WCO Handbook
on
Inward and Outward Processing Procedures

May 2017
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I. Background

At its 213th/214th Sessions in October 2016, the Permanent Technical Committee (PTC) discussed Global Value Chains (GVCs) and how Customs can support better connectedness of economies to GVCs. The PTC discussed Members’ experiences in terms of actions undertaken so far, including experiences on inward and outward processing (IP and OP) procedures.

The PTC agreed to take the work forward on GVCs by, among other things, developing additional or updating current guidance on inward/outward processing procedures. Consequently, in December 2016, the Secretariat carried out a Survey on inward and outward processing procedures (the Survey), where 78 Members responded to questions relating to among others legislation, procedures, IT support and governance.

This Handbook was developed based on the results of the Survey and the additional information kindly provided by Members, including pieces of legislation, authorization forms, guidelines etc. Consolidated answers to the Survey can be found in Annex I to this Handbook.

The Handbook builds on the already substantial Revised Kyoto Convention Guidelines to Specific Annex F (Chapters 1 and 2 on inward and outward processing) and is intended to provide WCO Members with the different legislative and procedural examples for inward and outward processing, IT solutions, governance frameworks etc, used by WCO Members. Since OP procedures are not as commonly used as the IP procedures, the Handbook focuses more on the latter.

Bearing in mind the high level of benefits these procedures provide to economic operators, the intent is to encourage and support both Members and economic operators to make better use of them. This will increase economic competitiveness and trade facilitation in particular, as well as connecting Members’ economies to GVCs. This is all the more relevant bearing in mind that provisions on inward and outward processing procedures are mandatory under the WTO Trade Facilitation Agreement (Article 10.9) which entered into force in February 2017.

Economic operators need to be better aware of all the benefits provided by inward and outward processing procedures, and the Handbook is an opportunity for Customs to enhance the awareness and knowledge of business about these economic procedures.
II. Introduction

The globalization of supply chains calls for a more coherent and harmonized view of trade and trade-related policies bearing in mind that around 80 percent of global trade is conducted through GVC networks.

The fragmentation of production has created new opportunities for developing economies and for small and medium-sized enterprises (SMEs) to access global markets as components or services suppliers, without having to build the entire value chain of a product themselves and SMEs are usually acting as subcontractors providing intermediate input. E-commerce is having an important role in the expansion of GVCs and in integrating SMEs into them. At the same time, GVCs place new demands on firms, in particular as regards the need for strong coordination and efficient links between production stages and across countries.

But the gains are even greater when more countries participate and markets are opened on a multilateral basis. GVCs strengthen the economic case for advancing negotiations at the multilateral level, as barriers between third countries upstream or downstream matter as much as barriers put in place by direct trade partners and are best addressed together.

Impact of Customs procedures and trade facilitation on GVCs

Promoting further engagement in GVCs could possibly be achieved not only by implementing trade and investment policy reforms, but also by improving Customs procedures and logistics.

International rules, standards and regulations make GVC-related transactions easier. Foreign direct investment, which tends to be very sensitive to policy barriers and red tape, is a key vehicle of GVC participation.1

As goods now cross borders many times, first as inputs and then as final products, fast and efficient Customs procedures and logistics are essential to the smooth operation of supply chains. A country where inputs can be imported and exported within a quick and reliable time frame is a more attractive location for foreign firms seeking to outsource production stages. As such, trade facilitation measures are crucial to foster participation in global production networks and global markets.2

Surveys performed among private sector representatives showed that especially for lead firms, Customs procedures were ranked highly as a particular obstacle to bringing developing country suppliers into their value chains, as well as standards compliance issues.

Trade facilitation measures which can contribute to better connectedness to GVCs include inward and outward processing procedures, Authorized Economic Operator and Trusted Trader programmes, Single Window, separation of release from final determination of duties, advance rulings and others.

III. Processing trade

One particular lens through which a subset of GVCs can be looked at is the so-called processing trade. Processing trade - the process through which companies source intermediate inputs from various countries, assemble them in another for the final consumption in third markets - has been credited with a large role in the impressive export performance of for instance China over the last decade.3

Between 1979 and 2016, the total import and export value of China's processing trade jumped from US$ 235 million to US$ 1,112.58 billion, and its proportion of China's foreign trade rose from 1.5% to 30.2%. Processing trade has created jobs for 40 million people directly, and 60 million people indirectly. Since the launch of the reform and opening-up policy, China’s processing trade

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has seen rapid growth; this has played a significant role in speeding up China’s industrialization process, boosting industrial restructuring and upgrading, creating jobs and integrating China’s economy into that of the world. (More on China’s case study is provided in Annex V to this Handbook).

In addition, the OECD/WTO Trade in Added Value (TiVA) database information shows that, apart from China, other countries such as Ireland, Luxembourg, Malaysia, Singapore, Slovak Republic, Thailand, Tunisia, Viet Nam and others show a high percentage of share of GVC participation in total gross exports, in these cases with a high level of backward participation, which refers to import of foreign inputs to produce the goods and services they export.

It is important to have a closer look at the existing standards and practices relating to Customs processing and examine areas requiring further improvements towards supporting greater engagement of economies in GVCs. These refer mainly, but are not limited to:

i. **inward processing** procedures (temporarily imported goods for processing and further export benefiting from exemption from duties, levies or other checks); and

ii. **outward processing** procedures (intermediate goods are temporarily exported for further processing, and the processed are re-imported while benefitting from full or partial exemption from Customs duties and levies).

There are a number of other processing procedures, such as those carried out in free zones, bonded areas, processing of goods for home use and other. However, this Handbook focuses mainly on IP and OP procedures, as key trade facilitation measures for better inclusion especially of SMEs into GVCs and taking into account that IP procedures are very much related to other processing procedures. The Handbook deals with the topic from a mainly trade facilitation perspective, but it does acknowledge the other extremely relevant roles of Customs control functions aimed at safety, security and revenue collection.

**a. WCO standards, instruments and tools**

WCO standards relating to inward/outward processing can be found in the Revised Kyoto Convention (RKC) in Specific Annex F on Processing, that consists of four chapters: Chapter 1 on inward processing, Chapter 2 on outward processing, Chapter 3 on drawback and Chapter 4 on processing of goods for home use. RKC provisions of Chapters 1-3 of the Specific Annex F are contained in Annex II to this Handbook.

Particularly important in the context of GVCs are Chapters 1 and 2 and their accompanying Guidelines, which provide more information on benefits, field of application, authorizations, control and audit, examination, identification measures etc. The Guidelines also include information on treatment of waste; processing procedure granted to goods that were already under another customs procedure (i.e. transit or were in a customs warehouse or free zone); avoiding to apply restrictions and prohibitions which normally apply to goods coming from a certain country; methods for identifying the quantities of imported goods in the compensating products; authorization; inward/outward processing records; retrospective authorization; general authorization; rate of yield; transfer of ownership of imported goods; processing operations to be carried out by a third person; procedures for monitoring discharge of imported goods; terminating procedure by placing imported goods or the compensating products under another customs procedure, etc.

However, to date, out of the 110 RKC Contracting Parties, only a limited number has acceded to the relevant chapters of Specific Annex F: 24 have signed up to the Chapter 1 (out of which 6 with reservations) and 24 to Chapter 2 (out of which 4 with reservations).

**b. Inward processing**

National legislation often provides for conditional relief from import duties and taxes for goods that are to be exported after having undergone specified manufacturing, processing or repair. This is the Customs procedure of inward processing.

Inward processing is not the only Customs procedure or practice to grant tax concessions on imported goods which are to be processed before re-exportation. The use of the drawback procedure or free zones is also applicable in this context.
The main purpose of the inward processing procedure is to make it possible for national enterprises to offer their products or services on foreign markets at competitive prices, thereby promoting economic growth and helping to provide more employment opportunities for national labour.

As a general rule, inward processing allows total conditional relief from import duties and taxes (including internal taxes such as Value Added Tax (VAT) or Goods and Services Tax (GST) levied on the importation of goods). However, import duties and taxes may be charged on waste deriving from the processing or manufacturing of the goods.

**Canada**

**Scrap or Waste**

*Scrap or waste resulting from a processing operation is also eligible for relief under the Duties Relief Program when the imported goods are processed and exported. However, if the scrap or waste is dutiable if imported and has a merchantable value, it is not entitled to the relief, unless the scrap is exported. In this case, the duties applicable to the scrap must be paid. The rate of duty in effect on the date the scrap or waste was produced, is applicable.*

The imported goods must be intended for re-exportation within a specific period after having undergone manufacturing, processing or repair. The products obtained as a result of the manufacturing, processing or repair are called "compensating products". These compensating products need not be obtained solely from goods admitted for inward processing. It may be necessary to use goods of national origin or those previously imported with payment of import duties and taxes.

Goods may be directly placed under the inward processing procedure after they are brought into the Customs territory. Goods under temporary admission, including goods under Customs transit, moving from a Customs warehouse or from a free zone, should also be eligible for inward processing. Proper discharge of the Customs procedure under which the goods were originally imported may be made a prerequisite for the granting of the inward processing procedure.

The benefits of this Customs procedure are several. The main benefit for trade is the possibility to produce or process goods without the burden of paying Customs duty and taxes on imported goods that will be processed or used in production with the aim to export. The main benefit for the country is the extra boost to the domestic economy afforded by this processing or producing of goods, thereby strengthening the competitiveness of its industry attracting foreign direct investments and due to the increased economic activity creating opportunities for increased revenue from direct taxation.

Inward processing covers not only general trade processing but also contract or "job" processing in which the foreign customer remains the owner of the imported goods.

It also does not imply that the processing must involve any major change increasing the value of the goods. Goods that are to undergo minor operations, such as packaging, packing or re-packing of goods, may also be covered by this procedure.

One of the prerequisites for granting an authorization is the possibility of identifying the imported goods in the obtained products.
c. Outward processing

National legislation often provides for total or partial exemption from import duties and taxes on goods declared for home use which are obtained by manufacturing, processing or repair of temporarily exported goods in free circulation. The Customs procedure which provides for this exemption is outward processing.

The main purpose of the outward processing procedure is to make it possible for national enterprises to reduce their production costs thereby making products available at more competitive prices. The term “processing” in this context may include packaging, packing or repacking of goods, in addition to the manufacturing and processing operations included in the definition of outward processing. The latter would also cover goods that undergo minor operations.

The application of this procedure may be made subject to the condition that the processing operations envisaged are not detrimental to national interests. The exemption granted on goods that are imported after processing abroad is usually partial. However it may be total, particularly where repairs have been carried out abroad free of charge. Duties and taxes in this context also include internal taxes levied on the importation of goods, such as Value Added Tax or Goods (VAT) and Services Tax (GST).

The outward processing procedure makes it possible to temporarily export goods that are in free circulation from the Customs territory. Compensating products resulting from the outward processing operations abroad can then be imported with total or partial exemption from import duties and taxes.

Thus, unlike goods under the outright exportation procedure, goods in free circulation in the Customs territory which are temporarily exported are, on their return to the Customs territory (after having been repaired, manufactured or incorporated into other goods), regarded as goods in free circulation to which import duties do not apply (totally or partially).

For that reason, goods exported temporarily must be subject to suitable identification measures making it possible to establish that the compensating products were obtained totally or partially from the temporarily exported goods.

At exportation it is essential that the goods be declared for the outward processing procedure. The export declaration is both an instrument by which the exporter states that he wants the goods to be placed under the outward processing procedure and a formality enabling Customs to carry out any necessary controls.

In some administrations this procedure is also applied to goods that were in the Customs territory under the inward processing procedure. In these administrations the exported goods or compensating products on subsequent re-importation can be placed again under the inward processing procedure.
Members’ experiences

a. Legislation and procedures

The results of the Survey showed that almost all Member respondents have in place legislative provisions on inward and outward processing. One Member has recently introduced such provisions, while another is in the process of doing so.

However, there are different names used for what are considered as IP/OP procedures. Sometimes IP procedures are referred to as duty relief and duty drawback programs or rebate due to processing of goods.

There are also different legislative solutions in place. For example, it is not always necessary that the economic operator is established within the Customs territory in order to be authorized for carrying out an inward processing procedure. Sometimes, when it is considered justified, the person granted an authorization can be established outside the Customs territory.

