operations for the GUC during the investigation period.

- 9 State the total cost of the start-up operation and the way that your company has treated the costs of the start-up operation in its accounting records.

Not applicable.

G-4 Cost to make and sell on domestic market

This information is relevant to testing whether domestic sales are in the ordinary course of trade.²

1. Please provide (in the format shown in the table below) the actual unit cost to make and sell each model/type* (identified in section C) of the like goods sold on the domestic market. Provide this cost data for each unique unit of the goods invoiced during the investigation period.

Actual unit cost to make and sell has been provided in the spread sheet entitled "Domestic CTMS" at Attachment 7 [CONFIDENTIAL ATTACHMENT]

[CONFIDENTIAL TEXT DELETED – details of domestic sales]

1. Raw material

² The Commission applies the tests set out in s.269TAAD of the Customs Act 1901 to determine whether goods are in ordinary course of trade. These provisions reflect the WTO anti-dumping agreement – see Article 2.2.1.

NON-CONFIDENTIAL VERSION

For the 3 main material types: [CONFIDENTIAL TEXT DELETED – details of product parts and components] the factory maintains records that track consumption of all inputs and outputs to raw material on a project basis. The factory does not assign specific cost centre codes to main raw material inputs.

2. Direct labour

The factory records direct labour expended for production activities in its computer system. Therefore, the actual labour cost is used and allocated in its system.

[CONFIDENTIAL TEXT DELETED – details of labour costs]

3. Indirect labour, depreciation and overhead

Indirect labour, depreciation and overhead are recorded in the computer system. Therefore, the factory uses and allocates the actual cost of production that is kept in its system. [CONFIDENTIAL TEXT DELETED – details of labour costs]

As for cost to sell, details of cost to sell for all products and GUC are provided in Attachment 28 [CONFIDENTIAL ATTACHMENT].

2. Indicate the source of cost information (account numbers etc) and/or methods used to allocate cost to the goods. Provide documentation and worksheets supporting your calculations.

CUSTOMER		
Contract number		
Item number		
Quantity		
Contract date		
Delivery date		
Tower model specification		
<i>Variable manufacturing costs</i>		
Raw material – steel plate towers		
Raw material – flanges towers		
Raw material – steel plate embeds		

NON-CONFIDENTIAL VERSION

NON-CONFIDENTIAL VERSION

Raw material – flanges embeds		
Raw material – mechanical and electrical internals		
Raw material – lifts (where applicable)		
Direct labour – manufacturing production		
Direct labour – testing, NDT and QA		
Other costs		
Fixed manufacturing costs		
Overheads		
Depreciation		
Finance charges		
Other costs		
Total cost to make		
Selling costs		
Administration costs		
Financial costs		
Delivery expenses		
Other costs		
Total cost to sell		
Total cost to make and sell		
Unit cost to make and sell		

Prepare this information in a spread sheet named "**Domestic CTMS**".

Provide this information for each unique unit of the goods invoiced during the period of the investigation. For example, if one contract specifies production of two different types of the goods, provide this information for each type of the goods.

NON-CONFIDENTIAL VERSION

NON-CONFIDENTIAL VERSION

Provide the information broken down into fixed and variable costs, and indicate the % total cost represented by fixed costs.

If you are unable to supply this information in this format, please contact the case officer for this investigation at the address shown on the cover of this questionnaire.

Please specify unit of currency.

Actual unit cost to make and sell has been provided in the spread sheet entitled "Domestic CTMS" at Attachment 7 [CONFIDENTIAL ATTACHMENT].

G-5 Cost to make and sell goods under consideration (goods exported to Australia)

The information is relevant to calculating the normal values based on costs. It is also relevant to calculating certain adjustments to the normal value.

CUSTOMER		
Contract number		
Item number		
Quantity		
Contract date		
Delivery date		
Tower model specification		
<i>Variable manufacturing costs</i>		
Raw material – steel plate towers		
Raw material – flanges towers		
Raw material – steel plate embeds		
Raw material – flanges embeds		
Raw material – mechanical and electrical internals		
Raw material – lifts (where applicable)		

NON-CONFIDENTIAL VERSION

Direct labour – manufacturing production		
Direct labour – testing, NDT and QA		
Other costs		
Fixed manufacturing costs		
Overheads		
Depreciation		
Finance charges		
Other costs		
Total cost to make		
Selling costs		
Administration costs		
Financial costs		
Delivery expenses		
Other costs		
Total cost to sell		
Total cost to make and sell		
Unit cost to make and sell		

Prepare this information in a spread sheet named "**Australian CTMS**".

Provide this information for all goods invoiced during the investigation period and for all goods the subject of a contract that was entered into during the investigation period, but invoiced or delivered outside of the investigation period. Where actual costs are not yet incurred, provide an estimate of these costs, such as for example, the estimate of the costs that formed the basis of your winning tender bid.

Provide this information for each unique unit of the goods contracted for sale or invoiced during the period of the investigation. For example, if one contract specifies production of two different types of the goods, provide this information for each type of the goods.

Provide the information broken down into fixed and variable costs, and indicate the % total cost represented by fixed costs.

NON-CONFIDENTIAL VERSION

NON-CONFIDENTIAL VERSION

If you are unable to supply this information in this format, please contact the case officer for this investigation at the address shown on the cover of this questionnaire.

Please specify unit of currency.

Actual unit cost to make and sell has been provided in the spread sheet entitled "Australian CTMS" at Attachment 7 [CONFIDENTIAL ATTACHMENT].

- 1 Where there are cost differences between goods sold to the domestic market and those sold for export, give reasons and supporting evidence for these differences.

If product specifications are the same as between product sold on the domestic market and for export, the cost of goods (production cost, "cost to make") will be the same. There would be no reason to apply different cost calculations between goods for domestic market and export market. However, there are some differences in unit selling, administration, delivery and other costs. Detail of calculation of SG&A expenses is provided at Attachment 28 [CONFIDENTIAL ATTACHMENT].

- 2 Give details and an explanation of any significant differences between the costs shown, and the costs as normally determined in accordance with your general accounting system. Reference should be made to any differences arising from movements in inventory levels and variances arising under standard costing methods.

For providing more accurate unit cost calculation, scrap deduction, duty draw back amount and adjustment of material cost are reflected to cost to make.

[CONFIDENTIAL TEXT DELETED – internal accounting methodology]

- 3 In calculating the unit cost to make and sell, provide an explanation if the allocation method used (eg number, or weight etc) to determine the unit cost differs from the prior practice of your company.

Not applicable. The unit cost determination method was maintained during the investigation period.

G-6 Major raw material costs

List major raw material costs, which individually account for 10% or more of the total production cost.

For these major inputs:

- identify materials sourced in-house and from associated entities;

NON-CONFIDENTIAL VERSION

NON-CONFIDENTIAL VERSION

- identify the supplier; and
- show the basis of valuing the major raw materials in the costs of production you have shown for the goods (eg market prices, transfer prices, or actual cost of production).

Where the major input is produced by an associate of your company the Commission will compare your purchase price to a normal market price. If the associate provides information on the cost of production for that input such cost data may also be considered.

Normal market price is taken to be the price normally available in the market (having regard to market size, whether the input is normally purchased at 'spot prices' or under long term contracts etc).

The term associate is defined in section 269TAA of the *Customs Act*. Included in that definition are companies controlled by the same parent company (a company that controls 5% or more of the shares of another is taken to be an associated company); companies controlled by the other company; and companies having the same person in the board of directors.

The major input and the primary raw material used to produce the subject merchandise is steel plate.

The portion of raw material in the total production cost is provided at Attachment 29 [CONFIDENTIAL ATTACHMENT]. The quantity and value of purchases of the inputs used in producing the GUC during the investigation period is provided in Attachment 30 [CONFIDENTIAL ATTACHMENT]. In normal manufacturing cost system, raw materials are controlled by each project.

All material inputs used for production of the towers were purchased from unaffiliated parties. [CONFIDENTIAL TEXT DELETED – details of supplier/s, intercompany arrangements.]

All machinery and equipment as well as electricity, water, gas, and oil used at the production facility were all purchased from unaffiliated parties.

Important note: If the major input is sourced as part of an integrated production process you should provide detailed information on the full costs of production of that input.

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**SECTION I
CHECKLIST**

This section is an aid to ensure that you have completed all sections of this questionnaire.

Section	Please tick if you have responded to all questions
Section A – general information	<input checked="" type="checkbox"/>
Section B – export price	<input checked="" type="checkbox"/>
Section C – like goods	<input checked="" type="checkbox"/>
Section D – domestic price	<input checked="" type="checkbox"/>
Section E – fair comparison	<input checked="" type="checkbox"/>
Section F – exports to third countries	<input type="checkbox"/> Not required
Section G – costing information	<input checked="" type="checkbox"/>
Section H – declaration	<input checked="" type="checkbox"/>

Electronic Data	Please tick if you have provided spread sheet
INCOME STATEMENT	<input checked="" type="checkbox"/>
TURNOVER – sales summary	<input checked="" type="checkbox"/>
AUSTRALIAN SALES – list of sales to Australia	<input checked="" type="checkbox"/>
DOMESTIC SALES – list of all domestic sales of like goods	<input checked="" type="checkbox"/>
THIRD COUNTRY – third country sales	<input type="checkbox"/> Not required
PRODUCTION – production figures	<input checked="" type="checkbox"/>
DOMESTIC COSTS – costs of goods sold domestically	<input checked="" type="checkbox"/>
AUSTRALIAN COSTS – costs of goods sold to Australia	<input checked="" type="checkbox"/>

Duty Drawback Regulation in Korea

ACT ON SPECIAL CASES CONCERNING THE REFUNDMENT OF CUSTOMS DUTIES, ETC. LEVIED ON RAW MATERIALS FOR EXPORT

Wholly Amended by Act No.5197, Dec. 30, 1996

Amended by Act No.6305, Dec. 29, 2000

Act No.7210, Mar. 22, 2004

Act No.8050, Oct. 4, 2006

Act No.8233, Jan. 11, 2007

Article 1 (Purpose)

The purpose of this Act is to stipulate special provisions of the [Customs Act](#), the [Provisional Import Surtax Act](#), the [Special Consumption Tax Act](#), the [Liquor Tax Act](#), the [Traffic, Energy and Environment Tax Act](#), the [Act on Special Rural Development Tax](#) and the [Education Tax Act](#) (hereinafter referred to as the "Customs Act, etc."), the [Framework Act on National Taxes](#) and the [National Tax Collection Act](#), thereby to contribute to efficient support for export activities and balanced industrial development through proper implementation of refund of taxes paid on raw materials for export such as the customs duties, provisional

import surtax, special consumption tax, liquor tax, traffic tax, agricultural and fishing villages special tax and education tax. <Amended by Act No. 8233, Jan. 11, 2007>

Article 2 (Definitions)

The definitions of the terms used in this Act shall be as follows: <Amended by Act No. 8233, Jan. 11, 2007>

1. The term "customs duties, etc." means the customs tax, provisional import surtax, special consumption tax, liquor tax, traffic tax, agricultural and fishing village special tax and education tax;
2. The term "export, etc." means, notwithstanding the provisions of the [Customs Act](#), etc., those as provided in each subparagraph of [Article 4](#);
3. The term "export goods" means goods offered for the purpose of export, etc.;
4. The term "required amount" means the amount of raw materials required in the production of goods for export (including the processing, assembling, repair, recycling, or remodeling of export goods; hereinafter the same shall apply) including the amount of normal loss and wear from production processing;
5. The term "refund" means the refund, to the exporter or the producer of export goods, of the customs duties, etc. which are paid at the time of import of raw materials for export or assessed to be paid later according to [Article 3](#) of this Act, notwithstanding the [Customs Act](#), etc.; and
6. The term "settlement of accounts" means to offset the customs duties, etc. which are to be paid on raw materials for export en bloc for each specified period pursuant to [Article 5](#) (2) against the payment of the refund account being withheld pursuant to [Article 16](#) (3).

