



PREPARING FOR MEMBERSHIP

INFORMATION SHEET No. 10

OUTWARD PROCESSING

WHAT IS THE PURPOSE AND SCOPE OF THE PROCEDURE?

1. The outward processing procedure allows Community goods to be exported temporarily for the purpose of processing them outside the EC customs territory and the benefit of total or partial duty relief (Arts 150 – 153 CC) when the processed products are re-imported and released for free circulation (Arts 79, 145 CC). The procedure can also be used for non-Community goods placed under the inward processing procedure (Arts 123, 127 CC).
2. The standard exchange system allows equivalent replacement products to be imported for defective import goods which are exported in order to be repaired and this even before the defective goods have been exported (Arts 154 – 159 CC).

UNDER WHICH CIRCUMSTANCES IS AN AUTHORISATION GRANTED?

3. The use of the procedure requires, as in all other customs procedures with economic impact, an authorisation (Art. 85). The request must, with some exceptions, be presented by or on behalf of the person who arranges for the processing operations to be carried out (Art. 147 CC).
4. The application may be made (Arts 497, 499 and 4a CCIP) either on the form laid down in Annex 67 CCIP or on the customs declaration placing the goods under the procedure where the processing concerns repairs. Where a single authorisation involving more than one Member State is requested, only the form laid down in Annex 67 CCIP may be used.
5. The rules for examination of the economic conditions must be examined before the authorisation is granted (Art. 585 CCIP and Art. 148 CC). Mainly these economic conditions deal with to what extent the operation is likely to cause serious disadvantages for EC processors.

6. Apart from the general conditions for granting an authorisation (Arts 86 – 88 CC and vide Information Sheet 05 (Common Rules for Customs Procedures)), Arts 147, 148, 154 – 159 CC and Arts 585, 586 CCIP require other special requirements to be fulfilled. If all the stipulated conditions are fulfilled the authorisation is granted (Art. 505 CCIP). The authorisation lays down the details for the operation of the procedure.

HOW ARE GOODS ENTERED FOR THE PROCEDURE AND HOW IS IT DISCHARGED?

7. Outward processing takes place in three phases (Arts 145, 150 CC):
- Community goods are exported temporarily from the EC customs territory;
 - The goods undergo processing operations outside the Community;
 - The authorisation holder re-imports the processed products and releases them for free circulation requesting total or partial relief from import duties.

The outward processing procedure ends once the goods have left the EC customs territory. When re-imported the goods must be released for free circulation in order to benefit from duty relief, i.e. under a new customs procedure.

8. The temporarily export goods are entered for the procedure by a customs declaration to that effect under the provisions laid down for exportation (Art. 589, 198 – 289, 792 CCIP). There is the possibility to use a simplified or computerised procedure (Arts 222 – 224 and 253 – 289 CCIP). Art. 148 CC and Art. 586 CCIP refer to the necessary customs controls on re-importation.
9. Arts 145 and 114 CC list the processing operations that may be performed on temporary export goods. This does not include production aids which are not included in the processed products. These aids cannot be exported under the outward processing procedure. Waste and scrap can remain in the processing country (Art. 590 CCIP). The EC customs authorities cannot control the processing taking place outside the customs territory but an information sheet may be used as an administrative assistance tool with regard to the processing carried out (Annex 104 CCIP).
10. Art 588 CCIP covers provisions on the period of discharge of the procedure. Where the office of discharge is different from the office of entry (triangular traffic, Art. 496 CCIP), information on the temporarily exported goods can be communicated via an information sheet INF2 (Art 253 and Annex 71 CCIP).
11. Commercial policy measures provisions are covered by Art 509 CCIP and Art 123 CC. The importer is not obliged to release the processed products for free circulation but he may place them in a customs warehouse or under inward processing.

HOW IS DUTY RELIEF CALCULATED AND HOW CAN FAILURES BE REDRESSED?

12. Total relief from import duty is granted where
- The goods are repaired free of charge (Art. 152 CC) or
 - The amount of import duty calculated for the temporary export goods is at least as high as (does not exceed) the amount of duty to which the processed products are liable at release for free circulation (Art. 151 CC).
13. Partial relief from import duty is granted by charging only
- The difference between the import duty on the processed product and the duty calculated for the temporary export goods (Art. 151 CC), or
 - The duty on the value of the processing plus the cost of transport to the EC (Art. 153 CC).
- The second option is not available for temporary export goods that have been imported duty-free, unless they have subsequently acquired Community origin. Imports of a non-commercial nature and repairs in return for payment can, however, benefit from this method.
14. Outward processing is a complex arrangement and therefore a number of failures can occur that could lead to the incurrence of a customs debt, e.g. the lack of an authorisation for outward processing (Arts 202, 204 CC). Art. 508 and Art. 497 CCIP cover such failures. Art 150 and Art 212 CC allow duty relief to be granted in cases of failures that had no significant effect on the operation of the procedure and provided no fraudulent dealing or obvious negligence are involved. But this requires that the other conditions for duty relief have been satisfied.

WHICH SITUATIONS ARE COVERED BY THE ECONOMIC OUTWARD PROCESSING ARRANGEMENTS FOR TEXTILES AND CLOTHING PRODUCTS?

15. A special authorisation allows goods to be re-imported after outward processing outside the normal import quotas. These arrangements are only available to Community producers of like products and these products must be in free circulation and originating in the EC or Turkey. These are special arrangements separate from the normal arrangements under the outward processing procedure and therefore a separate authorisation is required. (Regulation (EC) No. 3036/94).

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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