Annex III to the Handbook contains links to Members' web sites containing legislation, guidelines, procedures, application forms and other useful material that clearly show that IP/OP schemes are well established within the WCO Membership, but that there is a different level of granularity in defining the rules and procedures. Some Members have in place general rules applied for IP/OP procedures, while others have developed specific ones for certain industry sectors. Namely, the idea of especially IP procedures is to support promotion of the country’s exports and to enhance industrial development and economic growth which is why we see different models resulting from different economic environments.

Nevertheless, the IP/OP procedures are all based on the same principle and that is: import/export for manufacturing, processing or repair and subsequent export/import with full or partial relief from duties and taxes.

The Survey also showed that especially IP procedures are very much linked to what could be called procedures with economic impact.

i. Procedures with economic impact

Apart from IP and OP procedures, Members have in place other processing procedures with similar objectives allowing traders to benefit from full or partial exemption from Customs duties and levies. Some Members call them procedures with economic impact, duty and tax relief and suspension schemes, economic regimes, special Customs regimes or similar.

For example, according to the Survey, more than 50% of the Members implement:

- procedures for processing of goods for home use; and
- processing in free zones.

In addition, Members reported on examples of procedures such as:

- processing in a bonded area,
- processing in an export processing zone,
- free ports,
- industrial warehousing,
- duty-free replenishment,
- processing under Customs control,
- processing for partial exportation,
- processing for full exportation (within completely export-oriented companies) etc.

The Survey did not explore the above mentioned procedures in detail. However, it is quite possible that there are a lot of similarities between these procedures which go under quite different names and have the advantage of facilitating trade by allowing the trader the exemption from duties or a delay in payment until the goods are actually cleared for home consumption or are exported.

All of these procedures have more or less a similar objective of providing special benefits to domestic producers and increasing economic competitiveness. The advantage of inward processing compared to processing in a bonded area or free port, for example, is that the
administration of a bonded area can potentially be resource consuming in terms of application of controls and preventing diversion and duty evasion.

**Mexico**

Apart from IP and OP procedures, Mexico has in place a number of other procedures with similar objectives which allow traders to benefit from full or partial exemption from Customs duties and levies:

- Temporary importation for Manufacturing, Transformation or Repairing of goods (IMMEX);
- Manufacturing, Transformation or Repairing within a Bonded Warehouse Regime (Recinto Fiscalizado Estrategico);
- Processes of assembly and manufacture of vehicles within a Bonded Warehouse Regime (Deposito Fiscal).

**ii. Drawback procedure**

Drawback procedure is closely linked to IP and refers to the Customs procedure that, when goods are exported, provides for a repayment (total or partial) to be made in respect of the import duties and taxes charged on the goods, or on materials contained in the exported goods or consumed in their production. Most economic operators prefer to have the raw materials imported under the IP procedure and exempted from duties and taxes immediately and not be required to submit a drawback procedure request for refund. On the other hand, for Governments the suspension scheme may involve greater risk of revenue leakage, and the drawback procedure allows Governments to better control the revenue collection and control the refund process.

According to the results of the Survey, 66% of the respondents have in place drawback procedures which shows that the majority of the Members do provide the choice of using either of the two regimes mentioned.

**Australia**

The Duty Drawback Scheme enables exporters to obtain a refund of customs duty paid on imported goods where those goods will be treated, processed, or incorporated in other goods for export; or are exported unused since importation.

Annex III to this Handbook contains a link to the web page of the Australian Department of Immigration and Border Protection containing detailed information on the drawback scheme.

**iii. Guarantee**

A guarantee is usually required before issuing an authorization. It can be an individual or comprehensive guarantee. Individual ones are usually required for IP/OP procedures with one Customs declaration, while the comprehensive guarantee would usually be required when more than one Customs declaration is issued under one IP/OP procedure.

According to the Survey, most Members (78%) require a guarantee mainly for the inward processing procedure. The usual form of security is a bank or insurance guarantee, a corporate guarantee, cash deposit etc.

Some Members do not require a bank guarantee from companies with an Authorized Economic Operator status.

**Cambodia**

Deposit in bank for each licensed trader and its licensed Customs broker are the guarantee for inward and outward processing required.

**Mongolia**

A taxpayer may provide a guarantee to pay the Customs duties and other taxes in one of the
following forms: a) giving into custody goods crossing the Customs border or money asset; b) providing a bank guarantee; or c) providing other forms of guarantees provided for in international treaties.

iv. **Authorization**

The authorization for the IP or OP procedure must be obtained from a competent authority and issued in a certain period of time after submission of request. This competent authority may be Customs or another authority empowered to approve such authorizations based on economic policy. However, Customs will ensure that all the conditions required for the procedure are fulfilled. (Examples of authorization forms are provided in Annex IV to this Handbook.)

In some Members, the authorization requirements may vary depending on whether the economic operator has an Authorized Economic Operator regime or not. If not, the economic operator might be required to complete a self-assessment questionnaire to show that it has a robust compliance procedure in place.

The period of validity of IP authorization varies for different products. The usual period in which the processed goods need to be exported is commonly 1 year, but can be longer for certain types of goods (i.e. three or five years). Furthermore, the period of validity can be extended based on the request submitted by the economic operator and usually before the expiry of the IP procedure.

There are often special conditions applied for certain agricultural products, which may have to be exported after processing in a shorter period of time (i.e. six months) and for which often standard rates of yield must be applied.

Through production activities in inward processing, it is primarily the major end-products which are created, i.e. the products for which the procedure is being approved. Beside the major end products, by-products can also be obtained and they would need to be indicated in the authorization.

**Serbia**

For obtained by-products it is possible to determine some other Customs approved treatment or use; they may be re-exported, released for free circulation or destroyed under customs supervision (if waste, this needs to be done in line with the Law on Waste Management). The declarant is free to choose regarding further treatment of obtained by-products, yet, the nature of the products should be observed, as well as bans and restrictions envisaged by other rules and regulations (for instance: environmental protection regulation). If the holder of the authorization submits a request for destruction of the obtained by-products under Customs supervision, steps will be taken in accordance with the Customs Directorate act Nr. 148-03-030-01-131/2012, dated 13 June 2012 which explains the procedure of destruction of goods placed in Customs storages. Among other things, it is stated in the mentioned act that, together with the request, an evidence of conducted procedure of testing of waste with institutions in charge is submitted – Report on testing of waste, as well as the opinion on the way the waste should be treated provided by the Ministry of Energy, Development and Environmental Protection. If, however, the holder of the approval opts for release for free circulation of obtained by-products, the carrying out of this procedure also requires submission of the mentioned documents.

According to the WCO survey, Customs administrations are most commonly the authorities responsible for issuing authorizations. Nevertheless, in some cases, and usually in addition to Customs, the authorization can be issued by the Ministry of Trade or the Ministry of Finance. Furthermore, depending on the type of goods, the authorization can be issued by the responsible ministries, such as the Ministry of Industry, Ministry of Investments and Development, Ministry of Agriculture, Ministry of Energy and Mining or other.
• General authorization

Granting of a general authorization for traders who perform continuous IP/OP operations is a measure of facilitation to both the trader and Customs. Such traders will normally have established good records of compliance with Customs law and therefore can be eligible for less Customs intervention for each individual transaction. For Customs this reduces the manpower and paperwork requirements for reviewing and granting multiple individual authorizations. The general authorization may be made subject to the condition that the goods held under inward processing should not exceed a certain quantity and that the processing operations should be completed within a prescribed time limit.

• Simplified authorization

Most of the Members have in place a simplified procedure for issuing authorizations for IP/OP procedures. Usually this happens in a number of cases:

- When it is for only one import or export declaration tied to the IP or OP procedure, the declaration itself can serve as an authorization;
- When the importer/exporter has a general authorization/permit, based on which individual inward/outward processing procedures can be carried out;
- For low value shipments;
- For certain types of goods;
- For certain processing types;
- For trust delivery for emergencies (when systems are down) etc.

Even though commonly import/export Customs declarations used under the IP/OP regime may serve as a simplified authorization, there is usually a limitation to the number which could be used on a yearly basis (i.e. one to three) and exceeding which would require traders to seek a proper authorization.

**Finland (applicable in all EU Member states)**

The criteria for a simplified authorisation is mainly set in article 163 of the delegated act EU 2015/2446 to the Union Custom Code EU 952/2013:

- where goods other than those listed in Annex 71-02 [list of sensitive goods, mainly agricultural products] are to be placed under the inward processing procedure;
- where goods other than those listed in Annex 71-02 [list of sensitive goods, mainly agricultural products] are to be placed under the outward processing procedure;
- where an authorisation for the use of the outward processing procedure has been granted and replacement products are to be released for free circulation using the standard exchange system, which is not covered by that authorisation;
- where processed products are to be released for free circulation after outward processing and the processing operation concerns goods of a non-commercial nature.

However, this shall not apply in any of the following cases:
- simplified declaration;
- centralised clearance;
- entry in the declarant’s records;
- where an authorisation other than for temporary admission involving more than one Member State is applied for;
- where the use of equivalent goods is applied for in accordance with Article 223 of the Code;
- where the competent customs authority informs the declarant that an examination of the economic conditions is required in accordance with Article 211(6) of the Code;
- where Article 167(1)(f) applies [refers to Annex 71-02; list of sensitive goods, mainly agricultural products];
- where a retroactive authorisation in accordance with Article 211(2) of the Code is applied for, except in cases referred to in paragraph 1(e) or (f) of this Article.

Switzerland

Customs offices have competence to issue simplified authorizations with no formalities and free of charge, by acceptance of the Customs declaration, for the following goods and processing types:

- Personal goods of all kinds (all types of processing)
- Repair
- Restoration
- Commercial goods of all kinds (simple processes such as printing, grinding; however, combinations of processes are not authorized under the simplified procedure).

- Retrospective authorization

The principle contained in Recommended Practice 10 of Chapter 1 to Specific Annex F envisages offering traders the opportunity to be granted a retrospective authorization for inward processing for goods that have already been cleared for home use. The main advantages are that it offers a greater facility to traders by enabling duties and taxes to be repaid more quickly than would be possible under the drawback procedure (where it is applied), and in some instances enables them to obtain a refund of duties and taxes which might not be available under other procedures. However, this facilitation measure is usually limited in to how many times it can be applied by the economic operator.

- Other types of authorizations

In some Members there are other sorts of authorizations issued, such as specific authorizations for specified good (i.e. agricultural goods). Another example from the EU Member States is the Single Community authorization issued if the goods are processed in more than one Member State. We also see so-called integrated authorizations which include other Customs procedures under the same authorization (i.e. Customs warehousing, outward processing etc).
v. Validation of specifications

For inward processing procedures, it is not always an easy task for Customs to validate/verify some of the specifications/normatives required for an IP/OP procedure. The WCO Survey enquired about the means for assessing the validity of the specifications. Members usually replied with multiple answers.

For example, 70% of Members who replied to the Survey indicated that this was done based on specific criteria and general specifications developed for different types of products. In addition, 76% indicated that it was based on information obtained from the producer or the party submitting the request for authorization, when Customs would usually require a report on the manufacturing process. Customs most commonly may take actions it deems necessary to verify the validity of the information provided by the trader, such as taking samples of goods to be processed, samples of processed goods, examining records, requesting recipes etc. The specifications can also be validated based on consultations with industry associations.

In a number of Members, validation is being done based on recommendations provided by government departments responsible for specific types of goods or that have insight into certain types of information, such as prohibited goods or restrictions on importations that need to be met.

In some cases, Members have indicated the use of common knowledge in addition to other means of verification.