Article 3 (Raw Materials Subject to Refund)

(1) Raw materials for which customs duties, etc. may be refundable (hereinafter referred to as the "raw materials for export") shall be those which fall under any one of the following subparagraphs: *<Amended by Act No. 8233, Jan. 11, 2007>*

1. Where export goods are produced, those falling under any one of the following items:

(a) Materials combining physically or chemically with relevant export goods;

(b) Materials put in the process producing relevant export goods and consumed:

Provided, That materials put in the production of export goods indirectly and consumed, such as those for the operation and maintenance of machinery, apparatus, etc. for producing export goods, shall be excluded; and

(c) Packing materials of relevant export goods; and

2. Export goods offered for export in the same condition as imported.

(2) If raw material produced domestically having the same quality and characteristics as that of imported raw material is used indiscriminately in the production process of export goods because it is mutually substitutable, it shall be deemed that raw materials for export have been used.

Article 4 (Export, etc. Subject to Refund)

Export, etc. for which customs duties, etc. on raw materials for export may be refundable shall be those falling under any one of the following subparagraphs: *<Amended by Act No. 7210, Mar. 22, 2004; Act No. 8233, Jan. 11, 2007>*

1. Export for which an export report has been accepted according to the [Customs Act](#):

Provided, That those exported free of charge shall be limited to such exports as prescribed by the Ordinance of the Ministry of Finance and Economy;

2. Of the sales or construction works which acquire foreign currency in the Republic of Korea, those prescribed by the Ordinance of the Ministry of Finance and Economy;
3. Supplies to a resident enterprise in a district prescribed by the Ordinance of the Ministry of Finance and Economy from among the bonded areas referred to in the [Customs Act](#) or a free trade zone under the [Act on Designation and Management of Free Trade Zones](#); and
4. Others recognized as exports which are prescribed by the Ordinance of the Ministry of Finance and Economy.

Article 5 (Collection of Customs Duties, etc. on Raw Materials for Export)

- (1) The head of a customhouse shall, notwithstanding the provisions of the [Customs Act](#), etc., collect customs duties, etc. on imported raw materials for export at the time of import thereof. *<Amended by Act No. 8233, Jan. 11, 2007>*
- (2) Where a person who imports raw materials for export files an application, the head of a customhouse may, notwithstanding the provisions of the [Customs Act](#), etc., have him/her pay customs duties, etc. on relevant raw materials in a lump sum by the specified period prescribed by the Presidential Decree (hereinafter referred to as the "lump-sum payment period") within the limit of 6 months. In this case, the payment period of customs duties, etc. shall be by the 15th of the month following the day on which relevant lump-sum payment period is terminated. *<Amended by Act No. 8233, Jan. 11, 2007>*
- (3) Where the Commissioner of the Korea Customs Service acknowledges that a lump-sum payment of customs duties, etc. pursuant to paragraph (2) and a settlement of accounts pursuant to [Article 7](#) are possible for a transaction in which raw materials for export are traded by means of local letters of credit or other documents similar thereto as prescribed

by the Ordinance of the Ministry of Finance and Economy (hereinafter referred to as the "local letters of credit, etc."), the supply of raw materials for export by local letters of credit, etc. may be regarded as export and the receipt of such supply may be regarded as import, notwithstanding the provisions of the [Customs Act](#), etc. <Amended by Act No. 8233, Jan. 11, 2007>

(4) The Commissioner of the Korea Customs Service may provide the standards and procedures necessary for the lump-sum payment of the customs duties, etc. pursuant to paragraph (2).

Article 6 (Furnishing of Security)

(1) A person who intends to pay en bloc the customs duties, etc. in lumpsum pursuant to [Article 5](#) (2) (hereinafter referred to as a "lump-sum payment enterprise") shall furnish a security in comparable amount as the tax amount to be paid in lump sum under the conditions as prescribed by the Presidential Decree.

(2) The head of a customhouse may make a waiver, notwithstanding the provisions of the paragraph (1), of the furnishing of a security if the person is deemed free of impediment in assurance of obligation of the customs, etc., and designated under the conditions as prescribed by the Presidential Decree (hereinafter referred to as "clean credit enterprise").

In this case, the head of a customhouse shall set the limit of the tax amount that is permissible to pay in lump sum without furnishing a security.

Article 7 (Settlement of Accounts of Customs Duties, etc. and Refund Amount on Raw Materials for Export)

(1) The head of a customhouse shall settle the accounts of the customs duties, etc. which a lump-sum payment enterprise of customs duties, etc. has to pay in a lump sum under

[Article 5](#) (2) and the refund money the payment of which has been reserved under [Article 16](#) (3) under the conditions prescribed by the Presidential Decree, and notify the lump-sum payment enterprise of customs duties, etc. of the result of the settlement of accounts thereof (hereinafter referred to as the "notification of settlement of accounts") by the day prescribed by the Presidential Decree.

(2) The head of a customhouse shall, when there are customs duties, etc. to be collected as a result of the settlement of accounts pursuant to paragraph (1), give notice for tax payment within the period of notification referred to in paragraph (1) pursuant to the provisions of [Article 39 of the Customs Act](#).

(3) The lump-sum payment enterprise of customs duties, etc. which has received the notice for tax payment under paragraph (2) shall pay the customs duties, etc. by the 15th of the month following the day on which the period of lump-sum payment is terminated.

(4) The head of a customhouse shall, when there is any refund money payable as a result of the settlement of accounts pursuant to paragraph (1), pay immediately relevant amount of money under the provisions of [Article 16](#) (1) and (4).

(5) The head of a customhouse may, when he/she finds any excess or deficiency in the amount obtained from the settlement of accounts after the notification of settlement of accounts, rectify it.

[This Article Wholly Amended by Act No. 8233, Jan. 11, 2007]

Article 8 (Ex Officio Settlement of Accounts)

(1) The head of a customhouse shall, when any grounds occur as prescribed by the Presidential Decree, immediately settle the accounts of customs duties, etc. (hereinafter referred to as the "ex officio settlement of accounts"), in order to assure the credit which is

not yet due until the date designated pursuant to the latter part of [Article 5 \(2\)](#) against the refund money whose payment is held back pursuant to [Article 16 \(3\)](#). In this case, the lump-sum payment of the customs duties, etc. pursuant to [Article 5 \(2\)](#) may be restricted under the conditions as prescribed by the Presidential Decree.

(2) The head of a customhouse shall, if he/she finds refund money payable as a result of the *ex officio* settlement of accounts, immediately make such payment according to [Article 16](#).

(3) The head of a customhouse shall, if he/she finds customs duties, etc., to be collected as a result of the *ex officio* settlement of accounts, give notice for tax payment pursuant to [Article 39 of the Customs Act](#). In this case, the person who has received the notice for tax payment shall pay the tax amount to the head of a customhouse within 10 days from the date when he has received the notice. *<Amended by Act No. 6305, Dec. 29, 2000; Act No. 8233, Jan. 11, 2007>*

(4) The head of a customhouse shall, if a person who has received the notice of tax pursuant to paragraph (3), as a lump-sum payment enterprise of the customs duties, etc. and who has put up a security, fails to pay the customs duties, etc., appropriate such security against the customs duties, etc. concerned.

Article 9 (Refund of Customs Duties, etc.)

(1) The head of a customhouse shall, when goods are used for export, etc., refund the customs duties, etc. on the raw materials for export of such goods imported within two years retroactively from the date prescribed by the Presidential Decree.

(2) When the raw materials for export are transacted by local letter of credit, etc. and when such transaction is made within the period as prescribed by the Presidential Decree from

the date in which the immediate preceding transaction by such local letter of credit, etc. is made (if there is no immediate preceding transaction by local letter of credit, etc., it refers to an import), the period from the date in which the raw materials for export are imported to the date in which the final transaction by local letter of credit, etc. is made shall not be included in the period pursuant to paragraph (1): *Provided*, That if the raw materials for export are transacted in the same condition as imported, the same shall not apply.

Article 10 (Calculation of Refund Money, etc.)

(1) An applicant for refund shall draw up the document in which the required amount of the raw materials for export goods is calculated (hereinafter referred to as "statement of accounts for the required amount") under the conditions as prescribed by the Presidential Decree, and shall calculate the refund money on the basis of such statement of accounts for the required amount.

(2) Notwithstanding the provisions of paragraph (1), the Commissioner of the Korea Customs Service shall, if it is deemed necessary to simplify the process of calculating the required amount, determine and put to public notice the standard required amount summed up on the basis of the average required amount by each of the export goods and may allow the applicant for refund to apply it at his/her option.

(3) Where two or more different types of goods are produced by using one kind of raw material for export, the customs duties, etc. shall be refunded on the basis of the price of goods produced, under the conditions as prescribed by the Commissioner of the Korea Customs Service.

(4) In refunding customs duties, etc., when it is worried that a significantly excessive or deficient refund than the tax amount paid at the time of the import of the raw materials for

export may arise due to a fluctuation, etc. of custom tariffs, etc. on raw materials for export, the Commissioner of the Korea Customs Service may fix the validity of the certificate of import declaration which enables a refund shorter than the period fixed under [Article 9](#) (1), or have a refund made by determining the quantity of raw materials for export which may be used for the refund based on the inventory of raw materials for export and export ratio of each enterprise under the conditions as prescribed by the Ordinance of the Ministry of Finance and Economy. *<Amended by Act No. 8233, Jan. 11, 2007>*

Article 11 (Certificate of Average Tax Amount)

(1) The head of a customhouse may, where it is deemed necessary to simplify the refunding business of customs duties, etc. on raw materials for export, issue, upon the application of a person who imports raw materials for export (including purchases by local letters of credit, etc; hereafter the same shall apply in this Article and [Article 12](#)) under the conditions prescribed by the Presidential Decree, a document certifying the quantity of each item and average tax amount per unit of the raw materials for export which have been imported each month by the person under the conditions prescribed by the Presidential Decree (hereinafter referred to as the "certificate of average tax amount"). In this case, this Act shall apply by deeming that relevant raw materials for export have been imported on the first day of the month to which the date of import of relevant goods belongs. *<Amended by Act No. 8233, Jan. 11, 2007>*

(2) Notwithstanding the provisions of paragraph (1), the customs collector may have a certificate of average tax amount issued under the conditions prescribed by the Presidential Decree with respect to a person falling under the standards determined by the Commissioner the Korea Customs Service from among the persons falling under any one of

the following subparagraphs: <Newly Inserted by Act No. 8233, Jan. 11, 2007>

1. A person who has imported raw materials for export; and
2. A licensed customs broker (limited to a person who has been entrusted by a person falling under subparagraph 1).

