



PREPARING FOR MEMBERSHIP

INFORMATION SHEET No. 08

INWARD PROCESSING

WHAT IS THE PROPOSE AND SCOPE OF THE PROCEDURE?

1. The Inward Processing procedure allows processing of goods with a view to (re-)exporting (Arts 114, 128 CC)
 - Non-Community goods; the payment of import duties, VAT, excise duties, and the application of commercial policy measures are suspended (suspension system),
 - Goods released for free circulation; a repayment of the import duty can be claimed when the processed products or goods in the unaltered state are exported again (drawback system).

UNDER WHICH CIRCUMSTANCES IS AN AUTHORISATION GRANTED?

2. The use of the inward processing procedure requires an authorisation (Art. 85 CC). The request must be submitted by the person carrying out or arranging the processing (Art. 116 CC). The application must be accompanied by supporting evidence or documents whose presentation is necessary for its appraisal (Art. 499 CCIP)
3. The application must state and give evidence that the applicant has the actual intention of (re-)exporting the main compensating (i.e. processed) products (Art. 537 CCIP).
4. The applicant must include certain details and information (Art. 499 CCIP) in his application. The application must be submitted to the Malta Development Corporation and authorised by the customs authorities. If several Member States are involved, the application must be submitted in accordance with Art. 500 CCIP. Exceptionally, a retroactive authorisation may be granted (Art. 508 CCIP).

5. Art. 117 CC requires an examination whether the use of the procedure can help create the most favourable conditions for the export of the processed products and the essential interests of Community producers are not adversely affected. According to Art. 539 CCIP an examination of the economic conditions is only required for goods mentioned in Annex 73 CCIP.
6. The customs authorities can authorise the holder of an inward processing authorisation (Arts 115, 123 CC)
 - To process equivalent Community goods (i.e. goods already in free circulation) and to import the same quantity of goods duty-free (this ensures production is not suspended owing to lack of necessary raw materials)
 - To export the processed products before the equivalent non-Community goods are imported
 - To export temporarily the goods placed under the procedure for further processing outside the EC customs territory (Arts 123, 127 CC).

HOW ARE GOODS ENTERED FOR THE PROCEDURE?

7. Goods covered by an authorisation can be placed under the procedure by a customs declaration in accordance with Arts 59 – 78 CC. Under the drawback system, the provisions laid down for release for free circulation apply (Arts 218, 220, 275, 276 CCIP).
8. Arts. 535 and 807 CCIP deal with inward processing operations carried out in a customs warehouse and in a Type I Free Zone or a free warehouse.
9. The application must be accompanied by supporting evidence or documents necessary (Arts 104, 105 CC, Arts 531, 532, 534, 511-514, 535 CCIP). Certain conditions must be satisfied before an authorisation is granted (Arts 86, 100 CC).

HOW DOES THE SUSPENSION SYSTEM END AND IS DISCHARGED?

10. Any suspensive customs procedure ends when the goods placed under the arrangement or the products processed therefrom are assigned a new customs- approved treatment or use (Art. 89 CC), normally the export procedure.
11. When goods placed under the suspension system are released for free circulation or a customs debt is incurred for other reasons
 - The import duty is normally calculated on the basis of the nature, quantity, customs value, and duty rate applicable to the goods at the time they were entered for inward processing (Art. 121 CC), and
 - Compensatory interest is normally charged in order to offset the financial advantage resulting from the deferment of the date on which the customs debt is incurred (Art. 519 CCIP).

In certain cases the duties applicable to the processed products at the time the customs debt is incurred can be charged (Art 122 CC) (e.g. waste and scrap which is normally not exported).

12. In order to facilitate customs supervision, and notably the discharge of the procedure (Art 89 CC), the holder of the authorisation must normally supply the supervising office within 30 days of the expiry of the time limit for re-exportation with a bill of discharge (Art 118 CC, Arts 521, 542 CCIP).

HOW ARE IMPORT DUTIES REPAID OR REMITTED UNDER THE DRAWBACK SYSTEM?

13. Under the inward processing drawback system the import goods (i.e. goods to be processed) are in fact released for free circulation (Art 124 CC). If and when the holder of the authorisation subsequently exports the processed products or the import goods in the unaltered state (Art 128 CC) he must lodge a claim within six months of the expiry of the period for discharge (Art 521 CCIP). A refund is also possible when the goods are – with a view to their subsequent re-exportation – placed under certain customs procedures, e.g. customs warehousing or in a free zone (Art 550 CCIP).

HOW CAN FAILURES LEADING TO A CUSTOMS DEBT BE REDRESSED?

14. For any customs debt incurred by virtue of Art. 204 CC (e.g. non-fulfilment of an obligation) the possibility exists to prove that the failure had no significant effect on the correct operation of the procedure (Arts. 508, 859 CCIP).
15. The following Articles are very relevant : Art 206 CC, Arts 520, 900 and 901 CCIP.

http://europa.eu.int/comm/taxation_customs/law_en.htm#customs

http://europa.eu.int/eur-lex/en/consleg/main/1992/en_1992R2913_index.html(for Customs Code)

http://europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexapi!prod!CELEXnumdoc&lg=EN&numdoc=31993R2454&model=guichett (for Customs Code Implementing Provisions)

<http://customs.business-line.com> (Malta Customs Web site)

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