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<thead>
<tr>
<th>Switzerland</th>
<th>Based on consultation with industry associations.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kyrgyz Republic</td>
<td>The Customs assesses the feasibility of the specification based on the declarant’s statement to Customs for a permission for one of the processing procedures and documents provided, which describe the technological process, including the following:</td>
</tr>
<tr>
<td></td>
<td>1. Refining or processing of goods under which foreign goods transform their individual characteristics;</td>
</tr>
<tr>
<td></td>
<td>2. Manufacturing of goods, including installation, assembly, disassembly and fitting;</td>
</tr>
<tr>
<td></td>
<td>3. Repair of goods, including restoration, replacement of parts;</td>
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<tr>
<td></td>
<td>4. Using as raw materials of products which contribute to the production of refined products or facilitate it, even if the goods were completely or partially used in the recycling process. This operation must be carried out at the same time with one of the operations referred to in subparagraphs 1. – 3. Of this paragraph.</td>
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</table>
vi. Monitoring and audit

To ensure correct application of the provisions governing the IP procedure and to facilitate controls, Customs generally requires the person authorized to keep or ensure the keeping of records for a certain number of years. The records should indicate the quantities of goods entered for the procedure and of compensating products obtained and re-exported/re-imported, including all Customs declarations used in the process, all the particulars needed to monitor the operation such as the evidence of contracts of sale, and the correct calculation of any import duties and taxes which may be payable. The records should also show how the IP/OP goods can be identified in the compensating products, as well as the rate of yield. The term “records” should be interpreted as covering all books of account of the person concerned.

The discharge of IP is regarded as complete when all conditions for use of the procedure have been complied with and the processed products or goods in the unaltered state are: exported, or transferred to another customs procedure or to another operator, or released for free circulation, or destroyed under customs supervision or other.

Traders are required to account for all goods entered to the IP/OP procedure and an audit can usually be carried out at any time.

The audit procedures are commonly carried out by Customs (i.e. post-clearance audit department). Apart from Customs, the Survey showed that the authorities carrying out the audit include the National Audit Authority, the General Administration for Foreign Trade Audit, the Tax Administration, as well as other authorities such as the National Technological Lab.
Montenegro

2.7. Discharge list

The customs authority issuing approvals for the procedure of inward processing shall determine that the approval holder, for the purposes of surveillance over the implementation of the procedure of inward processing, shall keep records of the quantity of imported goods for which such procedure was instigated, about quantity of obtained products, and all other data which are necessary for surveillance over the implementation of procedure, as well as for the proper calculation of the customs debt which might arise.

The approval holder shall, at the request, show the records to the customs authority, for the purposes of controlling whether approved procedure is properly implemented.

Approval holder shall be under obligation to submit to the surveillance customs authority the form for calculation procedure, which shall contain:

a) the data which allow the identification of approval;

b) quantity of each type of imported goods, and the data about customs declarations pertaining to the instigation procedure;

c) tariff designation f the customs tariff of imported goods;

d) customs value of imported goods and rates of import duties that were payable;

e) the norm of the imported goods consumption;

f) the nature and quantity of obtained products and the data about allowed uses or utilizations allowable for such products, together with the data about declarations, namely applications pertaining to the approval procedure;

g) value of obtained products, where value method is applied to the conclusion procedure;

h) level of import duties payable on the quantity of imported goods, which is deemed to be put into free circulation pursuant to Article 251 paragraph 3 hereof.

Approval holder shall submit to the customs authority regular form within thirty days after the day before which the procedure of inward processing must be concluded.

b. IT support

i. Customs

Because for certain lines of production, manufacturers may use inward processing procedures to import several types of raw materials from a number of countries and later export in several shipments final products to a number of different countries, challenges arise in terms of tracking down the discharge of the goods. The same applies to outward processing procedures. Therefore an efficient automated system can reduce costs and greatly improve the delivery of services and attract more users to economic procedures. However such a system is also extremely relevant for proper control of these procedures and for ensuring there are no revenue leakages.

Administrations use different IT solutions and methods for monitoring discharge of imported goods. The Survey results show that IT support for inward/outward processing procedures poses some challenges and that the IP/OP procedures are not necessarily always fully automated, or that IT support does not provide for full monitoring of these procedures. Therefore, most commonly we see automated control processes combined with manual ones, which could be time and resource consuming.

In some cases, the IT system may support only IP and not the OP procedures. The system can also support submission of applications and issuing of authorizations or support a database of issued authorizations.
In 37 Members (out of the 70 who responded to this question), IT systems automatically monitor the discharge of goods under IP/OP procedures, while in 10 this is partial and applies for example only to IP procedures. There are examples where for instance the period of discharge is managed automatically, but the supervising Customs office is required to monitor the proper discharge of the procedure manually.

As regards introduction of specifications into the system, half of the respondents do introduce them, while the other half doesn’t.

**China**

The control of bonded operations by China Customs has passed through different stages. At the outset, manuals in paper form were used for control purposes. Today, the “H2010” information system is applied nationwide to control bonded goods under processing trade. An enterprise must set up a processing trade manual (or account book) with Customs before commencing its processing trade business; it must record the types and quantities of imported materials as well as re-exported products, calculate the quantitative correspondence between incoming materials and outgoing products in accordance with certain unit consumption standards, and write off the manual (or account book) on a regular basis. Two models have been developed in this regard, namely the electronic manual model and the electronic account book model. In the electronic manual model, management is contract-focused, which means that there is a one-to-one correspondence between contracts and manuals, as reflected in the original electronic account. In the electronic account book model, management is enterprise-focused, i.e., only one electronic account book is established for all of the enterprise’s contracts. The electronic account book model is applicable to enterprises in the Special Customs Control Areas, and to certain large-scale and high-credibility enterprises outside those Areas.

**Canada**

For inward processing, authorized participants are issued a unique certificate number. This number is used to relieve customs duties at the time of importation for goods that will be subsequently exported.

For outward processing, authorized participants use a generic authority number and accounting procedures to provide the applicable duties and tax relief on eligible goods imported after processing.
ii. Economic operators

As mentioned under “Monitoring and audit”, traders are required to account for all goods entered to the IP/OP procedure and an audit can usually be carried out at any time. The IT market provides various solutions which help traders manage their records under the IP and OP procedures. They provide functionalities for inventory management with the ability to handle complex and multi level bills of material. The solutions may contain a range of applications to ensure that procedures are secure and transparent, including evaluation, record-keeping and integrated inventory accounting. Some of them allow companies to manage inventory while entering, removing, and transferring goods between different customs regimes, such as Customs Warehousing, Inward Processing, Outward Processing, and more. Some of them are referred to as IPR (inward processing relief) modules which provide all the functionality required to track goods whilst being processed and provide the required information to satisfy Customs authorities that goods have been dispatched to a third country and other details.

c. Governance

In comparison with other Customs procedures, IP/OP procedures are more complex and require a higher level of engagement from both Customs authorities and the economic operators to take full advantage of their benefits. This would require a high level of commitment towards continuous awareness raising and training of both Customs officers and economic operators, especially SMEs, as well as making available adequate IT support for proper monitoring and control.

i. Frequency of IP/OP procedures in WCO Members

In order to assess to what extent the IP/OP procedures were used by economic operators, the Survey looked into the number of traders using IP/OP procedures at national level and the number of declarations registered under these procedures and came up with results which are a result of, amongst other things, the local economy. The charts below show the Survey results.
The Survey also examined the reasons for existing low levels of use of these procedures and identified a number of factors, such as: lack of traders’ awareness (in 9 members); lack of a consultation process (5); complicated procedures (2); and high requirements of Customs (1). There were other reasons identified such as lack of industry destined to OP, or low level of economic activity at national level.

**Mauritius**

_There are no rates on more than 90% of tariff lines and VAT registered importers can claim VAT refund upon exportation on items on which VAT was paid at importation and therefore it seems there is no incentive for using the IP procedure._

ii. **Availability of information**

Taking into account the complexity of IP/OP procedures, it is critical that the relevant information is readily available to economic operators. It needs to be easily accessible and easy to read with guidelines and examples to better support users of these economic regimes. Making the information available in English or French, could be an additional advantage and support attracting more foreign direct investment.

According to the Survey, the information is most commonly published on the Customs web sites including on web pages specifically dedicated to economic operators. (As already mentioned previously, useful links to Members’ web sites have been included in Annex III to this Handbook.)

However, Customs administrations also produce FAQs, or circulate the relevant guidelines to the manufacturing sector, hold meetings, trainings and TV programmes to raise awareness of these procedures and their benefits.

### Figure 8: Availability of information

![Figure 8: Availability of information](image)

iii. **Training**

The survey looked into training as well and identified that most administrations provide training on IP/OP as part of the initial vocational training (47), while a smaller number provides specific training for the officers involved in issuing authorizations (41) or in carrying out audits (38). A smaller group of Members (19) uses mentoring, usually in addition to training.

Even though economically effective, IP and OP procedures are often quite complex and require a considerable amount of knowledge from its users. Both Customs administrations and the private sector organize courses for economic operators to acquaint IP/OP users with the relevant
legislative provisions, the jargon and terms relating to this regime, application procedure, the requirement of duty guarantees, administrative processes involved in managing IP/OP procedures, dealing with other IP/OP traders etc. The courses often provide information on what internal processes are required and the participants can be offered the opportunity to bring in samples of their own IP documentation for review, as well as to learn about the link between IP/OP audits and AEO requirements, for example. The training may have practical sessions to include completing an application form and developing a report for submission to Customs, where required. Furthermore, it is useful to learn about the links with other procedures with economic impact and to learn about which procedure would be most advantageous for the company in question.

On the other hand, Customs officers involved in validating IP/OP specifications and issuing authorizations as well as those involved in auditing in particular need to have a good knowledge of the IP/OP procedures, especially in terms of the documentation requirements, feasibility of specifications/production normatives, methods of control etc.

*          *

*          *

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Annex I - Consolidated responses from Member administrations to the WCO Survey on inward and outward processing (December 2016)

I. LEGISLATION AND PROCEDURES

1. Does your Customs legislation include provisions on inward and outward processing procedures?
   □ Yes ✓
   □ No □
   • If no, please specify why: In the process of introducing

2. Does your administration have in place other procedures with similar objectives, which allow traders to benefit from full or partial exemption from Customs duties and levies? (please check all applicable boxes)
   □ Processing of goods for home use ✓
   □ Processing in free zones ✓
   □ Other (please specify): (Duty Drawback Scheme, Free Warehouse, Bonded Warehouse, Duty Relief Programme, Goods Abroad Programme, Goods Repaired or Altered in Free Trade Partner Countries, Export Processing Zone, Industrial Warehousing, Processing under Customs Control, Free Ports etc.)

3. Does your legislation stipulate drawback procedures allowing repayment (total or partial) to be made in respect of the import duties and taxes charged on the goods, or on materials contained in or consumed in the production of exported goods?
   □ Yes ✓
   □ No □
   □ Other (please specify):

4. Is a guarantee required for inward/outward processing procedures?
   □ Yes ✓
   If yes, please specify whether it is a financial (bank/insurance) guarantee: (bank guarantee, insurance guarantee, corporate guarantee, cash deposit etc.)
   □ No □

5. Which authority is responsible for issuing authorizations for inward/outward processing procedures?
6. How is the relevant authority able to assess the feasibility of the specification for which an authorization for inward processing procedure is being requested? (please check all applicable boxes)

- ☐ Based on specific criteria and general specifications developed for different types of products
- ☐ Based on information obtained from the producer or the party submitting the request for authorization
- ☐ Based on recommendation provided by another authority (Please specify): (specialized arrangements for certain goods, Ministries of Agriculture and Trade issue authorization depending on the economic conditions, specialized arrangements when several states under an economic union are involved, procedures depending on sensitivity of the goods etc.)
- ☐ Based on common knowledge
- ☐ Other (please specify): (Based on risk management, for verification, in consultation with the private sector etc.)
7. Does your authority have in place a simplified issuing of an authorization for inward/outward processing procedures?

- Yes: 52
  - If yes, please specify the criteria: (Paperless, separate declaration not required, use of electronic document etc.)

- No: 23

8. Which is the authority responsible for carrying out audits on inward processing procedures?

- Customs administration: 73
- Other (please specify): (National Audit Authority under Ministry of Economy and Finance, Promotor de Comercio Exterior, European Commission, General Administration of Foreign Trade Audit, PCA Bureau, Technological Laboratory etc.)
II. IT SUPPORT

9. Does the IT system of your administration support inward/outward processing procedures?

☐ Yes □
☐ No 3
☒ Partially (please specify): □ (Only for Customs clearance, issuance of authorizations, lodgement and processing of declarations, maintenance of database, in some countries either IP or OP is supported by ICT)

10. If yes, does it automatically monitor discharge of imported/exported goods for use under inward/outward processing procedures?