(3) With respect to goods imported by a person who has received a certificate of average tax amount from the head of a customhouse or a broker under the provisions of paragraph (1) or (2) 2 or a person who has issued a certificate of average tax amount under the provisions of paragraph (2) 1 for a purpose other than a purpose of offering to export, etc., which are goods having the same commodity description of ten digits on the schedules of tariff rates pursuant to [Article 50 \(1\) of the Customs Act](#) in comparison with the raw materials for export described in the certificate of average tax amount, the customs duties, etc. may be refunded only when the customs duties, etc. on the raw materials for export described in the certificate of average tax amount have been refunded. In this case, the refund amount of each item may not exceed the average tax amount of the raw materials for export described in the certificate of average tax amount for the month in which the goods concerned have been imported (in case there is no import of raw materials for export described in the certificate of average tax amount for the month in which import is carried out, referring to the average tax amount of the raw materials for export described in the certificate of average tax amount for the month in which raw materials for export having the same item name as the relevant goods are imported for the first time retroactively from the month in which the goods concerned are imported). <Amended by Act No. 6305, Dec. 29, 2000; Act No. 8233, Jan. 11, 2007>

Article 12 (Certificate of Tax Payment on Basic Raw Materials, etc.)

(1) The head of a customhouse may, where raw materials for export have been transacted by local letters of credit, etc. (excluding any case to which [Article 5 \(3\)](#) applies), issue, for more effective performance of the refunding business of customs duties, etc., a document certifying tax amount paid with respect to the raw materials for export transacted after being manufactured or processed (hereinafter referred to as the "certificate of tax payment on basic raw materials"), or a document certifying tax amount paid with respect to the raw materials for export which have been transacted in the same condition as they are imported (hereinafter referred to as the "certificate of divided import tax amount") under the conditions prescribed by the Presidential Decree. *<Amended by Act No. 8233, Jan. 11, 2007>*

(2) Notwithstanding the provisions of paragraph (1), the head of a customhouse may have a person falling under the standards determined by the Commissioner of the Korea Customs Service from among the persons falling under any one of the following subparagraphs issue a certificate of tax payment on basic raw materials or a certificate of divided import tax amount (hereinafter referred to as the "certificate of tax payment on basic raw materials, etc."): *<Newly Inserted by Act No. 8233, Jan. 11, 2007>*

1. A person who has supplied goods by means of local letters of credit, etc.; and
2. A licensed customs broker (limited to a person who has been entrusted by a person falling under subparagraph 1).

(3) Tax amount certified at the time when a certificate of tax payment on basic raw materials, etc. is issued pursuant to paragraph (1) or (2) shall be based on the calculation method of refund money pursuant to [Article 10](#), and the provisions of [Article 14 \(2\)](#) and (3) shall apply *mutatis mutandis* with respect to the examination as to the correctness of the tax amount certified. *<Amended by Act No. 8233, Jan. 11, 2007>*

Article 13 (Fixed Amount Refund Rates Table)

(1) The Commissioner of the Korea Customs Service may, if it is deemed necessary to simplify the refund procedure on the customs duties, etc. on such export goods having extraordinary production process as when 2 or more products are produced simultaneously by using one raw material for export and on the export goods produced by a small and medium enterprise, determine and put to public notification a fixed amount refund rates table by each item of the export goods on the basis of the average refund money of the customs duties, etc. or the average paid tax amount on the raw materials for export.

(2) The amount as provided in the fixed amount refund rates table pursuant to paragraph (1), shall be refunded as if it were the customs duties, etc. paid when the raw materials for export needed for producing the goods concerned was imported.

(3) A person who may be eligible for the application of the fixed amount refund rates table pursuant to paragraph (1) may ask the Commissioner of the Korea Customs Service to determine and put to public notice the fixed amount refund rates table under the conditions as prescribed by the Presidential Decree.

(4) If it is deemed inappropriate to apply the fixed amount refund rates table because the refund money in the fixed amount refund rates table is larger or smaller due to changes in the export structure, the import structure of raw materials, tariff rates, and exchange rates, the Commissioner of the Korea Customs Service may suspend the application of the fixed amount refund rates table or may make proper adjustments on all or part of the fixed amount refund rates table and notify the public thereof.

Article 14 (Application for Refund)

(1) A person who intends to have customs duties, etc. refunded shall apply for the refund to

the customhouse designated by the Commissioner of the Korea Customs Service within 2 years from the date on which the goods are offered to export, etc. under the conditions prescribed by the Presidential Decree: *Provided*, That where the tax amount of the raw materials for export offered to export, etc. has been revised under [Article 38-2 of the Customs Act](#), or corrected or rectified under [Article 38-3 of the same Act](#), the application for a refund may be filed within 2 years from the date thereof. *<Amended by Act No. 8233, Jan. 11, 2007>*

(2) The head of a customhouse shall, upon receiving the application for refund pursuant to paragraph (1), examine the items described in the written application for refund and items should be confirmed pursuant to the provisions in this Act and shall determine the refund money, but may examine the correctness of the refund money after refunding under the conditions as prescribed by the Presidential Decree.

(3) Notwithstanding the provisions of paragraph (2), the customs collector shall, in the case designated by the Ordinance of the Ministry of Finance of Economy because it is deemed inappropriate to examine after refunding due to the apprehension of an excessive refund, examine the correctness of the refund money before refunding. *<Amended by Act No. 8233, Jan. 11, 2007>*

Article 15 (Use of Computer Processing System)

(1) The head of a customhouse may have a report, payment, application, etc. under this Act (hereinafter referred to as the "electronic report, etc.") made or notify, give notice for tax payment, deliver, issue, designate, approve, etc. (hereinafter referred to as the "electronic delivery") by using a computer processing system under the conditions determined by the Commissioner of the Korea Customs Service.

(2) When an electronic report, etc. is made pursuant to paragraph (1), the head of a customs house may have relevant documents submitted by using the computer processing system under the conditions determined by the Commissioner of the Korea Customs Service, and may have such submission omitted or made in a simple way.

(3) An electronic report, etc. made pursuant to paragraph (1) shall be regarded as having been received by the customs house at the time when it is entered in the computer processing system designated by the Commissioner of the Korea Customs Service, and an electronic delivery shall be considered to have reached the person requiring the delivery at the time when it is entered in the computer designated in advance by the person requiring such delivery or in the computer processing system which is designated by the Commissioner of the Korea Customs Service upon an application of the person requiring the delivery.

(4) The provisions of [Article 327 \(4\) through \(6\) of the Customs Act](#) shall apply *mutatis mutandis* with regard to an electronic delivery under paragraph (1).

[This Article Wholly Amended by Act No. 8233, Jan. 11, 2007]

Article 16 (Payment of Refund Money)

(1) Notwithstanding the provisions of [Article 17 of the State Finance Act](#), the refund money of customs duties, etc. pursuant to this Act shall be paid by the Bank of Korea from the revenue account under the control of the head of a customs house who determines the payment of refund money. In this case, procedures for payment shall be prescribed by the Presidential Decree. *<Amended by Act No. 8050, Oct. 4, 2006>*

(2) If the balance of the revenue account under the control of the head of a customs house pursuant to paragraph (1) is insufficient, the Commissioner of the Korea Customs Service

may ask the Bank of Korea to make an adjustment between the revenue accounts under the control of the head of a customhouse under the conditions as prescribed by the Presidential Decree.

(3) Notwithstanding the provisions of paragraph (1), the head of a customhouse shall defer the payment of the refund money which has been determined upon an application for a refund by a lump-sum payment enterprise of customs duties, etc. until the date when a settlement of accounts pursuant to [Article 7](#) (1) is made for each lump-sum payment term to which the relevant refund money determination date belongs. *<Amended by Act No. 8233, Jan. 11, 2007>*

(4) If the head of a customhouse finds an applicant for refund is in default of any customs duties, etc. including additional dues, additional tax or disposition fee in arrears, which is to be paid to the customhouse, he/ she may preferentially make an appropriation of the determined refund of the customs duties, etc. to meet such defaulted payment of the additional dues, the additional tax and the disposition fee in arrears, and the remainder after the appropriation shall be paid to the applicant concerned.

Article 17 (Restriction on Refund, etc.)

(1) Notwithstanding the provisions of [Article 9](#), if it is deemed necessary to promote the use of domestically produced raw materials for the production of export goods, the refund may be restricted under the conditions as prescribed by the Presidential Decree.

(2) Goods subject to restrictions pursuant to paragraph (1), and the rate of restriction shall be prescribed by the Ordinance of the Ministry of Finance and Economy. *<Amended by Act No. 8233, Jan. 11, 2007>*

Article 18 (Collection of Customs Duties, etc. for Using Outside of Purpose)

(1) The head of a customhouse shall, where the goods for which the customs duties, etc. were refunded are found to have been used for the purpose other than prescribed in subparagraph 2 of [Article 4](#) within the period designated by the Commissioner of the Korea Customs Service in the limit of three years after the date on which the goods are offered for the concerned purpose, instantly collect the refunded customs duties, etc. from the person who used the goods outside of the purpose: *Provided*, That when the goods are destroyed because of such unavoidable reasons as disaster, etc. or are destroyed with the prior approval by the head of a customhouse, the same shall not apply.

(2) Any goods which are offered for the purpose as prescribed in subparagraph 3 of [Article 4](#) shall be considered as foreign goods in application of the [Customs Act](#), etc. *<Amended by Act No. 8233, Jan. 11, 2007>*

Article 19 (Reduction of Tax Rates of Customs Duties, etc. in lieu of Refund)

(1) With respect to goods imported for use chiefly in the production of goods offered for export, etc., the tax rates of the customs duties, etc. may be reduced taking the export ratio into consideration.

(2) The goods and the tax rates of the customs duties, etc. on such goods which are to be reduced pursuant to paragraph (1) shall be prescribed by the Presidential Decree.

(3) With respect to goods to which a reduction of tax rates of the customs, etc. was applied pursuant to paragraph (1), the lump-sum payment and refund of the customs duties, etc. pursuant to this Act shall not be granted.

Article 20 (Custody and Submission of Documents, etc.)

(1) All documents designated by the Presidential Decree from among the documents concerning the refund of the customs duties, etc. pursuant to this Act shall be kept for the

period designated by the Presidential Decree within the limit of 5 years after the date of the application for the refund, etc.

(2) The documents as provided in paragraph (1) may be kept in the form of microfilm, optical disk or other media for preservation of data under the conditions as determined by the Commissioner of the Korea Customs Service.

(3) The Commissioner of the Korea Customs Service or the customs collector may, if it is deemed necessary for the examination as to the appropriateness of refund money pursuant to [Article 14](#), ask a person who has received refund, a person who imports raw materials for export, person who offers such raw materials for export for use in the country by local letters of credit, etc. and other related persons to submit the documents as provided in paragraph (1) and other related data.

Article 21 (Collection of Excessive Refund Money, etc.)

