<table>
<thead>
<tr>
<th>Notice No</th>
<th>Contents</th>
<th>Page</th>
</tr>
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<td>Notice No</td>
<td>Contents</td>
<td>Page</td>
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I

(Information)

COMMISSION

GUIDELINES


(2001/C 269/01)

The references made in these guidelines refer to that title.

Preliminary remarks

As specified in the Commission’s Communication concerning a strategy for the customs union, and as requested by the representatives of the Member States customs administrations, guidelines should be drawn up for both administrations and economic operators to complement the process of simplification and modernisation of the customs procedures.

These guidelines do not constitute a legally binding act and are of an explanatory nature. Their purpose is to provide a tool to facilitate the correct application by the Member States of the modernised legal provisions on customs procedures with economic impact.

CHAPTER 1

BASIC PROVISIONS COMMON TO MORE THAN ONE OF THE ARRANGEMENTS

SECTION 3

Single authorisation

(Article 500)

The application for a single authorisation in cases other than temporary importation is to be submitted to the customs authorities designated for the place where the applicant's main accounts are held facilitating audit-based controls of the arrangements and where at least part of the storage, processing or temporary export operations to be covered by the authorisation are conducted.

The main accounts could be those accounts which are to be considered the main accounts for customs purposes allowing the customs authorities to supervise and monitor the arrangements.

SECTION 5

The decision on authorisation

(Article 506)

The applicant is informed of the decision to issue an authorisation or the reasons why an authorisation was rejected, within 30 days or 60 days in the case of the customs warehousing arrangements, of the date the application was lodged or the date any requested outstanding or additional information is received by the customs authorities.
The date to be considered for the lodging of the application could be the date when the customs authorities received the application.

**Period of validity of the authorisation**

(Article 507)

For inward processing, processing under customs control and outward processing, the period of validity may not exceed three years from the date the authorisation takes effect, except where there are duly justified good reasons. However, for goods falling under inward processing covered by Annex 73, part A, the period of validity shall not exceed six months. In the case of milk and milk products referred to in Article 1 of Council Regulation (EC) No 1255/1999 the period of validity shall not exceed three months.

Goods could be entered for the arrangements only during the period of validity of the authorisation. However, in the case of prior exportation in inward-processing, compensating products obtained from equivalent goods could only be declared for exportation during the period of validity of the authorisation.

**Retroactive authorisation**

(Article 508(3)(a))

‘Obvious negligence’ may be attributed to a person, in particular where a person, or his/her representative, has failed to comply with the procedural requirements which in principle are a condition for granting an authorisation although this person could have been aware of their existence or has already been in a similar situation and was consequently aware of the legal requirements for obtaining such an authorisation.

**Examples for cases of retroactive authorisation granted in accordance with Article 508(3)**

**Example 1**

On 1 February 2002, third-country components (covered by Annex 73, part A) are released for free circulation in the Community with a view to further processing and subsequent sale on the domestic market. However, after having imported and processed the third-country components, the economic operator finds out that the person in the Community who agreed to purchase these processing products has gone bankrupt. Due to the absence of any other purchaser in the Community, the operator decides to export the compensating product on 15 July 2002.

Under inward processing (suspension system), this operator could have been entitled to duty relief. In this case, a retroactive authorisation could exceptionally allow ‘retroactively’ cover of this kind of operation by the arrangements.

Therefore, on 1 July 2002, the operator applies for retroactive authorisation. By virtue of Article 508(3), the customs authorities may issue such an authorisation taking effect on 1 February 2002 and being valid until 31 July 2002.

The recourse to retroactive authorisation is however subordinated to a certain number of conditions:

— the provision should not apply as a general rule, but in exceptional circumstances only, and the operator has to prove the economic need,

— its application may not be related to attempted deception or to obvious negligence,

— the periods of validity specified in Article 507 must be respected. In the case of an Annex 73, part A goods, the period of validity may not exceed six months.
— the applicant's accounts must confirm that all the requirements of the arrangements can be deemed to be met and amongst others allow the arrangements to be controlled,

— the situation of the goods has to be regularised by invalidating the declaration for free circulation and making a new declaration for entry for the inward processing arrangements, in accordance with Article 251(1)(c).

Example 2

On 1 July 2001, an operator may apply for a retroactive authorisation covering a period going back for a maximum of one year.

If this operator submits the application before 1 July 2001, for example on 28 June, a retroactive authorisation under the new rules may not be obtained, because the legal basis was not applicable at that time.

Example 3

On 1 July 2001, an operator applies for authorisation for processing under customs control for a period before 1 July 2001.