☐ Yes 63
☐ No 3
☒ Partially (please specify): □ (In some cases, value and the volume under the authorization is not monitored, sometimes ICT system can only track ultimate exports, and in few administrations, either IP or EP is monitored with the ICT system)
11. Are specifications for the final product introduced into the IT system?

- Yes (37)
- No (23)
- Partially (10)

(Specifications of final products are subject to authorization etc.)
12. If yes, does the IT system automatically monitor the feasibility of the respective authorization/specification?

- Yes
- No
- Partially (please specify): (Only for quantity and classification of the goods. In one case, final product specifications are put into two different systems that do not communicate each other)

III. GOVERNANCE

13. How many economic operators were involved in inward/outward processing procedures in 2015?

**Inward Processing**

- 0-10
- 10-100
- 100 and more

**Outward Processing**

- 0-10
- 10-100
- 100 and more

**Figure: Number of economic operators involved in inward processing, 2015**

![Bar chart showing the number of economic operators involved in inward processing.](image-url)
14. How many authorizations for inward/outward processing procedures were issued by the relevant authority in 2015?

**Inward Processing**

- 0-10
- 10-100
- 100 and more

**Figure: Number of authorizations for inward processing, 2015**

**Outward Processing**

- 0-10
- 10-100
- 100 and more

**Figure: Number of economic operators involved in outward processing, 2015**
15. How many declarations relating to inward/outward processing have been processed in 2015?

Inward Processing

- □ 0-100 [13]
- □ 100-1000 [12]
- □ 1000-10000 [15]
- □ 10000 and more [37]

Figure: Number of declarations for inward processing, 2015
16. If your answers to the above three questions are mostly in the lower range, what are the reasons for this? (please check all applicable boxes)

- Low level of traders’ awareness of the benefits
- Lack of a consultation process for this type of activity
- High requirements and delays in issuing authorizations
- Complicated procedures and processes
- Other (please specify): (Lack of interested entities, geographical and demographic reasons, lack of demand, size of the economy, Combination of multiple reasons, Lack of knowledge on brokers’ part, ignorance of the traders about the existing IP/OP opportunities etc.)
17. How is the information on inward/outward processing procedures available to the public? (please check all applicable boxes)

- In the official journal [ ]
- On the Customs/Revenue Authority website, under legislation and procedures [ ]
- On a web page specifically dedicated to traders [ ]
- Frequently Asked Questions [ ]
- Other (please specify): [ ]

Please provide the link to where the relevant information is available on the internet: (Legislation, procedures, guidelines, authorization application etc. are available)

Figure: Reasons for not applying the benefits of inward and outward processing in 2015

- Low levels of the traders' awareness of benefits (11)
- Lack of consultation process for these activities (5)
- High requirements and delays in issuing authorizations (1)
- Complicated procedures and processes (3)
- Others (16)

Figure: Availability of information
18. Is training on inward/outward processing procedures being provided to Customs officers? (please check all applicable boxes)

☐ To all officers during the initial vocational training (57)
☐ To officers who are directly involved in issuing authorizations (46)
☐ To officers who are directly involved in carrying out audits (43)
☐ Mentoring by a more experienced officer (25)
☐ Other (please specify): (operational guidance available internally and externally, one-day training etc.)

![Figure: Training on inward/outward processing](image)

IV. OTHER

19. If practicable and if available in English or French language, please provide:
   - A copy of the relevant provisions in the legislation
   - A copy of an authorization form
   - A copy of Guidelines/Instructions for inward/outward processing procedures intended for Customs officials and/or traders

20. Is your Administration in agreement that the above provided information and documents be shared with other WCO Members?

☐ Yes
☐ No
☐ Partially (please specify):

Note: 10 Customs Administrations did not answer this question.
Annex II - Revised Kyoto Convention provisions: Specific Annex F, Chapters 1, 2 and 3 on inward processing, outward processing and drawback

Specific Annex F
Chapter 1
Inward processing

Definitions

For the purposes of this Chapter:

E1./ F3. "compensating products" means the products resulting from the manufacturing, processing or repair of goods for which the use of the inward processing procedure is authorized;

E2./ F1. "equivalent goods" means domestic or imported goods identical in description, quality and technical characteristics to those imported for inward processing which they replace;

E3./ F2. "inward processing" means the Customs procedure under which certain goods can be brought into a Customs territory conditionally relieved from payment of import duties and taxes, on the basis that such goods are intended for manufacturing, processing or repair and subsequent exportation.

Principle

1. Standard
Inward processing shall be governed by the provisions of this Chapter and, insofar as applicable, by the provisions of the General Annex.

Field of application

2. Standard
Goods admitted for inward processing shall be afforded total conditional relief from import duties and taxes. However, import duties and taxes may be collected on any products, including waste, deriving from the processing or manufacturing of goods admitted for inward processing that are not exported or treated in such a way as to render them commercially valueless.

3. Standard
Inward processing shall not be limited to goods imported directly from abroad, but shall also be granted for goods already placed under another Customs procedure.

4. Recommended Practice
Inward processing should not be refused solely on the grounds of the country of origin of the goods, the country from which arrived or the country of destination.

5. Standard
The right to import goods for inward processing shall not be limited to the owner of the imported goods.

6. Recommended Practice
When, in the execution of a contract entered into with a person established abroad, the goods to be used are supplied by that person, inward processing should not be refused on the grounds that goods identical in description, quality and technical characteristics are available in the Customs territory of importation.

7. Recommended Practice
The possibility of determining the presence of the imported goods in the compensating products should not be imposed as a necessary condition of inward processing when:

(a) the identity of the goods can be established:
- by submitting the details of the inputs and the process of manufacture of the compensating products; or
- during the processing operations by Customs control; or

(b) the procedure is terminated by the exportation of products obtained from the treatment of goods identical in description, quality and technical characteristics to those admitted for inward processing.

**Placing goods under inward processing**

(a) **Authorization for inward processing**

8. **Standard**

National legislation shall specify the circumstances in which prior authorization is required for inward processing and the authorities empowered to grant such authorization.

9. **Standard**

The inward processing authorization shall specify the manner in which operations permitted under inward processing shall be carried out.

10. **Recommended Practice**

When an application for inward processing is made after the importation of the goods and meets the criteria for authorization, the authorization should be granted retrospectively.

11. **Recommended Practice**

Persons who carry out regular inward processing operations should, on request, be granted a general authorization covering such operations.

12. **Standard**

Where goods admitted for inward processing are to undergo manufacturing or processing, the competent authorities shall fix or agree to the rate of yield of the operation by reference to the actual conditions under which it is effected. The description, quality and quantity of the various compensating products shall be specified upon fixing or agreeing to that rate.

13. **Recommended Practice**

Where the inward processing operations:
- relate to goods whose characteristics remain reasonably constant;
- are customarily carried out under clearly defined technical conditions; and
- give compensating products of constant quality;

the competent authorities should lay down standard rates of yield applicable to the operations.

(b) **Identification measures**

14. **Standard**

The requirements relating to the identification of goods for inward processing shall be laid down by the Customs. In carrying this out, due account shall be taken of the nature of the goods, of the operation to be carried out and of the importance of the interests involved.

**Stay of the goods in the Customs territory**

15. **Standard**

The Customs shall fix the time limit for inward processing in each case.

16. **Recommended Practice**

At the request of the person concerned, and for reasons deemed valid by the Customs, the latter should extend the period initially fixed.

17. **Recommended Practice**

 Provision should be made for continuing inward processing in the event of transfer of ownership of the imported goods and the compensating products to a third person, provided that that person assumes the obligations of the person granted the authorization.
18. **Recommended Practice**

The competent authorities should permit processing operations to be carried out by a person other than the person accorded the facilities for inward processing. Transfer of ownership of the goods admitted for inward processing should not be necessary, provided that the person accorded the inward processing facilities remains responsible to the Customs for compliance with the conditions set out in the authorization for the entire duration of the operations.

19. **Standard**

Provision shall be made to permit compensating products to be exported through a Customs office other than that through which the goods placed under inward processing were imported.

### Termination of inward processing

(a) **Exportation**

20. **Standard**

Provision shall be made to permit inward processing procedures to be terminated by exportation of the compensating products in one or more consignments.

21. **Standard**

Upon request by the person concerned, the competent authorities shall authorize the re-exportation of the goods in the same state as imported, with termination of inward processing.

(b) **Other methods of disposal**

22. **Recommended Practice**

Provision should be made for suspending or terminating inward processing by placing the imported goods or the compensating products under another Customs procedure, subject to compliance with the conditions and formalities applicable in each case.

23. **Recommended Practice**

National legislation should provide that the amount of import duties and taxes applicable in the case where the compensating products are not exported shall not exceed the amount of import duties and taxes applicable to the imported goods admitted for inward processing.

24. **Standard**

Provision shall be made for terminating inward processing in respect of goods lost as a consequence of the nature of the goods, insofar as the compensating products are exported, provided that such loss is duly established to the satisfaction of the Customs.

25. **Recommended Practice**

The products obtained from the treatment of equivalent goods should be deemed to be compensating products for the purposes of this Chapter (setting-off with equivalent goods).

26. **Recommended Practice**

When setting-off with equivalent goods is allowed, the Customs should permit the exportation of compensating products prior to the importation of goods for inward processing.

x

x x
Specific Annex F
Chapter 2
Outward processing

Definitions
For the purposes of this Chapter:

E1./  "compensating products" means the products obtained abroad and resulting from the manufacturing, processing or repair of goods for which the use of the outward processing procedure is authorized;
F2.

E2./  "outward processing" means the Customs procedure under which goods which are in free circulation in a Customs territory may be temporarily exported for manufacturing, processing or repair abroad and then re-imported with total or partial exemption from import duties and taxes.
F1.

Principle
1. Standard
   Outward processing shall be governed by the provisions of this Chapter and, insofar as applicable, by the provisions of the General Annex.

Field of application
2. Recommended Practice
   Outward processing should not be refused solely on the grounds that the goods are to be manufactured, processed or repaired in a given country.
3. Standard
   Temporary exportation of goods for outward processing shall not be restricted to the owner of the goods.

Placing goods under outward processing
(a) Formalities prior to temporary exportation of the goods
4. Standard
   National legislation shall enumerate the cases in which prior authorization is required for outward processing and specify the authorities empowered to grant such authorization. Such cases shall be as few as possible.
5. Recommended Practice
   Persons who carry out regular outward processing operations should, on request, be granted a general authorization covering such operations.

6. Recommended Practice
   The competent authorities should fix a rate of yield for an outward processing operation when they deem it necessary or when it will facilitate the operation. The description, quality and quantity of the various compensating products shall be specified upon fixing that rate.
(b) Identification measures
7. Standard
   The requirements relating to the identification of goods for outward processing shall be laid down by the Customs. In carrying this out, due account shall be taken of the nature of the goods, of the operation to be carried out and of the importance of the interests involved.

Stay of the goods outside the Customs territory
8. Standard
The Customs shall fix the time limit for outward processing in each case.

9. **Recommended Practice**
   At the request of the person concerned, and for reasons deemed valid by the Customs, the latter should extend the period initially fixed.

### Importation of compensating products

10. **Standard**
    Provision shall be made to permit compensating products to be imported through a Customs office other than that through which the goods were temporarily exported for outward processing.

11. **Standard**
    Provision shall be made to permit compensating products to be imported in one or more consignments.

12. **Standard**
    Upon request by the person concerned, the competent authorities shall allow goods temporarily exported for outward processing to be re-imported with exemption from import duties and taxes if they are returned in the same state.
    
    This exemption shall not apply to import duties and taxes which have been repaid or remitted in connection with the temporary exportation of the goods for outward processing.

13. **Standard**
    Unless national legislation requires the re-importation of goods temporarily exported for outward processing, provision shall be made for terminating the outward processing by declaring the goods for outright exportation subject to compliance with the conditions and formalities applicable in such cases.

14. **Standard**
    National legislation shall specify the extent of the exemption from import duties and taxes granted when compensating products are taken into home use, and the methods of calculation of that exemption.

15. **Standard**
    The exemption from import duties and taxes provided for in respect of compensating products shall not apply to duties and taxes which have been repaid or remitted in connection with the temporary exportation of the goods for outward processing.