(1) The head of a customhouse shall, where the refund money paid pursuant to [Article 16](#) falls under any one of the following subparagraphs, collect relevant refund money or excessive refund money (hereinafter referred to as the "excessive refund money, etc.") from the person who has received the refund of customs duties, etc. pursuant to [Article 47 \(1\) of the Customs Act](#) (including any person who has been issued a certificate of tax payment on basic raw materials, etc.; hereafter the same shall apply in this Article): *<Amended by Act No. 6305, Dec. 29, 2000; Act No. 8233, Jan. 11, 2007>*

1. Where an excessive amount of refund was made in comparison with the amount which should have been refunded pursuant to the provisions of this Act;
2. Where the tax amount of customs duties, etc. on the certificate of tax payment on basic raw materials, etc. pursuant to the [Article 12](#) has been excessively certified, and the

relevant certificate of tax payment on basic raw materials, etc. has been used for the refund, etc. thereby making it impossible to correct or reissue it;

3. Where the customs duties, etc. have already been refunded without loading onto a ship or an aircraft: *Provided*, That where the loading onto a ship or an aircraft was done before the collection of the amount in question, the same shall not apply; and
4. Where the refund is received according to the fixed amount refund rates table with respect to the goods to which the fixed amount refund rates table pursuant to [Article 13 \(1\)](#) does not apply.

(2) When collecting excessive refund money, etc. pursuant to paragraph (1), the amount calculated according to the rate of interest as prescribed by the Presidential Decree shall be added to the excessive refund money for the period from the day following the refund was paid until the date when the decision to collect was made.

(3) When intending to collect excessive refund money, etc. and an amount requiring to be added to excessive refund money, etc. pursuant to paragraphs (1) and (2), the contents thereof shall be notified in advance by a letter to the person who has received the refund of customs duties, etc. In this case, [Article 118 of the Customs Act](#) shall apply *mutatis mutandis*. <Newly Inserted by Act No. 8233, Jan. 11, 2007>

(4) When a person who has received a refund of customs duties, etc. or a person who has received a notification of settlement of accounts pursuant to [Article 7 \(1\)](#) finds the fact that he/she falls under any one of subparagraphs of paragraph (1) or the fact that the settlement of accounts has been made deficiently than the customs duties, etc. requiring to be paid after he/she is notified of the settlement of accounts, he/she may voluntarily report such facts to the head of a customhouse under the conditions as prescribed by the Presidential

Decree and pay the excessive refund money, etc. or customs duties, etc.: *Provided*, That any case falling under any one of the following subparagraphs shall be excluded:

<Amended by Act No. 8233, Jan. 11, 2007>

1. Where the head of a customhouse has notified in writing the contents of collection with respect to the excessive refund money, etc. under paragraph (3);
2. Where an investigation of customs duties under [Article 114 \(1\) of the Customs Act](#) has been notified; and
3. Where an investigation falling under any one of subparagraphs of [Article 110 \(2\) of the Customs Act](#) has been started without notifying the investigation under [Article 114 \(1\) of the same Act](#).

(5) When paying excessive refund money, etc. or customs duties, etc. under the main sentence of [Article 4](#), an amount calculated in accordance with the period, interest rate, etc. prescribed by the Presidential Decree shall be added to the excessive refund money, etc. or customs duties, etc. and paid. *<Newly Inserted by Act No. 8233, Jan. 11, 2007>*

Article 22 (Refund of Shortage of Refund Money)

(1) The head of a customhouse shall make up for the shortage of refund money concerned without delay when he/she learns the fact that the refund money paid pursuant to [Article 16](#) had been made less than the amount rightfully payable pursuant to the provisions of this Act.

(2) When making up for the shortage of refund money pursuant to paragraph (1), the amount calculated according to the rate of interests as prescribed by the Presidential Decree pursuant to [Article 21 \(2\)](#) shall be added to the shortage of the refund money for the period from the day following the refund until the day when the decision to make up for the

shortage was made.

Article 23 (Penal Provisions)

(1) A person who has received the refund of the customs duties, etc. by deception and other fraudulent methods shall be punished by imprisonment for 3 years or less, or by a fine of 5 times or less equivalent to the tax amount refunded.

(2) A person who falls under any one of the following subparagraphs shall be punished by imprisonment for 3 years or less, or by a fine of 20 million won or less: *<Amended by Act No. 8233, Jan. 11, 2007>*

1. A person who has drawn up a statement of accounts for the required amount referred to in [Article 10](#) (1);
2. A person who has the head of a customhouse or a licensed customs broker issue a certificate of tax payment on basic raw materials under [Article 12](#) (1) or (2) by deception or unlawful means; and
3. A person who is in charge of issuance of a certificate of tax payment on basic raw materials under [Article 12](#) (2) and has issued a certificate of tax payment on basic raw materials by fraud.

(3) A person who violates the provisions of [Article 20](#) (1) without reasonable grounds shall be punished with a fine of 20 million won or less.

(4) A person who fails to submit the document and other data required by the Commissioner of the Korea Customs Service or the customs collector pursuant to [Article 20](#) (3) without reasonable grounds, shall be punished with a fine of 10 million won or less.

(5) The head of a customhouse shall, where it falls under paragraphs (1) and (2), collect instantly the customs duties, etc. refunded.

Article 24 (Examination and Disposition)

The provisions of [Articles 283 through 319 of the Customs Act](#) shall apply to any person falling under [Article 23](#) (1) through (4) of this Act. *<Amended by Act No. 6305, Dec. 29, 2000; Act No. 8233, Jan. 11, 2007>*

ADDENDA

Article 1 (Enforcement Date)

This Act shall enter into force on July 1, 1997.

Article 2 (General Transitional Measures)

Matters in force pursuant to the previous provisions before this Act enters into force, shall be governed by the previous provisions.

Article 3 (Examples of Application Subject to Lump-Sum Payment of Customs, etc.)

Lump-sum payment of the customs duties, etc. pursuant to [Article 5](#) (2) shall apply to the raw materials for export, the import declaration of which is made on July 1, 1997.

Article 4 (Examples of Application to Refund of Customs Duties, etc.)

The calculation period on the raw materials for export pursuant to [Article 9](#) (1) shall apply to the raw materials for export, the import declaration of which is made on July 1, 1997.

Article 5 (Transitional Measures concerning Drawing Up of Statement of Accounts for Required Amount)

Drawing up of the statement of accounts for the required amount pursuant to [Article 10](#) (1) shall be regarded as if the export declaration were received or offered through a local letter of credit after July 1, 1997 (in case where transaction through a local letter of credit is executed more than twice, the first day offered shall be the standard): *Provided*, That in a

case where an applicant for refund fails to calculate the required amount by June 30, 1998, the statement of accounts for the required amount, etc. pursuant to the previous provisions before this Act enter into force may be used.

Article 6 (Examples for Application to Payment Reservation of Refund Money)

The payment reservation of the refund money pursuant to [Article 16](#) (3) shall apply to the submitted application for the refund of customs duties, etc. by the lump-sum enterprise of the customs duties, etc., on July 1, 1997.

Article 7 (Examples of Application to Collection of Using Outside of Purpose)

The provisions of [Article 18](#) (1) shall apply to the purpose as prescribed in subparagraph 2 of [Article 4](#) after July 1, 1997.

Article 8 (Examples of Application to Custody of Document)

The provisions of [Article 20](#) (1) and (2) shall apply to the document relative to the refund after July 1, 1997.

Article 9 (Examples of Application to Collection of Excessive Refund Money, etc. and Refund of Insufficient Refund Money)

The provisions of [Articles 21](#) and [22](#) shall apply to the refund after July 1, 1997.

ADDENDA <Act No. 6305, Dec. 29, 2000>

Article 1 (Enforcement Date)

This Act shall enter into force on January 1, 2001.

Articles 2 through 8 *Omitted.*

ADDENDA <Act No. 7210, Mar. 22, 2004>

Article 1 (Enforcement Date)

This Act shall enter into force three months after the date of its promulgation.

Articles 2 through 16 *Omitted.*

ADDENDA <Act No. 8050, Oct. 4, 2006>

Article 1 (Enforcement Date)

This Act shall enter into force on January 1, 2007. (Proviso Omitted.)

Articles 2 through 12 *Omitted.*

ADDENDA <Act No. 8233, Jan. 11, 2007>

Article 1 (Enforcement Date)

This Act shall enter into force on April 1, 2007.

Article 2 (Application Examples regarding Raw Materials Subject to Refund)

The amended provisions of [Article 3](#) (1) 1 shall apply starting with raw materials for export which is declared for import first after the enforcement of this Act or traded within the Republic of Korea by means of a local letter of credit, etc. after the enforcement of this Act.

Article 3 (Application Examples regarding Export, etc. Subject to Refund)

The amended provisions of subparagraph 2 of [Article 4](#) shall apply starting with a sales contract or construction contract contracted first after the enforcement of this Act.

Article 4 (Application Examples regarding Lump-Sum Payment Period and Notification of Settlement of Accounts of Customs Duties, etc.)

The amended provisions of [Articles 5](#) (2) (latter part), 7 and 16 (3) shall apply starting with the lump-sum payment period which is terminated first after the enforcement of this Act.

Article 5 (Application Examples regarding Period for Application for Refund)

The amended provisions of the proviso of [Article 14](#) (1) shall apply starting with the revision, correction or rectification made first after the enforcement of this Act with respect to the tax amount of customs duties, etc. with regard to raw materials for export.

Article 6 (Application Examples regarding Collection of Excessive Refund Money, etc.)

The amended provisions of [Article 21](#) (3) and (5) shall apply starting with the portion of collection of excessive refund money, etc. collected first after the enforcement of this Act.

Duty Drawback Regulation in Korea

ENFORCEMENT DECREE OF THE ACT ON SPECIAL CASES CONCERNING THE REFUNDMENT OF CUSTOMS DUTIES, ETC. LEVIED ON RAW MATERIALS FOR EXPORT

Wholly Amended by Presidential Decree No.15302, Mar. 8,1997

Amended by Presidential Decree No.15978, Dec.31,1998

Presidential Decree No.16985, Oct. 23,2000

Presidential Decree No.17048, Dec.29,2000

Presidential Decree No.17791, Dec. 5,2002

Presidential Decree No.18087, Aug.21,2003

Presidential Decree No.19337, Feb. 9,2006

Presidential Decree No.19994, Apr. 5,2007

Article 1 (Purpose)

The purpose of this Decree is to prescribe the matters delegated by the [Act on Special Cases Concerning the Refundment of Customs Duties, etc. Levied on Raw Materials for Export](#), and matters necessary for the enforcement thereof. <Amended by Presidential Decree No. 19337, Feb. 9, 2006>

Article 2 (Lump-Sum Payment Period for Customs Duties, etc.)

(1) The lump-sum payment period provided for in the provisions of [Article 5 \(2\) of the Act on Special Cases concerning the Refundment of Customs Duties, etc. Levied on Raw Materials for Export](#) (hereinafter referred to as the "Act") shall be one month, two months or three months: *Provided*, That where it is deemed necessary to efficiently perform the settlement of account work provided for in the provisions of [Article 7 of the Act](#), which is prescribed by the Ordinance of the Ministry of Finance and Economy, the lump-sum payment period may be set otherwise within the scope of six months.