— the conditions of Article 508(3) could apply, notably the reference to the new period of validity which may not be exceeded and the requirement to keep records,

— the 'new' procedural rules could apply, such as, for instance, the use of the new model set out in Annex 67, or for example, the procedure with regard to granting a single authorisation in accordance with Article 500 could be respected,

— the 'old' substantive rules could apply. This means that before 1 July 2001, access to the arrangements could only be allowed for the goods and operations covered by former Annex 87.

Example 4

A Community economic operator exported Community goods (textile products) under outward processing for further processing in a third country. Upon release for free circulation of the compensating products in the Community, the operator presented an EUR.1 movement certificate which led to total relief from the import duties.

Subsequent to a post-clearance examination, the customs authorities found that the preferential origin was indicated by mistake due to a misunderstanding of the origin rules. Consequently, customs duties had to be recovered on the basis of the customs duties due in accordance with an authorisation for outward processing.

However, since the compensating products had been further processed in the Community and subsequently exported, the Community operator could nevertheless benefit from total relief from the import duties by being granted a retroactive authorisation for inward processing.

Example 5

A Community economic operator exported Community goods (textile products) for further processing in a third country. Upon release for free circulation of the compensating products in the Community, the operator presented an EUR.1 movement certificate which led to total relief from the import duties.

Subsequent to a post-clearance examination, the customs authorities found that the preferential origin was indicated by mistake due to a misunderstanding of the origin rules. Consequently, customs duties had to be recovered on the basis of the total value of the compensating products.
However, since an authorisation for outward processing would have been granted if the operator had applied before the temporary exportation took place (if the operator had known about the origin criteria not being fulfilled), the Community operator could benefit from partial relief from import duties by being granted a retroactive authorisation for outward processing.

SECTION 6

Other provisions concerning the arrangements

Transfer

(Article 512(3))

Transfer to the office of exit with a view to re-exportation may take place under cover of the arrangements. In this case, the arrangements shall not be discharged until the goods or products declared for re-exportation have actually left the customs territory of the Community.

The proof that the goods or products declared for re-exportation have actually left the customs territory of the Community may be provided by copy 3 of the single administrative document endorsed by the office of exit certifying the physical departure of the goods or products. Where a simplified declaration procedure for re-exportation is used, the office of exit may also certify the physical departure on a commercial or administrative document.

In order to provide information that discharge was authorised in accordance with Article 512(3), a reference to Article 512(3) could be given in box 44 of the single administrative document or on the commercial or administrative document.

Standard rates of yield

(Article 517(3) — Annex 69)

In certain cases, processing operations carried out under inward processing are identical with those carried out to obtain export refunds. In these cases, equal treatment between operators using inward-processing and those who have recourse to the export refund system is sought. Therefore in the cereal and rice sector, the standard rates of yield have to be calculated on the basis of the corresponding coefficient contained in Annex E to Commission Regulation (EC) No 1520/2000 (OJ L 177, 15.7.2000, p. 1) where a reference by a (*) has been made in Annex 69.

In order to use the coefficient of the export refund system, a conversion could be made which is illustrated by the following example:

Example

I. Extract of Annex 69, order No 15:

<table>
<thead>
<tr>
<th>(1) Import goods (Code/description)</th>
<th>(2) Numerical order</th>
<th>(3) Compensating product code</th>
<th>(4) Compensating product description</th>
<th>(5) Quantity of compensating products for each 100 kg of imported goods (kg)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ex 1001 90 99 Common wheat</td>
<td>15</td>
<td>1107 10 19</td>
<td>Malt, unroasted, obtained from wheat in a form other than flour</td>
<td>(*)</td>
</tr>
</tbody>
</table>

II. Extract of Annex E to Regulation No 1520/2000:

<table>
<thead>
<tr>
<th>CN code</th>
<th>Processed agricultural product</th>
<th>Coefficient</th>
<th>Basic product</th>
</tr>
</thead>
<tbody>
<tr>
<td>1107 10 19</td>
<td>Malt not roasted of wheat in another form</td>
<td>1,27</td>
<td>Common wheat</td>
</tr>
</tbody>
</table>
III. Use of the coefficient from the ‘export refund perspective’:

For the processing of 100 kg of malt, export refunds for 127 kg of common wheat are granted.

IV. Use of the coefficient from the ‘inward-processing perspective’:

Where 100 kg of common wheat is entered for the arrangements, 78.74 kg of malt is to be discharged from the arrangements after processing.