16. **Recommended Practice**
    Where goods temporarily exported for outward processing have been repaired abroad free of charge, provision should be made for them to be re-imported with total exemption from import duties and taxes under the conditions laid down in national legislation.

17. **Recommended Practice**
    The exemption from import duties and taxes should be granted if the compensating products were placed under another Customs procedure prior to being declared for home use.

18. **Recommended Practice**
    The exemption from import duties and taxes should be granted if the ownership of the compensating products is transferred before they are taken into home use.
Specific Annex F
Chapter 3
Drawback

Definitions

For the purposes of this Chapter:

E1./F1. "drawback" means the amount of import duties and taxes repaid under the drawback procedure;

E2./F2. "drawback procedure" means the Customs procedure which, when goods are exported, provides for a repayment (total or partial) to be made in respect of the import duties and taxes charged on the goods, or on materials contained in them or consumed in their production;

E3./F3. "equivalent goods" means domestic or imported goods identical in description, quality and technical characteristics to those under the drawback procedure which they replace.

Principle

1. Standard
The drawback procedure shall be governed by the provisions of this Chapter and, insofar as applicable, by the provisions of the General Annex.

2. Standard
National legislation shall enumerate the cases in which drawback may be claimed.

3. Recommended Practice
National legislation should include provision for the application of the drawback procedure in cases where the goods which have borne import duties and taxes have been replaced by equivalent goods used in the production of exported goods.

Conditions to be fulfilled

4. Standard
The Customs shall not withhold payment of drawback solely because, at the time of importation of the goods for home use, the importer did not state his intention of claiming drawback at exportation. Similarly, exportation shall not be mandatory when such a statement has been made at importation.

Duration of stay of the goods in the Customs territory

5. Recommended Practice
Where a time limit for the exportation of the goods is fixed beyond which they no longer qualify for drawback, this should, upon request, be extended if the reasons are deemed valid by the Customs.

6. Recommended Practice
Where a time limit is fixed beyond which claims for drawback will not be accepted, provision should be made for its extension for commercial or other reasons deemed valid by the Customs.

Payment of drawback

7. Standard
Drawback shall be paid as soon as possible after the claim has been verified.
8. Recommended Practice
   National legislation should provide for the use of electronic funds transfer for the payment of drawback.

9. Recommended Practice
   Drawback should also be paid on deposit of the goods in a Customs warehouse or introduction of the goods into a free zone, on condition that they are subsequently to be exported.

10. Recommended Practice
   The Customs should, if so requested, pay drawback periodically on goods exported during a specified period.
Annex III - Links to Members’ web sites containing legislation, guidelines, procedures, application forms etc. related to Inward and Outward Processing

(as accessed on 1 March 2017)

**Australia**

Customs Act 1901:

Schedule 4 of the *Customs Tariff Act 1995*:

Securities:

Facilitation and concession schemes:

Duty Drawback Scheme:

Communicating with DIBP (Integrated Cargo System):

Resources:

**Botswana**


**Cambodia**

Procedures related to Customs Bonded Warehouse:

**Canada**
Customs legislation:
Customs Tariff, particularly sections 89 – 108

Trade Incentive Programs:

CBSA Memoranda:
D7-4-1, Duties Relief Program;
D7-4-2, Duty Drawback Program;
D7-4-3, NAFTA Requirements for the Duty Drawback and the Duties Relief Programs;
D7-4-4, Customs Bonded Warehouses;
D8-2-1, Canadian Goods Abroad Program;
D8-2-6, The Outward Processing Remission Order (Textiles and Apparel) Program;
D8-2-11, Goods Returning to Canada After Being Altered or Worked on Outside Canada;
D8-2-25, Canadian Vessels Repaired or Altered in the United States, Mexico, Chile, Israel or Another CIFTA Beneficiary, Colombia, Costa Rica, Peru, Jordan, Panama, Iceland, Liechtenstein, Switzerland or Norway;
D8-2-26, Goods Returned After Repair or Alteration in the United States, Mexico, Chile, Israel or Another CIFTA Beneficiary, Colombia, Costa Rica, Peru, Jordan or Panama

China

Customs Law of the Peoples' Republic of China:
http://english.customs.gov.cn/Statics/644dcaee-ca91-483a-86f4-bdc23695e3c3.html

Fiji

Customs Act, 1986:

Finland (applicable to all EU Member States)

EU Union Customs Code:

EU Delegated Regulation (DA):

EU Implementing Regulation (IA):
EU Delegated Regulation on Transitional Rules (TDA):

The newest version of the Guidelines for Special Procedures other than Transit can be found on the EU Commission web page:
https://ec.europa.eu/taxation_customs/business/union-customs-code_en

**India**

The Customs Act, 1962:
http://www.cbec.gov.in/htdocs-cbec/customs/cs-acts-botm#

**Ireland**

Guideline for Inward Processing:

Links to the application form which is also the authorisation form and traders guides below:  http://www.revenue.ie/en/customs/businesses/economic/outward-processing.html

Links to the Customs Officials manuals:

**Nigeria**

Guidelines and Procedures:

**Serbia**

Inward processing Procedure:
Additional information regarding the inward processing procedure:

Records of approval for Customs procedures with economic effect with ISCS (Customs IT system) and the manner of filling of the Customs declaration:

South Africa

Copy of the relevant provisions in the legislation:

Inward Processing – provision for rebate of import duties and taxes under rebate items: 470.02; 470.03; 498.01; or 498.02:

Outward Processing - provision for rebate of import duties and taxes for re-imported outward processed compensating products under rebate items: 409.07

Copy of Guidelines/Instructions for inward/outward processing procedures intended for Customs officials and/or traders – Inward Processing:

Switzerland


Outward Processing: https://www.ezv.admin.ch/ezv/fr/home/infos-pour-entreprises/exoneration-allegements--preferences-tarifaires-et-contributio/exportation-de-suisse/trafic-de-perfectionnement-passif.html
APPLICATION FOR A SPECIAL PROCEDURE

Correctly completed application forms and/or requests to amend existing authorisations should be submitted with the relevant supporting documentation/information as required under the Union Customs Code to:

Economic Procedures Section
Office of the Revenue Commissioners
Custom Division
Government Offices
Nenagh
Co Tipperary

Tel: (067) 63237/63204/63176   Lo Call No.: 1890 66 63 33
Fax: (067) 32373

E-mail: revcep@revenue.ie
Revenue Website: www.revenue.ie

Note: If forwarding the application by e-mail, a signed application must also be forwarded.

In cases where all of the required information/documentation is not received, the Revenue Commissioners will contact the applicant to obtain such information. If, however, the information requested is not received within thirty days of such a request being made, the application/request will be rejected and returned to the applicant. In that event a new application will have to be submitted when all the information/documentation is available. The effective date of the application will be the date of receipt of the fully completed new application containing all the requested information/documentation.

In order to assist you in completing the application, please consult the explanatory notes at the end of this application form.
1. Applicant

Name or Business Name and Address:
__________________________________________________________________________________
__________________________________________________________________________________
__________________________________________________________________________________

VAT No.: ____________________  EORI: ____________________
TAN: ____________________  Telephone No.: ____________________
Email of contact person:: ________________________________________________

Representative: (if you plan to have a representative please fill in details below).

Name________________________________________
Telephone number_______________________
Email address________________________________________

2. Customs Procedure
(tick one of the following)

☐ Inward Processing
☐ Outward Processing
☐ End use
☐ Warehouse

3. Type of Application
(Enter appropriate code from the following list)

1. First Application
2. Modification/Renewal of Existing Authorisation
   ____________________________ (Indicate appropriate authorisation number)
3. Application for an Authorisation involving more than one Member State.
4. Application for Successive Authorisation (Inward Processing)

4. Continuation Forms

5. Place and Kind of Accounts/Records ________________
__________________________________________________________________________________
__________________________________________________________________________________
6. **Period of Validity of Authorisation**

<table>
<thead>
<tr>
<th>From:</th>
<th>To:</th>
</tr>
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</table>

7. **Goods to be placed under the Customs Procedure**

*(Please complete annex 1)*

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<th>Description</th>
<th>Quantity</th>
<th>Value</th>
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</tr>
</tbody>
</table>

8. **Processed Products**

*(Please complete annex 2)*

<table>
<thead>
<tr>
<th>CN Code</th>
<th>Description</th>
<th>Rate of Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

9. **Details of Planned Activities**

*(Give details of places and type of processing involved)*

_____________________________________________________________________
_____________________________________________________________________
_____________________________________________________________________

Details of Operator(s):

<table>
<thead>
<tr>
<th>Name &amp; Address:</th>
<th>Name &amp; Address:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tr>
</tbody>
</table>

Vat No: ______________  Vat No.: ______________
Tan No. ______________  Tan No.: ______________

10. **Economic Conditions**

*(See Appendix I)*
11. Customs Offices

(a) Customs office of entry for the procedure: ________________________________
_________________________________________________________________

(b) Customs office of discharge: __________________________________________
_________________________________________________________________

(c) Supervising customs office: __________________________________________
_________________________________________________________________

12. Method of Identification

(Enter appropriate code from the following list)

NOTE: It is not necessary to complete this box when using equivalence

1. Serial/Manufacturer’s Number
2. Affixing of plumbs, seals, clip-marks or other distinctive marks
3. Information sheet INF
4. Taking of samples, illustrations or technical descriptions
5. Carrying out of analyses
6. Information document set out in Annex 104 (Outward Processing only)
7. Other means of Identification (explain in box 16)

13. Period for Discharge

(months)

14. Simplified Procedures

(a) b)

(Enter appropriate code from the following list)

1. Incomplete Declaration at Import
2. Incomplete Declaration at Export
3. Simplified Declaration Procedure at Import
4. Simplified Declaration Procedure at Export
3. Local Clearance Procedure at Import
4. Local Clearance Procedure at Export
5. Not Applicable
15. Transfer

(Enter appropriate code from the following list)

1. Without customs formalities between different places designated in the authorisation applied for.
2. Transfer from the office of entry to the applicant’s or operator’s facilities or place of use under cover of the declaration for entry for the customs procedure.
3. Transfer to the office of exit with a view to re-exportation should take place under cover of the customs procedure.
4. Transfer from one holder to another.
5. Transfer of any rights and obligations to a third party.

16. Additional Information

17. Signature .................................  Date ........................

Name ............................................

[BLOCK CAPITALS]
18. Equivalent goods:

(Annex 3 can be used if there a number of codes)

<table>
<thead>
<tr>
<th>CN Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

19. Prior exportation?

(If yes, estimate time within which non-community goods will be declared for the arrangements)

20. Release for free circulation with a customs declaration?

21. Additional information

22. Signed………………………………………..Dated

Name………………………………………………
- Continuation form - Outward Processing

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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<tbody>
<tr>
<td>18. System</td>
<td></td>
</tr>
<tr>
<td>19. Replacements Product</td>
<td></td>
</tr>
<tr>
<td>CN code</td>
<td>Description</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>20. [not applicable]</td>
<td></td>
</tr>
<tr>
<td>21. [ not applicable]</td>
<td></td>
</tr>
<tr>
<td>22. Signed…………………………………………Dated……………………………………..</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Name…………………………………………………</td>
</tr>
</tbody>
</table>
- Continuation sheet – Customs Warehouse
(see Appendix III for usual forms of handling)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>18. Warehouse Type</td>
<td></td>
</tr>
<tr>
<td>19. Warehouse or storage facilities</td>
<td></td>
</tr>
<tr>
<td>20. Deadline for lodging inventory of goods</td>
<td></td>
</tr>
<tr>
<td>21. Loss rate</td>
<td></td>
</tr>
<tr>
<td>22. Storage of goods not under the customs warehousing procedure</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CN code</th>
<th>Description</th>
<th>Category/customs procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| 23. Usual forms of handling |   |
| 24. Temporary removal. Purpose |   |
| 25. Additional information |   |

| 26. Signed…………………………………..Dated………………………………….. |
| Name……………………………………….. |
Explanatory Notes

Title I

Particulars to be entered in the various boxes of the application form

| 1 Applicant |

Enter the full name and address of the applicant. The applicant is the person to whom the authorisation should be issued. Enter the email address of the contact person responsible for this application.