(2) Anyone who intends to file an application for the lump-sum payment of his customs duties, etc. pursuant to the provisions of [Article 5 \(2\) of the Act](#) shall choose any one of the lump-sum payment periods referred to in the provisions of paragraph (1).

(3) The lump-sum payment periods referred to in the provisions of paragraph (1) shall be reckoned from the first day of the month to which the date on which the application is filed for the lump-sum payment of custom duties, etc. belongs.

(4) The lump-sum payment period that is chosen pursuant to the provisions of paragraph (2) shall be prohibited from being changed before one year lapses from the first day of the month to which the date on which the application is filed for the lump-sum payment of customs duties, etc. belongs.

[This Article Wholly Amended by Presidential Decree No. 19337, Feb. 9, 2006]

Article 3 (Types of Security and Process of Furnishing Security)

(1) The types of security which may be furnished by the enterprise paying lump-sum customs duties, etc. pursuant to the provisions of [Article 6 \(1\) of the Act](#) shall be as follows:

<Amended by Presidential Decree No. 17791, Dec. 5, 2002; Presidential Decree No.

18087, Aug. 21, 2003; Presidential Decree No. 19337, Feb. 9, 2006>

1. Cash;
2. A bond or security issued by the State or local governments;
3. A bank guarantee for payment;
4. A security insurance policy for the payment of taxes;
5. A credit guarantee provided for in the [Credit Guarantee Fund Act](#) or the Regional Credit Guarantee Foundation Act; and
6. A credit guarantee provided for in the [Korea Technology Credit Guarantee Fund Act](#).

(2) A person seeking to furnish a security for customs duties, etc. on raw materials for export pursuant to the provisions of [Article 6 \(1\) of the Act](#) shall submit an offer sheet for a security with a description of the type, quantity, amount of money, etc. of the security which is to be furnished to the head of customhouse.

(3) A person furnishing a security pursuant to the provisions of paragraph (2) of this Article shall include a security which is equivalent to the tax amount which is sought to be paid in a lump-sum, and shall furnish it to the head of customhouse (where a head office is primarily dealing with the process of refund, etc., it means the head of customhouse having jurisdiction over that head office; hereinafter referred to as the "head of district customhouse") having jurisdiction over the factory, before the import declaration.

(4) Notwithstanding the provisions of paragraph (3) of this Article, the person seeking to furnish a security for customs duties, etc. every time he makes an import declaration may do so when declaring import to the head of customhouse at the place of clearance.

(5) The process and other necessary matters for the furnishing and revocation of a security shall be determined by the Commissioner of the Korea Customs Service.

Article 4 (Designation of Credit Security Enterprise)

(1) A person seeking to get exemption from providing the security pursuant to the provisions of [Article 6 \(2\) of the Act](#) shall be a person falling under any of the following subparagraphs who receives designation as a credit security enterprise from the head of district customhouse: <Amended by Presidential Decree No. 15978, Dec. 31, 1998; Presidential Decree No. 17048, Dec. 29, 2000; Presidential Decree No. 19337, Feb. 9, 2006>

1. A person who has a record of export and refund accomplishments of not less than a fixed amount prescribed by the Commissioner of the Korea Customs Service for the last three years or more;
2. A person who has not defaulted on customs duties for the last two years or more;
3. A person who has not received a punishment for violation of [Article 23 of the Act](#) or [Articles 269 through 276 of the Customs Act](#) for the last three year period; and
4. A person who may be recognized as an earnest payer of the customs duties, etc., according to the standards as prescribed by the Ordinance of the Ministry of Finance and Economy.

(2) The designation process of a credit security enterprise, standards of amount limit which may be paid in a lump-sum without furnishing a security, and other necessary matters shall be determined by the Commissioner of the Korea Customs Service.

Article 5 (Cancellation of Designation of Credit Security Enterprise)

Where a person designated as a credit security enterprise falls under any of the following subparagraphs, a head of customhouse shall cancel that designation:

1. Where such person has not been in conformity with the standards of the subparagraphs of [Article 4 \(1\)](#); and

2. Where the grounds as stipulated in the subparagraphs of [Article 7 \(1\)](#) have occurred.

Article 6 (Notification of Settlement of Account)

(1) The head of customshouse shall notify every enterprise that has paid its lump-sum customs duties, etc. of the result of the settlement of account, which includes the matter falling under each of the following subparagraphs:

1. The details of the customs duties, etc. that have to be paid in a lump sum pursuant to the provisions of [Article 5 \(2\) of the Act](#);
2. The details of the refund amount whose payment is withheld pursuant to the provisions of [Article 16 \(3\) of the Act](#); and
3. The amount of the custom duties, etc., which have to be paid as a result of the settlement of account or the refund amount that has to be paid.

(2) The term "day prescribed by the Presidential Decree" in [Article 7 \(1\) of the Act](#) means the first day of the month following the month during which the lump-sum payment period expires pursuant to the provisions of [Article 2 \(1\)](#).

(3) The customs duties, etc. that are paid by the enterprise that has to pay them in a lump sum pursuant to the provisions of [Article 7 \(3\) of the Act](#) shall be made the amount of annual revenue of the head of customshouse who notifies the result of the settlement of account of such customs duties, etc.

[This Article Wholly Amended by Presidential Decree No. 19994, Apr. 5, 2007]

Article 7 (Ex Officio Settlement of Accounts)

(1) The term "grounds prescribed by the Presidential Decree" in [Article 8 \(1\) of the Act](#) means cases falling under any of the following subparagraphs: *<Amended by Presidential Decree No. 15978, Dec. 31, 1998; Presidential Decree No. 17048, Dec. 29, 2000;*

Presidential Decree No. 19337, Feb. 9, 2006; Presidential Decree No. 19994, Apr. 5, 2007>

1. Deleted; *<by Presidential Decree No. 19994, Apr. 5, 2007>*
2. Cases where a punishment has been received for being in violation of [Article 23 of the Act](#) or [Article 269](#) through [276 of the Customs Act](#);
3. Cases where default of customs duties, etc. has occurred: *Provided*, That cases where voluntary payment is made within the urged period shall be excluded;
4. Cases where an assurance on recovery of obligations for customs duties, etc. is necessary due to a declaration of bankruptcy, the dishonoring of bills, etc.; and
5. Other cases as prescribed separately by the Ordinance of the Ministry of Finance and Economy, as deemed necessary for an assurance on recovery of obligations for customs duties, etc.

(2) Where the head of customhouse intends to settle accounts *ex officio* because the grounds stipulated in the subparagraphs of paragraph (1) of this Article occurred, he shall give notice of this fact to the enterprises concerned.

Article 8 (Limit on Lump-Sum Payments of Customs Duties, etc.)

In cases of making an *ex officio* settlement of accounts on grounds of the provisions of [Article 7](#) (1) of this Decree, the head of customhouse shall not apply the provisions of [Article 5 \(2\) of the Act](#) during the period limited to three years as prescribed by the Ordinance of the Ministry of Finance and Economy with regard to the raw materials for export which are imported after the date of the *ex officio* settlement of accounts by the subject enterprise of the *ex officio* settlement of accounts. *<Amended by Presidential Decree No. 15978, Dec. 31, 1998>*

Article 9 (Basic Date of Export Performance Period)

(1) For the purpose of [Article 9 \(1\) of the Act](#), the term "date as prescribed by Presidential Decree" means the last day of the month which pertains to the date falling under any of the following subparagraphs:

1. In cases of export as provided in subparagraph 1 of [Article 4 of the Act](#), the date of having accepted the export declaration; and
2. In cases of export as provided in subparagraphs 2 through 4 of [Article 4 of the Act](#), the date of having completed the export, sales, construction work, or supply.

(2) With respect to the raw materials for export on which the customs duties, etc. are refunded under [Article 9 \(1\) of the Act](#), their import declaration acceptance, withdrawal approval, immediate withdrawal declaration and transactions, which fall under any of the following subparagraphs, shall be fulfilled within two years retroactive from the basic date of an export performance period under paragraph (1) of this Article: *<Amended by Presidential Decree No. 16985, Oct. 23, 2000; Presidential Decree No. 17048, Dec. 29, 2000; Presidential Decree No. 19337, Feb. 9, 2006>*

1. Acceptance of the import declaration under [Article 248 of the Customs Act](#);
2. Withdrawal approval prior to the acceptance of the import declaration under [Article 252 of the Customs Act](#);
3. Immediate withdrawal declaration prior to the import declaration under [Article 253 of the Customs Act](#); and
4. Last transaction, in case the raw materials for export are transacted through the payment by a local letter of credit, etc.

Article 10 (Period of Transactions performed in Use of Local Letters of Credits, etc.)

The term "period prescribed by the Presidential Decree" in the main sentence of [Article 9 \(2\)](#)

of the Act means one year.

[This Article Wholly Amended by Presidential Decree No. 19994, Apr. 5, 2007]

Article 11 (Calculation, etc. of Required Amount)

(1) A person seeking to prepare a statement of accounts for the amount required (hereinafter referred to as an "enterprise preparing a statement of accounts for the amount required") in accordance with the provisions of [Article 10 \(1\) of the Act](#) shall report the matters stipulated in the following subparagraphs to the head of district customhouse and calculate the required amount according to the reported matters:

1. The name of the items for export;
2. The method of assessing the required amount;
3. The period being the standard for assessing the required amount and applicable periods;
4. The manufacturing process of the items for export and an explanation of the process;
and
5. Other matters, prescribed by the Commissioner of the Korea Customs Service, related to the calculation of the required amount.

(2) In cases of seeking to modify the contents stipulated in the subparagraphs of paragraph (1) of this Article, the enterprise preparing a statement of accounts for the amount required shall report those contents without delay to the head of district customhouse.

(3) In cases where a person applying for a refund as provided in [Article 14 \(1\) of the Act](#) is different from the producer of the items for export, the person applying for refund shall prepare the statement of accounts for the amount required pursuant to the required amount which has been assessed by the person who has produced the relevant items for export:

Provided, That in case of applying a standard required amount pursuant to the provisions of [Article 10 \(2\) of the Act](#), the same shall not apply.

(4) Matters necessary for the assessment of a required amount, management standards and the process thereof shall be prescribed by the Commissioner of the Korea Customs Service.

Article 12 (Certificate of Average Tax Amount)

(1) A person seeking to receive the issuance of a certificate of average tax amount pursuant to the provisions of [Article 11 \(1\) of the Act](#) shall receive the appointment of the items subject to the certification of the average tax amount from the head of district customhouse. In this case, the items, which the Commissioner of the Korea Customs Service determines after recognizing that it is difficult to fix the average tax amount thereof, including any case in which the item code number of the item classification table of both customs duties on and statistics of raw materials for the export (hereinafter referred to as the "item code number") or the required amount thereof is changed, shall not be appointed as those items which are subject to the issuance of a certificate of average tax amount. *<Amended by Presidential Decree No. 15978, Dec. 31, 1998>*

(2) A person seeking to receive the issuance of an average tax amount certificate with regard to goods which have been authorized pursuant to the provisions of paragraph (1) of this Article shall attach the documentary evidence which has been prescribed by the Commissioner of the Korea Customs Service to an application form mentioning the matters stipulated in the following subparagraphs and submit it to the head of district customhouse after the 1st of the month following the month including the date on which the raw materials for export were imported or the date of purchase by local letter of credit, etc.:

1. The tax amount of customs duties, etc. and import amount classified by authorized items;
2. The tax amount of customs duties, etc. and purchase amount by the local letter of credit, etc. classified by the authorized items; and
3. Other matters, prescribed by the Commissioner of the Korea Customs Service, related to a certificate of average tax amount.