V. How to obtain the standard rate of yield of 78.74:

\[ 1 : 1.27 \times 100 = 78.74 \]

*Proportion of import/temporary export goods incorporated in compensating products*

(Article 518)

Examples in inward processing

1. Note that the proportion of import goods incorporated in compensating products is to be calculated in order to determine the amount of the customs debt under Article 121 of the Code. The methods of calculation are not applicable where all compensating products are assigned a customs-approved treatment or use, not involving the collection of import duties, or import duties are collected only on compensating products chargeable under Article 122 of the Code.
2. The quantity of compensating products to be obtained will be determined on the basis of the approved rates of yield.

3. The addition of Community goods in the course of the manufacturing process does not affect the actual proportion of import goods incorporated in the compensating products and is therefore not taken into account.

4. In the case of inward processing/drawback the proportion of import goods, obtained in accordance with Article 518 in order to determine the import duties to be paid, should correspond to the amount of import duties for which drawback cannot be claimed.

I. Quantitative scale method (compensating products)
   (a) Import goods:
      100 kg A
   (b) Compensating products:
      90 kg B
   (c) Customs debt in respect of:
      20 kg B
   (d) Quantity of import goods corresponding to quantity of B in respect of which a customs debt has been incurred
      \[
      \frac{20}{90} \times 100 \text{ kg} = 22.22 \text{ kg A}
      \]

II. Quantitative scale method (import goods)
   (a) Import goods:
      100 kg A
   (b) Compensating products:
      80 kg B, containing 80 kg A
      10 kg C, containing 10 kg A
      5 kg D, containing 5 kg A
      Total 95 kg A
   (c) Apportionment basis in kg A:
      B: \( \frac{80}{95} \times 100 \text{ kg} = 84.21 \text{ kg A} \)
      C: \( \frac{10}{95} \times 100 \text{ kg} = 10.53 \text{ kg A} \)
      D: \( \frac{5}{95} \times 100 \text{ kg} = 5.26 \text{ kg A} \)
      Total: 100.00 kg A
   (d) Customs debt in respect of:
      1. 10 kg B
      2. 5 kg D
   A. Article 122 of the Code does not apply
      Quantity of import goods corresponding to the quantity of B in respect of which a customs debt has been incurred:
      B: \( \frac{10}{80} \times 84.21 \text{ kg} = 10.53 \text{ kg A} \)
      D: \( \frac{5}{5} \times 5.26 \text{ kg} = 5.26 \text{ kg A} \)
      Total: 15.79 kg A
B. Article 122 of the Code applies

D is on the Article 122 list.

(i) Quantity of import goods corresponding to the quantity of B in respect of which a customs debt has been incurred:

\[\frac{10}{80} \times 84.21 \text{ kg} = 10.53 \text{ kg A}\]

(ii) Portion of D dutiable under Article 121/Article 122

Under the first indent of Article 122(1)(a), specific duties on product D can apply only to as much of that product as 'corresponds proportionally to the exported part of the other compensating products', i.e. those not included in the list.

— Quantity of products exported in kilograms A:

\[
\begin{align*}
B: & \quad 70 \text{ kg} = \frac{70}{80} \times 84.21 = 73.68 \text{ kg A} \\
C: & \quad 10 \text{ kg} = \frac{10}{10} \times 10.53 = 10.53 \text{ kg A} \\
\text{Total:} & \quad 84.21 \text{ kg A}
\end{align*}
\]

— Proportion exported:

\[\left[\frac{84.21}{100 - 5.26}\right] \times 100\% = 88.89\%\]

— Dutiable under Article 122:

\[88.89\% \times 5 \text{ kg D} = 4.44 \text{ kg D}\]

— Dutiable under Article 121:

\[5 \text{ kg} - 4.44 \text{ kg} = 0.56 \text{ kg D} = 0.56 \times 5.26 = 0.59 \text{ kg A}\]

(iii) Total dutiable:

— Article 122: 4.4 kg D

— Article 121: 0.59 kg A + 10.53 kg A = 11.12 kg A

III. Value scale method

Article 122 of the Code applies

(a) Import goods:

100 kg A

(b) Quantity and value of compensating products:

\[
\begin{align*}
80 \text{ kg B at EUR 20/kg} & = \text{EUR 1 600} \\
10 \text{ kg C at EUR 12/kg} & = \text{EUR 120} \\
5 \text{ kg D at EUR 5/kg} & = \text{EUR 25} \quad (\text{D is on the Article 122 list}) \\
\text{Total:} & \quad \text{EUR 1 745}
\end{align*}
\]