All applicants must have a valid Trader Account Number (TAN) which is available on request from the A.E.P. Accounts Section, Government Offices, Nenagh, Co. Tipperary.

If the applicant wishes to use a representative for customs matters in relation to this authorisation, the name and contact details must be set down.

| 2 Customs procedure |

Tick the relevant procedure applied for.

| 3 Type of application |

Type of application must be entered in this box by using at least one of the following codes:

1 = first application
2 = application for modified or renewed authorisation (also indicate the appropriate authorisation number)
3 = application for an authorisation involving more than one Member State.
4 = application for successive authorisation

| 4 Continuation forms |

Indicate the continuation form used, note: Continuation sheets are provided for IP/OP/Customs Warehouse.

| 5 Place and kind of accounts/records |

Enter the place of accounts. This is the place where the applicant’s commercial, tax or other accounting material, or such data held on his behalf, is located. Specify also the kind of accounts by giving details about the system used.

State also the kind of records (stock records) to be used for the customs procedure. Records means: the data containing all the necessary information and technical details, enabling the customs authorities to supervise and control the customs procedure.

Note:
In case of an application concerning more that one Member State indicate the place and kind of main accounts.

6. Period of Validity of the Authorisation

From:                      To:

Indicate the date from which you wish the authorisation to take effect (in principal, the authorisation takes effect on the date of issue at the earliest) to the date of expiry of the authorisation.

7. Goods to be placed under the Customs Procedure

<table>
<thead>
<tr>
<th>TARIC Code</th>
<th>Description</th>
<th>Quantity</th>
<th>Value</th>
</tr>
</thead>
</table>

TARIC code

Complete according to the TARIC (10 digits).

Note: End-use:
(1) If the application concerns goods other than those under 2 below, enter the 10 digit TARIC code.
(2) If the application concerns goods under the special provisions (Part A and B) contained in the preliminary provisions of the Combined Nomenclature (goods for certain categories of ships, boats and other vessels and for drilling or production platforms/civil aircraft and goods for use in civil aircraft) CN codes are not required. Applicants should state in sub-box ‘description’ for instance; ‘Civil aircraft and parts thereof/special provisions, part B of the CN’.

Note: Customs Warehouse:
If the application covers a number of items of different goods you may enter the word ‘various’ in sub-box ‘CN code’. In this case describe the nature of goods to be stored in sub-box ‘Description’. It is not necessary to give details about the CN code, quantity and value.

Description

The description of the goods means the trade and/or technical description.

Note: The trade and/or technical description should be sufficiently clear and detailed to enable a decision to be taken on the application. Where it is planned to use equivalent goods, give details about commercial quality and technical characteristics of the goods.

Quantity

Enter the estimated quantity of the goods intended to be placed under the customs procedure.

Value

Enter the estimated value in euro of the goods it is intended to place under the customs procedure.

8. Processed Products
Enter details of all processed products resulting from the operations indicating Main Processed Product (MPP) or Secondary Processed Product (SPP) as appropriate.

**CN code**
Complete according to the Combined Nomenclature (CN code).

**Description**
The description of the goods means the trade and/or technical description.

**Note:** The trade and/or technical description should be sufficiently clear and detailed to enable a decision to be taken on the application.

**Rate of Yield**
Indicate the estimated rate of yield for each compensating product, or method by which that rate is to be determined.

<table>
<thead>
<tr>
<th>CN Code</th>
<th>Description</th>
<th>Rate of Yield</th>
</tr>
</thead>
</table>

**9 Details of the planned activities**
Describe the nature of the planned activities to be carried out on the goods within the customs procedure. Indicate also the appropriate place(s).

If more than one customs administration is involved, indicate the name(s) of the Member State(s) as well as the places.

Where appropriate enter name, address and function of other operators involved.

If a transfer of rights and obligations is intended (Articles 218 Code), enter details about the transferee in box 9.

In the case of end-use enter the intended end-use and the place(s) where the goods will be assigned to the prescribed end-use.

**10 Economic conditions**
The applicant must give reasons for the fulfilment of the economic conditions by using at least one of the two-digit codes set out in Appendix I for each TARIC code indicated in box 7. These codes can be entered on Annex 1. (See also Appendix II for Sensitive goods)

**11. Customs Office(s)**
- a | of entry
- b | of discharge
- c | supervising office(s)

Indicate the suggested customs office(s).
12 Method of Identification

Enter in box 12 the intended means of identification by using at least one of the following codes:

1 = serial or manufacturer’s number
2 = affixing of plumbs, seals, clip-marks or other distinctive marks
3 = information sheet INF
4 = taking of samples, illustrations or technical descriptions
5 = carrying out of analyses
6 = information document set out in Annex ex 104 (only suitable for Outward Processing)
7 = other means of identification (explain in box 16 “additional information”)
8 = without identification measures (only suitable for temporary admission)

13 Period for discharge (months)

Enter the estimated period needed for the operations to be carried out. The period starts when the goods are placed under the customs procedure. This period ends when the goods or products have been placed under a subsequent procedure, re-exported or in order to obtain total or partial relief from import duties upon release for free circulation after outward processing.

Note:
In the case of Inward Processing: where the period for discharge expires on a specific date for all the goods placed under the arrangements in a given period, the authorisation may provide that the period for discharge shall be automatically extended for all goods still under the arrangements on this date. If this simplification is required enter: “Article 174(2)” and give the details in box 16.

In the case of end-use state the period which will be need to assign the goods to the prescribed end-use or to transfer the goods to another holder of authorisation.

In the case of customs warehousing the period is unlimited; therefore leave blank.

14. Simplified Procedures

| a | b |

Box 14 a:

Indicate the type of declaration that is intended to be used for placement of goods under the procedure by using at least one of the following codes:

1 = Standard declaration (in accordance with Article 162 of the Code)
2 = Simplified declaration (in accordance with Article 166 of the Code)
3 = Entry in the declarant’s records (in accordance with Article 182 of the Code)

Box 14 b:

Indicate the type of declaration that is intended to be used for discharge of the procedure by using at least one of the codes above at 14 a.
Note: In the case of end-use procedure box 14 is not to be completed.

**15 Transfer**

Indicate the method of transfer of the goods. If there is a transfer or rights and obligation please set down the details in box 9.

**16 Additional information**

Indicate all additional information considered useful, and where applicable indicate the following additional information:
- Type of guarantee
- Guarantee (yes/no)
- Customs office of guarantee
- Guarantee amount.

Method of calculation:
In case of inward processing indicate if, in case of a customs debt, the amount if import duty will be calculated according to Article 86(3) of the Code? (yes/no)

<table>
<thead>
<tr>
<th>17</th>
<th>Signed………………………..</th>
<th>Dated………………………</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Name</td>
<td></td>
</tr>
</tbody>
</table>

If a continuation form is used box 17 need not be completed. Complete either boxes 22, or 25 instead.
### Title II

**Explanatory Notes on Continuation forms**  
**Inward Processing**

#### 18. Equivalent Compensation

<table>
<thead>
<tr>
<th>TARIC Code</th>
<th>Description</th>
</tr>
</thead>
</table>

Where it is planned to use equivalent goods, indicate “YES” and state in Annex 3 the ten-digit TARIC code, commercial quality and technical characteristics of the equivalent goods to enable the customs authorities to make the necessary comparison between import goods and equivalent goods. The Codes provided for box 12 may be used to suggest supporting means, which might be useful for this comparison. If the equivalent goods are at a more advanced stage of manufacture than the import goods give appropriate information in box 21.

#### 19 Prior exportation

Where it is planned to use the prior exportation system, indicate “YES” and state the period within which the non-Community goods should be declared for the arrangements taking account of the time required for procurement and transport to the Community.

#### 20 Release for free circulation without customs declaration?

Where it is requested that the compensating products or goods in the unaltered state will be released for free circulation without formalities, indicate “YES”.

#### 21 Additional information

Indicate all additional information considered useful with regard to boxes 18 to 20.
Explanatory Notes on Continuation forms
Outward Processing

18. System

Where intended enter the appropriate code(s):
1 = standard exchange system without prior importation
2 = standard exchange system with prior importation
3 = outward processing IM/EX in accordance with Article 223(2) (d) of the Code

19. Replacement products

Where it is planned to use the standard exchange system (only possible in case of repair), state the 8-digit CN code, commercial quality and technical characteristics of the replacement products to enable the customs authorities to make the necessary comparison between temporary export goods and the replacement products.

20. Not applicable under UCC

21. Not applicable under UCC

22. Additional information

Indicate all additional information considered useful with regard to boxes 18-21.
Explanatory Notes on Continuation forms
Customs Warehouse

18. Warehouse

Indicate one of the following types:

Public warehouse Type I
Public warehouse Type II
Private warehouse

19. Warehouse or storage facilities

Enter the precise place intended to be used as the customs warehouse or other storage facilities.

20. Deadline for lodging inventory of goods

Indicate the timeframe for lodging the inventory of goods.

21. Loss rate

Give details, where appropriate, of less rate(s).

22. Storage of goods not under the arrangements

CN code and description
Where it is planned to use common storage or equivalent goods state the 8-digit CN code, commercial quality and technical characteristics of the goods. Where applicable specify the customs procedure if any to which the goods are subject.

23. Usual forms of handling

Complete if usual forms of handling are envisaged.

24. Temporary removal

Purpose: Complete if temporary removal is envisaged.

25. Additional Information

Indicate all additional information considered useful with regard to boxes 18 to 24.
APPENDIX 1

ECONOMIC CODES APPLICABLE TO THE INWARD PROCESSING ARRANGEMENTS

Codes

01: the processing of goods not listed in Annex 71-02

The processing of goods listed in Annex 71-02, in the following situations

10  (i) unavailability of goods produced in the Union sharing the same eight-digit CN code, the same commercial quality and technical characteristics as the goods intended to be imported for the processing operations envisaged.

11  (ii) differences in price between goods produced in the Union and those intended to be imported, where comparable goods cannot be used because their price would not make the proposed commercial operation economically viable.

12  (iii) contractual obligations where comparable goods do not conform to the contractual requirements of the third-country purchaser of the processed products, or where, in accordance with the contract, the processed products must be obtained from the goods intended to be placed under inward processing in order to comply with provisions concerning the protection of industrial or commercial property rights.

30.7  (iv) the aggregate value of goods to be placed under the inward processing procedure per applicant and calendar year for each 8-digit CN code does not exceed EUR 150,000.

30.1  the processing of goods of a non-commercial nature.

30.2  the processing of goods directly or indirectly put at the disposal of the holder of the authorisation, carried out according to specifications on behalf of a person established outside of the customs territory of the Union, generally against payment of processing costs alone.

30.3  usual forms of handling referred to in Article 220 of the Code.

30.4  Repair

30.5  the processing of goods obtained under a previous authorisation, the issuing of which was subject to an examination of the economic conditions.

30.6  processing of durum wheat into pasta.