(3) When the matters provided in the subparagraphs of paragraph (2) of this Article are modified in whole or in part after the issuance of a certificate of average tax amount, the head of customhouse shall issue a certificate of average tax amount in accordance with the conditions as prescribed by the Ordinance of the Ministry of Finance and Economy.

<Amended by Presidential Decree No. 15978, Dec. 31, 1998>

(4) A certificate of average tax amount shall be applied for collectively in respect to the whole quantity of raw materials for export which have been purchased pursuant to a local letter of credit, etc. or have been imported monthly on the basis of the item code number:
Provided, That the same shall not apply to any such case as prescribed by the Ordinance of the Ministry of Finance and Economy. *<Amended by Presidential Decree No. 15978, Dec. 31, 1998>*

(5) With respect to authorized items pursuant to the provisions of paragraph (1) of this Article, the issuance of a certificate of average tax amount shall continuously be applied for.

(6) A certificate of import declaration or a certificate of tax payment on basic raw materials, etc. concerning raw materials for export by which a certificate of average tax amount shall be issued shall not be used as data of an application for refund of customs duties, etc. or application for the issuance of a certificate of tax payment on basic raw materials, etc. for

use in the next step of a domestic transaction.

(7) Where it is deemed that there is a notable difference between refund or issuance of a certificate of tax payment on basic raw materials, etc. through a certificate of average tax amount and the tax amount of customs duties, etc. on raw materials for export, the head of customhouse shall cancel the authorization of the subject items by which the certificate of average tax amount may be issued.

Article 13 (Certificate of Tax Payment on Basic Raw Materials and Certificate of Divided Import Tax Amount)

(1) A person who intends to acquire a certificate of tax payment on basic raw materials or a certificate of the divided import tax amount (hereinafter referred to as the "certificate of tax payment on basic raw materials, etc.") provided for in the provisions of [Article 12 \(1\) of the Act](#) shall file an application for the issuance of a certificate in which the following matters are entered, to the head of district customhouse: *<Newly Inserted by Presidential Decree No. 15978, Dec. 31, 1998; Presidential Decree No. 19994, Apr. 5, 2007>*

1. Transferor and transferee;
2. Transfer date;
3. Names and standards of the items concerned;
4. Quantity and tax amount of the transferred items; and
5. Other matters necessary for the issuance of a certificate of tax payment on basic raw materials, etc., which are determined by the Commissioner of the Korea Customs Service.

(2) With respect to items restricted from a refund of customs duties, etc. pursuant to [Article 17 of the Act](#), the head of customhouse shall deduct the tax amount restricted by the refund

and issue a certificate of tax payment on basic raw materials, etc. <Amended by Presidential Decree No. 19994, Apr. 5, 2007>

(3) Where items are transacted by one local letter of credit on two or more installments of supply, the certificate of tax payment on basic raw materials, etc. shall be issued on the presumption that the raw materials for export in question have been wholly transacted on the day when the first item of installment was supplied: *Provided*, That where the person supplying the raw materials for export pursuant to a local letter of credit, etc. does not desire to do so, the same shall not apply. <Amended by Presidential Decree No. 19994, Apr. 5, 2007>

(4) Where it is deemed necessary for the purpose of efficient handling of the affairs relevant to the issuance of a certificate of tax payment on basic raw materials, etc., the Commissioner of the Korea Customs Service may independently designate a head of customhouse to issue such certificate. <Amended by Presidential Decree No. 19994, Apr. 5, 2007>

Article 14 (Standards for Fixed Amount Refund)

(1) The fixed amount refund rates table as provided in [Article 13 \(1\) of the Act](#), even though determined on the basis of the item code numbers of items for export, may be determined by names or by standards of items for export, if necessary.

(2) When a fixed amount refund rates table is determined as provided in paragraph (1) of this Article, the fixed rate may be adjusted proportionately for a reasonable refund taking into consideration the fluctuations of the customs duties rate and exchange rate, etc.

(3) In cases where items for export or items transacted pursuant to a local letter of credit, etc. are mentioned in a fixed amount refund rates table as provided in [Article 13 \(1\) of the](#)

[Act](#), refund or issuance of a certificate of tax payment on basic raw materials shall be made in accordance with the conditions prescribed in a fixed amount refund rates table which enters into force on the date when those are supplied for the export, etc. or transacted pursuant to a local letter of credit, etc.: *Provided*, That in cases where obtaining approval not to apply a fixed amount refund rates table (hereinafter referred to as "approval not to apply") under the conditions as provided by the Commissioner of the Korea Customs Service, the same shall not apply.

(4) As for the items to which a fixed amount refund rates table is applied as provided in [Article 15](#), a fixed amount refund rates table as provided [Article 16](#) shall not be applied.

(5) With respect to each and every item for export by a person who has received approval not to apply (including items transacted pursuant to a local letter of credit, etc.) pursuant to the provisions of the proviso of paragraph (3) of this Article, a fixed amount refund rates table shall not be applied.

(6) In cases where a person who has obtained the approval not to apply pursuant to the provisions of the proviso of paragraph (3) of this Article applies for an application of a fixed amount refund rates table in accordance with such conditions as determined by the Commissioner of the Korea Customs Service or a person who has obtained the approval to apply a fixed amount refund rates table applies again for the approval not to apply, he shall not make an application therefor within two years from the date when he obtained the approval not to apply or the approval to apply: *Provided*, That in any case falling under any of the following subparagraphs, the said application may be made even within two years in accordance with such conditions as determined by the Commissioner of the Korea Customs Service: <Amended by Presidential Decree No. 16985, Oct. 23, 2000>

1. In case it is difficult to prepare a statement of accounts for the amount required due to any change of the production process, etc.; and
2. In case the refund amount under a fixed amount refund rates table is less than 70% of any other refund amount as calculated under [Article 10 of the Act](#).

Article 15 (Fixed Amount Refund of Special Process Items)

(1) When the Commissioner of the Korea Customs Service determines a fixed amount refund rates table of items for export having an extraordinary production process pursuant to the provisions of [Article 13 \(1\) of the Act](#) (hereinafter referred to as a "fixed amount refund rates table for special process items"), he shall make it on the basis of the average refund amount of or the average amount of tax payment of customs duties, etc. on the raw materials purchased pursuant to import or a local letter of credit, etc. during the period of the last six months or more.

(2) In order to determine a fixed amount refund rates table for special process items or to make an adjustment on such tables which have been publicly notified, the Commissioner of the Korea Customs Service may request the submission of relevant materials from the producer of the relevant items, if necessary.

(3) A person who has received the application of a fixed amount refund rates table for special process items shall report matters related to amount of tax payment of customs duties, etc. and changes in the production process, etc. concerning raw materials for export, by items for export, to the Commissioner of the Korea Customs Service. In this case, the Commissioner of the Korea Customs Service may adjust the fixed amount refund rates table for special process items on the basis of the reported data and give notice of such.

Article 16 (Simplified Fixed Amount Refund)

(1) When the Commissioner of the Korea Customs Service determines the fixed amount refund rates table (hereinafter referred to as "simplified fixed amount refund rates table") applicable to items for export by a small and medium enterprise pursuant to the provisions of [Article 13 \(1\) of the Act](#), he shall determine a reasonable refund amount or the average amount of tax payment, etc. by code number of items for export during the latest period of six months or more: *Provided*, That in the event that it is judged unreasonable to set the amount of refund on the simplified fixed amount refund rates table based on the amount of average refund by the item code number of the relevant goods or the amount of average customs duties paid, etc. on the grounds of the lack or the insignificance of the refund record (excluding the record of the simplified fixed amount refund) by the code number of items for export for the last 6 months or longer, a proper amount of refund may be set based on the amount of refund on the latest simplified fixed amount refund rates table.

<Amended by Presidential Decree No. 18087, Aug. 21, 2003>

(2) The simplified fixed amount refund rates table as provided in paragraph (1) of this Article shall apply only to items for export produced by persons as prescribed by the Ordinance of the Ministry of Finance and Economy. In this case, the same shall apply only to the refund of customs duties, etc. as directly requested by a producer of items for export, if the exporter and the producer of the items for export are different. *<Amended by Presidential Decree No. 15978, Dec. 31, 1998; Presidential Decree No. 16985, Oct. 23, 2000>*

Article 17 (Request for Public Notice of Fixed Amount Refund Rates Table)

(1) Persons requesting the public notice of a fixed amount refund rates table pursuant to the provisions of [Article 13 \(3\) of the Act](#) shall submit an application form accompanied by the materials stipulated in the following subparagraphs to the Commissioner of the Korea

Customs Service:

1. A document stipulating the reasons for the request for public notice;
2. Particulars of the required raw materials for each item code number of the items for export;
3. Particulars of payments of customs duties during the last one year for each raw material; and
4. Other materials prescribed by the Commissioner of the Korea Customs Service such as materials, etc. which demonstrate the necessity of a request for public notice of a fixed amount refund rates table.

(2) In case of receiving the request for public notice of a fixed amount refund rates table pursuant to the provisions of paragraph (1) of this Article, the Commissioner of the Korea Customs Service shall put this on public notice based on the submitted documents and the past refund records: *Provided*, That in cases where it is deemed that the items are not suitable to be subject to the fixed amount refund for fear of a remarkably large or small refund because of their peculiarity, etc. in transaction of the items concerned, he may not notify this.

Article 18 (Application for Refund)

(1) An application for the refund of customs duties, etc. as provided in [Article 14 \(1\) of the Act](#) shall be made by a person falling under any of the following subparagraphs: <Amended by Presidential Decree No. 15978, Dec. 31, 1998; Presidential Decree No. 18087, Aug. 21, 2003>

1. In the case of the export provided for in subparagraph 1 of [Article 4 of the Act](#), an exporter (referring to an export consignor if the export is consigned) or a person from

among producers of items for export who is entered as an applicant for refund in a certificate for export declaration; and

2. A person who is recorded as an exporter, seller, supplier or constructor of the concerned items in those documents which the Commissioner of the Korea Customs Service determines in order to confirm the fact that the said items are provided for the export, etc., in case of subparagraphs 2 through 4 of [Article 4 of the Act](#).

(2) A person seeking to receive refund of customs duties, etc. pursuant to the provisions of [Article 14 \(1\) of the Act](#) shall submit an application form for refund of customs duties, etc. as prescribed by the Commissioner of the Korea Customs Service together with the documents stipulated in the following subparagraphs to the head of district customhouse:

Provided, That with respect to items for export to which a fixed amount refund rates table is applied, the documents stipulated in subparagraphs 2 and 3 shall not be attached:

<Amended by Presidential Decree No. 15978, Dec. 31, 1998>

1. Documents in which the fact that the said items are provided for the export, etc. is confirmed under any subparagraph of paragraph (1);
2. Documents in which the required amount is calculated;
3. Documents in which the tax payment amount for the required raw materials is confirmed; and
4. Other documents which are determined by the Commissioner of the Korea Customs Service and which are related to the confirmation of refund money.

(3) An application for refund of customs duties, etc. shall be a blanket application in regard to raw materials needed for the production of items for export: *Provided*, That in cases as prescribed separately by the Commissioner of the Korea Customs Service because a

blanket application is deemed unreasonable, the same shall not apply.

(4) An application for refund of customs duties, etc. as prescribed in [Article 14 \(1\) of the Act](#) may be filed in cases falling under any of the following subparagraphs:

1. When the items for export have been loaded onto a ship or onto an aircraft in case of exporting pursuant to subparagraph 1 of [Article 4 of the Act](#); and
2. When the export, sale, construction, or supply of the items for export has been completed in case of exporting pursuant to subparagraphs 2 through 4 of [Article 4 of the Act](#).

(5) When seeking to receive refund of customs duties, etc. as provided in [Article 14 \(1\) of the Act](#), the application shall be filed within two years from the acceptance date of the export declaration in case of exports pursuant to subparagraph 1 of [Article 4 of the Act](#) and within two years from the completion date of export, sale, construction, or supply, etc., in case of such export, sale, construction, or supply, etc., pursuant to subparagraphs 2 through 4 of [Article 4 of the Act](#).

(6) An applicant for refund shall establish his account in accordance with the conditions notified and determined by the Commissioner of the Korea Customs Service before the refund application, and shall inform the head of district customhouse of the number of the account. *<Amended by Presidential Decree No. 15978, Dec. 31, 1998; Presidential Decree No. 19994, Apr. 5, 2007>*

(7) Notwithstanding the provisions of paragraphs (2) and (4), with respect to the items for export to which the simplified fixed refund rates table is applied, the head of customhouse may allow a simple entry of the refund application in an export declaration, when it is filed, to replace such refund application under the conditions as prescribed by the Commissioner

of the Korea Customs Service. <Newly Inserted by Presidential Decree No. 18087, Aug. 21, 2003>

Article 19 (Designation of Customhouse for Applications for Refund)

Where it is deemed necessary for the efficient execution of business affairs related to the refund of customs duties, etc., the Commissioner of the Korea Customs Service may designate a customhouse for filing the application for refund of customs duties, etc. or may modify that designation, on the application of applicant for refund or ex officio.

Article 20 (Ex Post Facto Review of Refund Money)

(1) In cases where it is necessary to review whether or not the refund money is correct pursuant to the provisions of [Article 14 \(2\) of the Act](#), the head of customhouse shall review the correctness, through the application form for refund and attached materials thereto, the materials which have been submitted pursuant to the provisions of [Article 20 \(3\) of the Act](#), or a field investigation.

(2) A review as provided in paragraph (1) of this Article shall be completed within two years from the date of the application for refund: *Provided*, That in cases where the Commissioner of the Korea Customs Service separately prescribes the examination period, the same shall not apply.

(3) The process, method, and other necessary matters for the review as provided in paragraph (1) of this Article shall be prescribed by the Commissioner of the Korea Customs Service.

Article 21 (Transfer and Payment of Refund)

(1) The refund provided for in [Article 16 \(1\) of the Act](#) shall be paid by means of depositing it on the account, of which the relevant refund applicant notifies in accordance with [Article 18](#)

(6).

(2) The head of customhouse, who intends to pay the refund in accordance with paragraph (1), shall ask the Bank of Korea to deposit such refund on the account set up by the relevant refund applicant.

(3) The Bank of Korea shall, upon receiving a request for the payment of refund under paragraph (2), immediately transfer the refund from the revenue account of the head of customhouse asked for payment during the relevant year to the account of the refund applicant and then notify the relevant head of customhouse of details of the transfer and deposit.

(4) The refund shall be deemed paid at the time when the refund is deposited on the account of the refund applicant under paragraph (3).

[This Article Wholly Amended by Presidential Decree No. 18087, Aug. 21, 2003]

Article 22 (Mediation Between Tax Revenue Accounts Under Competency of Head of Customhouse)

(1) When tax revenue of the competent tax revenue account is insufficient to pay refund money or when there is apprehension that a shortage may arise, the head of customhouse may request the Commissioner of the Korea Customs Service for the action which is necessary for receiving a transfer of the required money amount.

(2) The Commissioner of the Korea Customs Service who has received the request as provided in paragraph (1) of this Article shall instruct the head of customhouse with a reserve of tax revenue in a competent tax revenue account (hereafter in this Article referred to as "head of customhouse who is transferring") to demand that the Bank of Korea transfer the necessary amount from the head of customhouse who is transferring to the head of

customhouse who requested the transfer of tax revenue (hereafter in this Article referred to as "head of customhouse who is receiving transfer") and shall give notice of this fact to the head of customhouse who is receiving the transfer.

(3) The head of customhouse who received the instructions as provided in paragraph (2) of this Article shall demand that the Bank of Korea transfer the subject amount from the competent tax revenue account to the competent tax revenue account of the head of customhouse who is receiving the transfer.

(4) When demanded as provided in paragraph (3) of this Article, the Bank of Korea shall transfer the tax amount without delay and shall give notice to both the head of customhouse who is receiving the transfer and the head of customhouse who is transferring.

Article 23 (Disposal of Unpaid Funds)

(1) In cases where there is a refund money which could not be deposited into the account of an applicant, among refund money payment which has been received a payment request pursuant to the provisions of [Article 21](#) (2), the Bank of Korea shall immediately notify the relevant head of customhouse of that fact. *<Amended by Presidential Decree No. 18087, Aug. 21, 2003>*

(2) The head of customhouse who receives notification pursuant to the provisions of paragraph (1) of this Article shall take measures so that refund money can be provided by examining the account, etc. of the applicant for refund without delay, and shall take measures so that refund money, which has not been paid for one year since the determination date of the refund money, is included in the revenue for the fiscal year in which that period ended.

(3) When an applicant for refund seeks to receive refund money which has been transferred

to the tax revenue account of a head of customhouse pursuant to the provisions of paragraph (2) of this Article, an application form accompanied by the matters stipulated in the following subparagraphs shall be submitted to the head of district customhouse. In this case, the head of customhouse shall examine and certify this and do what is necessary for that payment:

1. The money amount of customs duties, etc. sought to be received as a refund; and
2. The reasons for not receiving payment of the refund within one year from the date when the refund money was determined.

Article 24 (Deferment of Payment of Refund Money and Notification of Facts of Appropriation for Default)

When deferring payment of refund money or when appropriating refund money to defaulted customs duties, etc., a fine for default, an additional tax, and a disposition fee for arrears pursuant to the provisions of [Article 16 \(3\) and \(4\) of the Act](#), the head of customhouse shall notify those facts to the relevant applicant for refund: *Provided*, That in cases where it is appropriated pursuant to a request from an applicant for refund, that notification may not be given.

Article 25 (Limit on Refund)

(1) The head of the administrative body concerned or interested parties shall submit the materials stipulated in the following subparagraphs to the Minister of Finance and Economy and may request a limit on the refund as provided in [Article 17 \(1\) of the Act](#): <Amended by *Presidential Decree No. 15978, Dec. 31, 1998*>

1. The name, standard, and use of the items concerned;
2. The rate for limiting the refund and the reasons thereof;

3. The domestic demand, production results, and production capacity of the items concerned for the relevant year and previous year;
4. The monthly import price, import quantity, and total gross import amount for the latest one year period;
5. The monthly factory price and the monthly past record amount of goods taken out of warehouse for each main domestic manufacturing firm for the latest one year period;
and
6. The domestic outlook of production and demand for the items concerned for the upcoming one year period.

(2) In cases where it is deemed necessary for the examination of matters which are necessary with respect to a limit on the refund of customs duties, etc., the Minister of Finance and Economy who received a request for a limit on refund pursuant to the provisions of paragraph (1) of this Article may request the presentation of relevant materials and other necessary cooperation from the related administrative body, exporter, importer, and other interested parties, etc. *<Amended by Presidential Decree No. 15978, Dec. 31, 1998>*

(3) When the Minister of Finance and Economy seeks to determine the items which are limited on the refund of customs duties, etc. and the limitation rate pursuant to the provisions of [Article 17 of the Act](#), the deliberations of the Customs Duties Deliberation Committee as provided in [Article 13 of the Customs Act](#) shall be passed. *<Amended by Presidential Decree No. 15978, Dec. 31, 1998; Presidential Decree No. 17048, Dec. 29, 2000; Presidential Decree No. 19337, Feb. 9, 2006>*

Article 26 (Application for Consent to Use, etc., Besides Already Specified Uses)

A person seeking to receive consent to use, besides already specified uses, or destroy with respect to items which have received refund of customs duties, etc. pursuant to the provisions of [Article 18 \(1\) of the Act](#) shall submit an application form accompanied by the matters stipulated in the following subparagraphs to the head of customhouse exercising jurisdiction over the location of the items concerned:

1. The names, the standards and the amount of materials of the items concerned;
2. The reasons for the application for consent to use, besides already specified uses, or destroy;
3. The supplier of the items concerned; and
4. Other matters prescribed by the Commissioner of the Korea Customs Service such as personal matters, etc. of the applicant.

Article 27 (Tax Rate Reduction of Customs Duties, etc. in Place of Refund)

(1) The head of the administrative body concerned or the interested party shall submit the materials regarding the items concerned stipulated in the following subparagraphs to the Minister of Finance and Economy and may request a tax rate reduction of customs duties, etc. as provided in [Article 19 \(1\) of the Act](#): *<Amended by Presidential Decree No. 15978, Dec. 31, 1998>*

1. The name, standard, and use of the items concerned;
2. The amount of production and production capacity for both export and domestic consumption, during the latest one year period, of domestic main production enterprises;
3. The monthly import amounts and import amounts of money for both export and domestic consumption during the latest one year period;

4. The consumption results of main domestic demand enterprises during the latest one year period; and

5. The domestic outlook of production and demand for the upcoming one year period.

(2) In cases where it is deemed necessary for examination into matters necessary with respect to tax rate reduction of customs duties, etc. in place of refund, the Minister of Finance and Economy may request the presentation of relevant materials and other necessary cooperation from the related administrative body, exporter, importer, and other interested parties, etc. *<Amended by Presidential Decree No. 15978, Dec. 31, 1998>*

(3) The head of the administrative body concerned may prescribe the import admission rate or approval rate for both export and domestic consumption in accordance with the export and domestic consumption rate which has become the basis of the tax rate reduction of customs duties, etc. pursuant to the conditions prescribed by the related Acts and subordinate statutes with respect to items where the tax rate of customs duties, etc. has been reduced (hereinafter referred to as "items of tax rate reduction of customs duties, etc.") pursuant to the provisions of [Article 19 of the Act](#).