31  the placing of goods under inward processing within the limits of the quantity determined on the basis of a balance in accordance with Article 18 of Council Regulation (EU) no 510/2014

40  the processing of goods to ensure their compliance with technical requirements for their release for free circulation.
the processing of solid and fluid fractions of palm oil, coconut oil, fluid fractions of coconut oil, palm kernel oil, fluid fractions of palm kernel oil, babassu oil or castor oil into products which are not destined for the food sector.

the processing into products to be incorporated in or used for civil aircraft for which an airworthiness certificate has been issued.

the processing into products benefitting from the autonomous suspension of import duty on certain weapons and military equipment in accordance with Council Regulation (EC) No 150/2003.

the processing of goods into samples.

the processing of any electronic type of components, parts, assemblies or any other materials into information technology products.

the processing of goods falling with CN codes 2707 or 2710 into products falling within CN codes 2707, 2710 or 2902.

the reduction to waste and scrap, destruction, recovery of parts or components.

denaturing.

the aggregate value of goods to be placed under the inward processing procedure per applicant and calendar year for each 8-digit CN code does not exceed EUR 150,000 with regard to goods which are covered by Annex 71-02 and EUR 300,000 for other goods, except where the goods intended to be placed under the inward-processing procedure would be subject to a provisional or definitive anti-dumping duty, a countervailing duty, a safeguard measure or an additional duty resulting from a suspension of concessions if they were declared for release for free circulation.
APPENDIX 2
(Annex 71-02 DA )

SENSITIVE GOODS AND PRODUCTS

The following goods are covered by this Annex:

(1) The following agricultural products falling under one of the following sectors of the common market organization (CMO):

Beef and veal sector: products referred to in Regulation (EU) No 1308/2013, Article 1(2)(o) and listed in Annex I Part XV;

Pigmeat sector: products referred to in Regulation (EU) No 1308/2013, Article 1(2)(q) and listed in Annex I Part XVII;

Sheepmeat and goatmeat sector: products referred to in Regulation (EU) No 1308/2013, Article 1(2)(r) and listed in Annex I Part XVIII;

Eggs sector: products referred to in Regulation (EU) No 1308/2013, Article 1(2)(s) and listed in Annex I Part XIX;

Poultrymeat sector: products referred to in Regulation (EU) No 1308/2013, Article 1(2)(t) and listed in Annex I Part XX;

Agriculture products: products referred to in Regulation (EU) No 1308/2013, Article 1(2)(v) and listed in Annex I Part XXII;


Wine sector: products referred to in Article 1(2)(I), Annex I Part XII of Regulation (EU) No 1308/2013 and falling under CN codes:

0806 10 90
2009 61
2009 69
2204 21 (quality wine PDO and PGI excepted)
2204 29 (quality wine PDO and PGI excepted) 2204 30

Ethyl alcohol and spirit products falling under CN codes:
2207 10
2207 20
2208 40 39 – 2208 40 99
2208 90 91 – 2208 90 99

ex 2401 unmanufactured tobacco

Products other than those under points 1 and 2 subject to agricultural export refund.

Fishery products listed in Annex I to Council Regulation (EC) No 1379/2013 on the common organization of the markets in fishery and aquaculture products and products listed in Annex V to this regulation subject to a partial autonomous suspension.

All fishery products subject to an autonomous quota.
APPENDIX 3

(ANNEX 71-03 – DA)

LIST OF PERMITTED USUAL FORMS OF HANDLING

<table>
<thead>
<tr>
<th>UCC implemented provision</th>
<th>UCC empowering provision</th>
<th>Current IP provision</th>
<th>Annex</th>
<th>Adoption procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Article 220</td>
<td>Article 221(b)</td>
<td>Articles 531, 809</td>
<td>ex 72</td>
<td>DA</td>
</tr>
</tbody>
</table>

Unless otherwise specified, none of the following forms of handling may give rise to a different eight-digit CN code.

(2) ventilation, spreading-out, drying, removal of dust, simple cleaning operations, repair of packing, elementary repairs of damage incurred during transport or storage in so far as it concerns simple operations, application and removal of protective coating for transport;

(3) reconstruction of the goods after transport;

(4) stocktaking, sampling, sorting, sifting, mechanical filtering and weighing of the goods;

(5) removal of damaged or contaminated components;

(6) conservation, by means of pasteurisation, sterilisation, irradiation or the addition of preservatives;

(7) treatment against parasites;

(8) anti-rust treatment;

(9) treatment:
   – by simple raising of the temperature, without further treatment or distillation process, or
   – by simple lowering of the temperature;

   even if this results in a different eight-digit CN code;

(10) electrostatic treatment, uncreasing or ironing of textiles;

(11) treatment consisting in:
   – stemming and/or pitting of fruits, cutting up and breaking down of dried fruits or vegetables, rehydration of fruits, or
– dehydration of fruits even if this results in a different eight-digit CN code;

(12) desalination, cleaning and butting of hides;

(13) addition of goods or addition or replacement of accessory components as long as this addition or replacement is relatively limited or is intended to ensure compliance with technical standards and does not change the nature or improve the performances of the original goods, even if this results in a different eight-digit CN code for the added or replacement goods;

(14) dilution or concentration of fluids, without further treatment or distillation process, even if this results in a different eight-digit CN code;

(15) mixing between them of the same kind of goods, with a different quality, in order to obtain a constant quality or a quality which is requested by the customer, without changing the nature of the goods;

(16) mixing of gas or fuel oils not containing biodiesel with gas or fuel oils containing biodiesel, classified in Chapter 27 of the CN, in order to obtain a constant quality or a quality which is requested by the customer, without changing the nature of the goods even if this results in a different eight-digit CN code;

(17) mixing of gas or fuel oils with biodiesel so that the mixture obtained contains less than 0,5 %, by volume, of biodiesel, and mixing of biodiesel with gas or fuel oils so that the mixture obtained contains less than 0,5 %, by volume, of gas or fuel oils;

(18) dividing or size cutting out of goods if only simple operations are involved;

(19) packing, unpacking, change of packing, decanting and simple transfer into containers, even if this results in a different eight-digit CN code, affixing, removal and altering of marks, seals, labels, price tags or other similar distinguishing signs;

(20) testing, adjusting, regulating and putting into working order of machines, apparatus and vehicles, in particular in order to control the compliance with technical standards, if only simple operations are involved;

(21) dulling of pipe fittings to prepare the goods for certain markets;

(22) denaturing, even if this results in a different eight-digit CN code;

(23) any usual forms of handling, other than the abovementioned, intended to improve the appearance or marketable quality of the import goods or to prepare them for distribution or resale, provided that these operations do not change the nature or improve the performance of the original goods.
APPENDIX 4
(ANNEX 71-04 – DA)

SPECIAL PROVISIONS CONCERNING EQUIVALENT GOODS

I. Customs warehousing, inward and outward processing

Conventionally produced goods and organic goods

It is not permitted to replace:

organic goods by conventionally produced goods; and

conventionally produced goods by organic goods.

II. Inward processing

(24) Rice

Rice classified under CN code 1006 shall not be deemed equivalent unless it falls within the same eight-digit CN code of the Combined Nomenclature. Nevertheless, for rice with a length not exceeding 6.0 mm and a length/width ratio equal to or more than 3 and for rice with a length equal to or less than 5.2 mm and a length/width ratio equal to or more than 2, equivalence shall be established by determination of the length/width ratio only. The measurement of the grains shall be done in accordance with Annex A(2)(d) to Regulation (EC) No 3072/95 on the common organisation of the market in rice.

(25) Wheat

Equivalent goods may be used only between wheat harvested in a third country and already released for free circulation and non-Union wheat, of the same eight-digit CN code, having the same commercial quality and the same technical characteristics.

However:

derogations from the ban on use of equivalent goods may be adopted in respect of wheat on the basis of a communication from the Commission to the Member States, after examination by the Committee,

the use of equivalent goods is permitted between Union durum wheat and durum wheat of third-country origin, provided it is for the production of pasta falling within CN codes 1902 11 00 and 1902 19.

(26) Sugar

Recourse to the use of equivalent goods is permitted between non-Union raw cane sugar (CN codes 1701 13 90 and/or 1701 14 90) and sugar beet (CN code 1212 91 80) under the condition that processed products falling within CN code 1701 99 10 (white sugar) are obtained.
The equivalent quantity of raw cane sugar of standard quality as defined in point III of Part B of Annex III to Regulation (EU) No 1308/2013 shall be calculated by multiplying the quantity of white sugar with the coefficient 1.0869565.

The equivalent quantity of raw cane sugar not of standard quality shall be calculated by multiplying the quantity of white sugar with a coefficient obtained by dividing 100 by the yield of raw cane sugar. The yield of raw cane sugar shall be calculated as set out in point III of Part B of Annex III to Regulation (EU) No 1308/2013.

(27) **Live animals and meat**

Equivalent goods may not be used for inward-processing operations on live animals or meat.

Derogation from the ban on the use of equivalent goods can be made for meat which has been made subject of a communication by the Commission to the Member States, after an examination carried out by a body composed of representatives of the customs administrations of the Member States if the applicant can prove that equivalence is economically necessary and if the customs authorities transmit the draft of the procedures foreseen to control the operation.

(28) **Maize**

The use of equivalent goods between Union and non-Union maize is possible only in the following cases and subject to the following conditions:

In the case of maize for use in animal feed, the use of equivalent goods is possible provided that a customs control system is set up to ensure that the non-Union maize is in fact used for processing into animal feed.

In the case of maize used in the manufacture of starch and starch products, the use of equivalent goods is possible between all varieties with the exception of maizes rich in amylopectin (wax-like maize or ‘waxy’ maize) which are only equivalent between themselves.

In the case of maize used in the manufacture of meal products, the use of equivalent goods is possible between all varieties with the exception of maizes of the vitreous type (‘Plata’ maize of the ‘Duro’ type, ‘Flint’ maize) which are only equivalent between themselves.

(29) **Olive oil**

A. Recourse to the use of equivalent goods is permitted only in the following cases and under the following conditions:

virgin olive oil

between Union extra virgin olive oil falling within CN code 1509 10 90 which corresponds to the description in Point 1(a) of Part VIII of Annex VII to Regulation (EU) No 1308/2013 and non-Union extra virgin olive oil of the same CN code, provided that the processing operation produces extra virgin olive oil falling within the same CN code and satisfying the requirements of the said Point 1(a);

between Union virgin olive oil falling within CN code 1509 10 90 which corresponds to the description in Point 1(b) of the Part VIII of Annex VII to Regulation (EU) No 1308/2013 and non-Union virgin olive oil of the same CN code, provided that the
processing operation produces virgin olive oil falling within the same CN code and satisfying the requirements of the said Point 1(b);

between Union lampante virgin olive oil falling within CN code 1509 10 10 which corresponds to the description in Point 1(c) of the Part VIII of Annex VII to Regulation (EU) 1308/2013 and non-Union lampante virgin olive oil of the same CN code, provided that the processed product is:

– refined olive oil falling within CN code 1509 90 00 which corresponds to the description in Point 2 of Part VIII of the abovementioned Annex VII, or

– olive oil falling within CN code 1509 90 00 which corresponds to the description in Point 3 of Part VIII of the said Annex VII and is obtained by blending with Union virgin olive oil falling within CN code 1509 10 90.

olive-pomace oil

between Union unrefined olive-pomace oil falling within CN code 1510 00 10 which corresponds to the description in Point 4 of Part VIII of Annex VII to Regulation (EC) No 1234/2007 and non-Union unrefined olive-pomace oil of the same CN code, provided that the olive-pomace oil processed product falling within CN code 1510 00 90 and corresponding to the description in Point 6 of Part VIII of the said Annex VII is obtained by blending with Union virgin olive oil falling within CN code 1509 10 90.

B. The blendings referred to in Point A.1(c) second indent and Point A.2, with non-Union virgin olive oil, used in an identical manner, are authorised only where the arrangements for supervision of the procedure are organized in a manner that makes it possible to identify the proportion of non-Union virgin olive oil in the total quantity of blended oil exported.

C. The processed products must be put into immediate packaging of 220 litres or less. By way of derogation, in the case of agreed containers of 20 tonnes maximum, the customs authorities may allow the exportation of the oils found in the preceding Points on condition that there is systematic control of the quality and quantity of the exported product.

D. Equivalence shall be checked by using commercial records to verify the quantity of oils used for blending and, for the purpose of verifying the quality concerned, by comparing the technical characteristics of samples of the non-Union oil taken when it was entered for the procedure with the technical characteristics of the samples of the Union oil used taken when the processed product concerned was processed against the technical characteristics of the samples taken at the time of actual exportation of the processed product at the point of exit. Samples shall be taken in accordance with international standards EN ISO 5555 (sampling) and EN ISO 661 (sending of samples to laboratories and preparation of samples for tests). The analysis shall be carried out with reference to the parameters in Annex I to Commission Regulation (EEC) No 2568/91.

Milk and milk products

Recourse to the use of equivalence is permitted under the following conditions:

The weight of each component of milk dry matter, milk fat matter and milk protein of the import goods shall not exceed the weight of each of these components in the equivalent goods.

---

However, where the economic value of the goods to be placed under inward processing is determined by only one or two of the above mentioned components, the weight may be calculated on the basis of this or these component(s). The authorisation shall specify the details, notably the reference period for which the total weight has to be calculated. The reference period shall not exceed 4 months.

The weight of the relevant component(s) of the goods to be placed under inward processing and of the equivalent goods shall be indicated in the relevant customs declarations and INF, to enable the customs authorities to control the equivalence on the basis of those elements.

III. Outward processing

The use of equivalent goods is not permitted for goods which are covered by Annex 71-02.
### ANNEX 1
GOODS TO BE PLACED UNDER THE CUSTOMS PROCEDURE

<table>
<thead>
<tr>
<th>TARIC Code</th>
<th>Description</th>
<th>Quantity Per 3 Years (If code 30(7) is being used please indicate quantity per calendar year)</th>
<th>Value Per 3 Years EURO (If code 30(7) is being used please indicate value per calendar year)</th>
<th>Economic Code</th>
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</tbody>
</table>
## ANNEX 2
### COMPENSATING OR PROCESSED PRODUCTS

<table>
<thead>
<tr>
<th>CN Code</th>
<th>Description</th>
<th>Rate of Yield</th>
</tr>
</thead>
<tbody>
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</tbody>
</table>
## ANNEX 3  
**EQUIVALENT GOODS**

<table>
<thead>
<tr>
<th>TARIC Code</th>
<th>Description</th>
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<tbody>
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</tr>
<tr>
<td>Autorisation pour le perfectionnement actif</td>
<td>Décision</td>
</tr>
<tr>
<td>------------------------------------------</td>
<td>----------</td>
</tr>
<tr>
<td><strong>1. Titulaire de l’autorisation</strong></td>
<td><strong>N° d’autorisation</strong></td>
</tr>
<tr>
<td></td>
<td>Autorité délivrant l’autorisation</td>
</tr>
<tr>
<td></td>
<td>Direction générale des douanes</td>
</tr>
<tr>
<td></td>
<td>Section Mesures économiques</td>
</tr>
<tr>
<td></td>
<td>Monbijoustrasse 40</td>
</tr>
<tr>
<td></td>
<td>3003 Berne</td>
</tr>
<tr>
<td>Référence</td>
<td>Référence</td>
</tr>
<tr>
<td>Demande du</td>
<td>Dossier traité par</td>
</tr>
<tr>
<td></td>
<td>Téléphone</td>
</tr>
<tr>
<td></td>
<td>Fax</td>
</tr>
</tbody>
</table>

| **2. Régime douanier**                   | perfectionnement commercial actif / à façon |
|                                          | - Remboursement / suspension |
|                                          | - trafic fondé sur l’identité / équivalence |

| **3. Durée de validité de l’autorisation** | Délai d’importation | Délai d’exportation | Délai de décompte |
|                                          | depuis l’importation en question | 60 jours |

<table>
<thead>
<tr>
<th><strong>4. Marchandises qui peuvent être placées sous le régime douanier</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Désignation de la marchandise</td>
</tr>
<tr>
<td>---------------------------------------------------------------</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>5. Genre de perfectionnement</strong></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>6. Pays de provenance des marchandises selon rubrique 4</strong></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>7. Pays de destination des produits compensateurs</strong></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>8. TVA lors de l’importation</strong></th>
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<table>
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<tr>
<th><strong>9. Office de surveillance</strong></th>
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</thead>
</table>

<table>
<thead>
<tr>
<th><strong>10. Trafic fondé sur</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>L’identité / équivalence</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>11. Déclaration en douane d’importation ou d’exportation</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>La déclaration en douane d’importation et d’exportation doit avoir lieu selon la forme prescrite dans la feuille d’information «Perfectionnement actif / Taxation selon le système de la suspension ou en procédure de remboursement» (form. 47.81).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>12. Autres charges</strong></th>
</tr>
</thead>
</table>
13. Dispositions régissant l'origine (drawback)

À l'exportation, l'établissement de preuves d'origine préférentielle n'est autorisé que lorsque les conditions d'origine fixées dans l'accord applicable sont remplies. Dans le cas des accords prévoyant une interdiction du drawback (interdiction des ristournes et de l'exonération des droits de douane), celles-ci ne sont pas remplies notamment lorsque les produits exportés dans le cadre de ce trafic de perfectionnement contiennent des matières d'origine tierce qui sont mentionnées dans l'accord et qui ont été importées au moyen de l'autorisation (ou éventuellement échangées dans le cadre du trafic fondé sur l'équivalence).


15. Directives à l'intention des bureaux de douane

16. Indication des voies de recours

La présente autorisation est réputée décision au sens de loi fédérale sur la procédure administrative (PA; RS 172.021); elle peut être attaquée dans les 30 jours par recours à adresser au Tribunal administratif fédéral, case postale, 3000 Berne 14. Selon l'art. 52, al. 1 PA, le mémoire de recours doit indiquer les conclusions et motifs et moyens de preuve et porter la signature du recourant ou de son mandataire. L'expédition de la décision attaquée (incl. l'enveloppe) et les pièces invoquées comme moyens de preuve doivent être jointes, pour autant qu'elles se trouvent en ses mains.

**Bases légales**

Loi sur les douanes (LD; RS 631.0)
Art. 12, 41, 59
Ordonnance sur les douanes (OD; RS 631.01)
Art. 40 à 44
Art. 94 à 98
Art. 165 à 169
Ordonnance du DFF sur le trafic de perfectionnement (RS 631.016)
Art. 1
Loi fédérale régissant la taxe sur la valeur ajoutée (LTVA; RS 641.20)
Art. 53

17. Emolument

CHF

18. Date / autorité / signature

Administration fédérale des douanes

Section Mesures économiques
ZIMBABWE REVENUE AUTHORITY
CUSTOMS AND EXCISE
INWARD PROCESSING REBATE
APPLICATION FOR REGISTRATION
(To be submitted in duplicate)

…......................................................................

…......................................................................

…......................................................................

(Name and address of applicant)

BP Number………………………………………………

The Regional Manager.
ZIMRA
Postal Address……………….
Date……………………

Dear Sir

I/We hereby apply to be registered in terms of Section 4 of the Customs and Excise (Inward processing) (Rebate) Regulations, 1992.

In support of this application, I/we attach herewith details of the information required by the Commissioner*.

I/We have read and understood the provisions of the Customs and Excise (Inward processing) (Rebate) Regulations, 1992 and undertake that should our application be successful, I/we will fully comply with them.

Yours faithfully

…………………………………………..
(Signature)

……………………………………………
(Name and designation)
The Regional Manager
The above-mentioned applications, together with my attached inspection report, are submitted for your consideration in terms of Section 4 of the Customs and Excise (Inward Processing) (Rebate) Regulations, 1992

.......................... ........................................
Station Manager (*full name and signature) Date

*The information required by the Commissioner is listed below.

**SCHEDULE**

Please provide details on the following on separate sheet:

- 1. Trading name of organization including physical address.
- 2. Name of the owner of the building or premise.
- 3. Description of premises, including dimensions, layout, materials used in the building, etc.
- 4. Cost of building or premise (if owned) lease agreement (if rented).
- 5. Description of plant and machinery and value of equipment.
- 6. The name of the member of the firm who will sign the Security Bond as Principal.
- 7. Proposed Surety to Security Bond (Name of Bank or Insurance Company).
- 8. Type of manufacturing/processing for which regulation is sought (if process is in pursuance of a contract, please give details)
- 9. Detailed step by step description of the manufacturing/processing operation for each product for which the materials are going to be used.
- 10. Details of any other industrial or commercial activities (if any) carried out on the premises.
- 11. Articles to be processed and goods to be imported for the purposes thereof and on which rebate of duty is requested.

Use the following format:

<table>
<thead>
<tr>
<th>Type of article to be processed</th>
<th>Imported inputs for which rebate of duty is requested</th>
<th>Estimated usage for unit (quantity and value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>12. Alternative use of imported goods on which rebate is requested (if known)</td>
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<tr>
<td>13. Locally produced goods or goods on which duty has already been paid to be used</td>
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<tr>
<td>14. State whether manufacturing/processing operations have commenced and if not state proposed starting date</td>
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<tr>
<td>15. State whether the article to be made requires the involvement of sub-contractors during the manufacturing/processing operations</td>
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<tr>
<td>16. Duration of the manufacturing/processing operation and period between the date of importation of goods on which rebate of duty is requested and the date when the finished product is exported</td>
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<tr>
<td>17. Detail of amount of drawback of duty claimed during the past 12 months by product</td>
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<tr>
<td>18. Value of exports for the previous 12 months by product</td>
<td></td>
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<tr>
<td>19. Any other information you may consider useful in the evaluation of your application</td>
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</table>

Your attention is drawn to the provisions of the Customs and Excise (Inward Processing) (Rebate) Regulations, 1992.
Annex V – Members’ case studies

Processing Trade in China

1. The economic background and features of China’s processing trade and how the processing trade system supports different sectors

Between 1979 and 2016, the total import and export value of China’s processing trade jumped from US$ 235 million to US$ 1,112.58 billion, and its proportion of China’s foreign trade rose from 1.5% to 30.2%. Processing trade has created jobs for 40 million people directly, and 60 million people indirectly. Since the launch of the reform and opening-up policy, China’s processing trade has seen rapid growth; this has played a significant role in speeding up China’s industrialization process, boosting industrial restructuring and upgrading, creating jobs and integrating China’s economy into that of the world.

Processing trade is a business activity in which an enterprise imports raw or auxiliary materials, spare parts, components and packaging materials, and re-exports the finished products after processing or assembly. In most cases, processing trade is conducted by processing either customer-supplied materials or materials purchased overseas.

China has a system of basic policies for processing trade. Firstly there is the bonded policy, under which import duties and VAT are not collected when parts or materials are imported for processing trade; they are payable only in cases where some of the materials employed have been sold on the domestic market. Secondly, processing trade benefits from a non-stringent control policy. Except in the case of a small number of sensitive goods, there is an exemption from the relevant licences for the incoming materials; these licences are required only when some of the materials have been sold on the domestic market. Thirdly, there is an exemption from duties and licences for processing equipment provided by the overseas party to the domestic party free of charge, except in the case of a small number of goods that cannot be imported under this policy in accordance with national laws. Based on the policies
outlined above, a system of inter-related bonded policies for processing trade has been established, which includes: the set-up and write-off of the processing trade manual (or account book); management of the consumption of materials; management of domestic sales; automated control; Customs control, inspection and quarantine; duty collection and exemptions; and foreign exchange write-off.

2. How information technology assists with the control of processing trade

The control of bonded operations by China Customs has passed through different stages. At the outset, manuals in paper form were used for control purposes. Today, the “H2010” information system is applied nationwide to control bonded goods under processing trade. An enterprise must set up a processing trade manual (or account book) with Customs before commencing its processing trade business; it must record the types and quantities of imported materials as well as re-exported products, calculate the quantitative correspondence between incoming materials and outgoing products in accordance with certain unit consumption standards, and write off the manual (or account book) on a regular basis. Two models have been developed in this regard, namely the electronic manual model and the electronic account book model. In the electronic manual model, management is contract-focused, which means that there is a one-to-one correspondence between contracts and manuals, as reflected in the original electronic account. In the electronic account book model, management is enterprise-focused, i.e., only one electronic account book is established for all of the enterprise’s contracts. The electronic account book model is applicable to enterprises in the Special Customs Control Areas, and to certain large-scale and high-credibility enterprises outside those Areas.

3. Training

Externally, to enable enterprises to gain a full understanding of the processing trade policies, China Customs interprets and explains such policies through the news media after they have been introduced. Regional policy briefings are also held from time to time. Internally, China Customs organizes training in this regard each year,
and communicates with foreign Customs services about the control of processing trade.

### 4. Challenges and opportunities

Today, processing trade in China is no longer an industry that relies primarily on customer-supplied materials and produces mainly goods such as clothing. It now has new features. Firstly, more and more businesses are conducting independent R&D to create their own brands, and are relying less on OEMs. Secondly, compared to the past, domestically-purchased materials are being used increasingly in the processing trade, and the final products are sold in both foreign and domestic markets. Thirdly, the industry chain continues to expand, and the domestic supporting capacity has been enhanced continuously. Fourthly, bonded logistics and bonded services have improved greatly. Enterprises are attaching increasing importance to R&D and maintenance services.

China Customs will further streamline the administration of processing trade, and delegate power to the lower levels; it also intends to optimize regulatory services, study and implement the *Reform Program of Customs Processing Trade and Bonded Regulation*, and guide the upgrading, innovation and development of processing trade within the framework of the existing laws and regulations.