(4) When seeking to modify the import admission rate or approval rate for both export and domestic consumption as provided in paragraph (3) of this Article and other important matters which have become the basis of the tax rate reduction of customs duties, etc. with respect to items of tax rate reduction of customs duties, etc., the head of the administrative body concerned shall, in advance, consult with the Minister of Finance and Economy.

<Amended by Presidential Decree No. 15978, Dec. 31, 1998>

(5) The Commissioner of the Korea Customs Service and the head of an administrative organ who has permitted or approved import concerning items of tax rate reduction of

customs duties, etc. shall report, every quarter, each of the import results and import admission results or approval results for both export and domestic consumption related to items of tax rate reduction of customs duties, etc. to the Minister of Finance and Economy and the head of the administrative body concerned. *<Amended by Presidential Decree No. 15978, Dec. 31, 1998>*

(6) A person seeking to furnish raw materials for export which have been imported before the reduction of the tax rate of customs duties, etc. for export, etc. after the tax rate of customs duties, etc. has been reduced pursuant to the provisions of [Article 19 of the Act](#) and to receive refund of customs duties, etc. shall report the amount of the items imported for export and the tax amount of customs duties, etc., in accordance with the conditions prescribed by the Ordinance of the Ministry of Finance and Economy to the head of district customhouse within 30 days from the date when the tax rate of customs duties, etc. was reduced. *<Amended by Presidential Decree No. 15978, Dec. 31, 1998>*

(7) The items on which the tax rate of customs duties, etc. is reduced and the tax rate as provided in [Article 19 \(2\) of the Act](#) shall be prescribed separately by Presidential Decree.

Article 28 (Custody and Submission, etc. of Documents)

(1) The documents which are to be kept under the provisions of [Article 20 \(1\) of the Act](#) and the custody period shall be as follows: *<Amended by Presidential Decree No. 16985, Oct. 23, 2000; Presidential Decree No. 19337, Feb. 9, 2006>*

1. Five years from the date of application for refund of basic documents for the calculation of required amounts of raw materials by each item for export and documents relative to calculation particulars: *Provided*, That the custody period of those supply and receipt books of raw materials or items for export which are to be kept by a small and medium

enterprise owner as provided in [Article 2 \(1\) of the Framework Act on Small and Medium Enterprises](#) shall be three years;

2. Three years from the issuance date of the certificate of tax payment on basic raw materials, etc. of documents related to transactions of raw materials for export, such as local letters of credit;
3. Three years from the application date for refund documents that may verify the export facts which are prescribed in [Article 4 of the Act](#), such as a certificate of complete declaration of exports;
4. Three years from the date on which the documents, which may verify the tax amount payment for raw materials, such as a certificate of complete declaration of imports, are used for the application, etc. for refund; and
5. Three years from the date on which other documents, as prescribed by the Commissioner of the Korea Customs Service, are used for the application, etc. for refund.

(2) When requesting submittal of related documents and data in accordance with the provisions of [Article 20 \(3\) of the Act](#), the Commissioner of the Korea Customs Service and the head of customhouse shall do so in writing.

Article 29 (Reporting of Matters concerning Determination and Payment of Refund Money)

(1) The head of customhouse shall report matters concerning the determination of refund money and matters concerning the payment of refund money as provided in [Article 14 \(2\) of the Act](#) every month to the Commissioner of the Korea Customs Service, and the Commissioner of the Korea Customs Service shall integrate this and submit it to the

Minister of Finance and Economy. <Amended by Presidential Decree No. 15978, Dec. 31, 1998>

(2) The head of customhouse shall submit the documents for the calculation of the determined amount of refund money together with its documentary evidence to the Board of Audit and Inspection in accordance with the conditions as prescribed by the provisions of [Article 25 of the Board of Audit and Inspection Act](#). <Amended by Presidential Decree No. 19337, Feb. 9, 2006>

Article 30 (Fine for Default)

(1) The money amount of the interest rate which is to be included in excessive refund money, etc. and insufficient refund money pursuant to the provisions of [Articles 21 \(2\) and 22 \(2\) of the Act](#) shall be 39/100,000 per day of the amount that has to be collected.

<Amended by Presidential Decree No. 19337, Feb. 9, 2006>

(2) In cases of voluntarily reporting excessive refund money, etc. pursuant to [Article 21 \(5\) of the Act](#) and paying the relevant customs duties, etc., the money amount of the interest rate which is to be included in the excessive refund money, etc. shall be 10/100,000 per day of the amount that has to be collected for a period from the date following the date of refund to the date of voluntary report: *Provided*, That in cases of voluntarily reporting excessive refund money, etc. within three months on the date when the refund is received, this shall not be included. <Amended by Presidential Decree No. 19337, Feb. 9, 2006; Presidential Decree No. 19994, Apr. 5, 2007>

Article 31 (Voluntary Report concerning Excessive Refund Money)

(1) A person who intends to make a voluntary report on the amount that has been excessively refunded or the amount that has been deficiently settled up pursuant to the

provisions of main sentence of [Article 21 \(4\) of the Act](#) shall present the matters stipulated in each of the following subparagraphs to the head of customhouse who has refunded him or notified him of the settlement of his account: *<Amended by Presidential Decree No. 19994, Apr. 5, 2007>*

1. The particulars of the application for refund, etc. related to the excessive refund or the deficient settlement of account;
2. The particulars of the calculation of the tax amount which was excessively refunded or deficiently settled up;
3. The reasons for the excessive refund or the deficient settlement of account; and
4. Other matters prescribed by the Commissioner of the Korea Customs Service such as personal matters of the person reporting.

(2) In case of the customs duties, etc. which are voluntarily reported pursuant to the provisions of paragraph (1) of this Article, the relevant tax amount shall be paid within fifteen days from the date of the report.

Article 32 (Insufficient Refund Subjected to Additional Payment)

Cases where insufficient refund is made as provided in [Article 22 \(1\) of the Act](#) shall be regarded as a case of such deficient reimbursement which was made on account of a cause for which the head of customhouse is responsible.

Article 33 (Form)

The application form, notification form, directives, and other forms as provided in this Decree shall be prescribed by the Commissioner of the Korea Customs Service.

ADDENDA

Article 1 (Enforcement Date)

This Decree shall enter into force on July 1, 1997.

Article 2 (General Transitional Measures)

Matters being in force pursuant to the previous provisions, before the enforcement of this Decree, shall be subject to the previous provisions.

Article 3 (Example of Application of Record Date of Export Performance Period)

The provisions of [Article 9](#) (1) shall be applicable beginning with the portion of the application for refund after July 1, 1997.

Article 4 (Example of Application of Fixed Amount Refund Rates Table)

A fixed amount refund rates table notified publicly and applied by the Commissioner of the Korea Customs Service before the enforcement of this Decree shall be considered as having been notified pursuant to this Decree.

Article 5 (Limit on Application of Fixed Amount Refund Rates Table)

The provisions of [Article 14](#) (6) shall be applicable beginning with the portion of the application for approval to apply or not to apply a fixed amount refund rates table after July 1, 1997.

Article 6 (Example of Application of Application for Refund)

The provisions of [Article 18](#) (1) and (4) shall be applicable beginning with the portion of the application for refund after July 1, 1997.

Article 7 (Example of Application of Application Date for Refund)

The provisions of [Article 18](#) (5) shall be applicable beginning with the portion of exporting, selling, constructing, or supplying after July 1, 1997.

Article 8 (Example of Application Related to Ex Post Facto Review)

The provisions of [Article 20](#) shall be applicable beginning with the portion of the application for refund after July 1, 1997.

Article 9 (Example of Application Related to Transfer and Payment of Refund Money)

Transfer and payment of refund money as provided in [Article 21](#) shall be applicable beginning with the portion of the application for refund after July 1, 1997.

Article 10 (Example of Application Related to Fine for Default concerning Excessive Refund Money)

The provisions of [Article 30](#) shall be applicable beginning with the portion of the application for refund after July 1, 1997.

ADDENDA <Presidential Decree No. 15978, Dec. 31, 1998>

(1) (Enforcement Date) This Decree shall enter into force on January 1, 1999.

(2) (General Transitional Measures) With respect to the matters which are taking effect under the previous provisions before this Decree enters into force, the said previous provisions shall apply.

(3) (Example of Application of Documents in Which Fact of Provision for Export, etc. is Confirmed) The amended provisions of [Article 18](#) (1) and (2) shall be applicable beginning with the provision for the export, etc. after January 1, 1999.

ADDENDA <Presidential Decree No. 16985, Oct. 23, 2000>

(1) (Enforcement Date) This Decree shall enter into force on the date of its promulgation:

Provided, That the amended provisions of the proviso of [Article 28](#) (1) 1 shall enter into force

on January 1, 2001.

(2) (Example of Application on Custody Period of Documents) The amended provisions of the proviso of [Article 28](#) (1) 1 shall be applicable beginning with documents on the application for the refund of customs duties, etc. which is initially made after January 1, 2001.

ADDENDA <Presidential Decree No. 17048, Dec. 29, 2000>

Article 1 (Enforcement Date)

This Decree shall enter into force on January 1, 2001.

Articles 2 through 8 *Omitted.*

ADDENDA <Presidential Decree No. 17791, Dec. 5, 2002>

Article 1 (Enforcement Date)

This Decree shall enter into force on the date of its promulgation.

Articles 2 and 3 *Omitted.*

ADDENDA <Presidential Decree No. 18087, Aug. 21, 2003>

(1) (Enforcement Date) This Decree shall enter into force on the date of its promulgation:

Provided, That the amended provisions of [Articles 21](#) and [23](#) (1) shall enter into force on December 1, 2003.

(2) (Application Example concerning Refund Application) The amended provisions of [Article 18](#) (1) 1 and (7) shall apply, starting with the portion of the refund for which an application is filed after the enforcement of this Decree.

(3) (Application Example concerning Transfer and Payment of Refund) The amended

provisions of [Articles 21](#) and [23](#) (1) shall apply, starting with the portion of the refund, the payment of which is requested on or after December 1, 2003.

ADDENDA <Presidential Decree No. 19337, Feb. 9, 2006>

(1) (Enforcement Date) This Decree shall enter into force on the date of its promulgation: Provided, That the amended provisions of [Articles 2](#) and [6](#) (2) shall enter into force on April 1, 2006.

(2) (Application Example concerning Surcharge on Excessively Refunded Amount and Under-Refunded Amount) The amended provisions of [Article 30](#) (1) and (2) shall apply, starting with the portion for which an application is first filed for its refund after the enforcement of this Decree.

(3) (Transitional Measures concerning Lump-Sum Payment Period of Customs Duties, etc.) Anyone who has made the lump-sum payment of his customs duties, etc. pursuant to the previous provisions on or before April 1, 2006 shall choose any one of the lump-sum payment periods provided for in the amended provisions of [Article 2](#) (1) and file a return thereon to the head of customhouse on or before April 30, 2006.

ADDENDA <Presidential Decree No. 19994, Apr. 5, 2007>

(1) (Enforcement Date) This Decree shall enter into force on the date of its promulgation.

(2) (Transitional Measures concerning *Ex Officio* Settlement of Accounts) The portion for which the lump-sum payment period expires prior to the enforcement of this Decree shall be governed by the previous provisions, notwithstanding the amended provisions of [Article 7](#) (1)
1.