(c) Apportionment basis in kg A:

\[
\begin{align*}
B: & \quad 1 600/1 745 \times 100 \text{ kg} = 91.69 \text{ kg A} \\
C: & \quad 120/1 745 \times 100 \text{ kg} = 6.88 \text{ kg A} \\
D: & \quad 25/1 745 \times 100 \text{ kg} = 1.43 \text{ kg A} \\
\text{Total:} & \quad 100.00 \text{ kg A}
\end{align*}
\]
(d) Customs debt in respect of:

1. 10 kg B

2. 5 kg D

A. *Article 122 of the Code does not apply*

Quantity of import goods corresponding to the quantity of B in respect of which a customs debt has arisen:

\[
\frac{10}{80} \times 91.69 \text{ kg} = 11.46 \text{ kg A}
\]

B. *Article 122 of the Code applies*

D is on the Article 122 list.

(i) Quantity of import goods corresponding to the quantity of B in respect of which a customs debt has arisen:

\[
\frac{10}{80} \times 91.69 \text{ kg} = 11.46 \text{ kg A}
\]

(ii) Portion of D dutiable under Article 122/Article 121:

Under the first indent of Article 122(1)(a), specific duties on product D can apply only to as much of that product as ‘corresponds proportionally to the exported part of the other compensating products’, i.e. those not included in the list.

— Value of exported portion of compensating products:

<table>
<thead>
<tr>
<th>Product</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td>70 × EUR 20 = EUR 1 400</td>
</tr>
<tr>
<td>C</td>
<td>10 × EUR 12 = EUR 120</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>EUR 1 520</strong></td>
</tr>
</tbody>
</table>

— Proportion exported:

\[
\frac{1 520}{1 745 - 25} \times 100\% = 88.37\%
\]

— Dutiable under Article 122:

\[
88.37\% \times 5 \text{ kg} = 4.42 \text{ kg D}
\]

— Dutiable under Article 121:

\[
5 \text{ kg} - 4.42 \text{ kg} = 0.58 \text{ kg D} = 0.58 \times 1.43 = 0.17 \text{ kg A}
\]

(iii) Total dutiable:

— Article 122: 4.42 kg D

— Article 121: 0.17 kg A + 11.46 kg A = 11.63 kg A
Examples in outward processing:

Nature of compensating products released for free circulation

- **One kind only**
  - Obtained from one kind of temporarily exported goods only ............... I
  - Obtained from several kinds of temporarily exported goods ............... II
- **Several kinds**
  - Obtained from one kind of temporarily exported goods only
  - Obtained from several kinds of temporarily exported goods only

### I. One kind of compensating product only is obtained from one kind of temporarily exported goods only

**Quantitative scale method (compensating products)**

(a) Quantity of temporarily exported goods:

100 kg A

(b) Yield of 100 kg A:

200 kg X

(c) Quantity of compensating products released for free circulation:

180 kg X

(d) Quantity of temporarily exported goods to be taken into account for determining the import duties to be deducted:

\[
\frac{180}{200} \times 100 \text{ kg} = 90 \text{ kg A}
\]

### II. One kind of compensating product only is obtained from several kinds of temporarily exported goods only

**Quantitative scale method (compensating products)**

(a) Quantity of temporarily exported goods:

100 kg A and 50 kg B

(b) Yield of 100 kg A and 50 kg B:

300 kg X

(c) Quantity of compensating products released for free circulation:

180 kg X

(d) Quantity of temporarily exported goods to be taken into account for determining the import duties to be deducted:

\[
\frac{180}{300} \times 100 \text{ kg} = 60 \text{ kg A}
\]

\[
\frac{180}{300} \times 50 \text{ kg} = 30 \text{ kg A}
\]
III. Several kinds of compensating products are obtained from one kind of temporarily exported goods only

Quantitative scale method (temporary export goods)

(a) Quantity of temporarily exported goods:

100 kg A

(b) Yield of 100 kg A:

200 kg X, which incorporate 85 kg A
30 kg Y, which incorporate 10 kg A

95 kg A

(c) Calculation of respective proportions:

\[
\begin{align*}
200 \text{ kg X} &= \frac{85}{95} \times 100 \text{ kg} = 89.47 \text{ kg A} \\
30 \text{ kg Y} &= \frac{10}{95} \times 100 \text{ kg} = 10.53 \text{ kg A} \\
\end{align*}
\]

(d) Quantity of compensating products released for free circulation:

180 kg X and 20 kg Y

(e) Quantity of temporarily exported goods to be taken into account for determining the import duties to be deducted:

\[
\begin{align*}
180 \text{ kg X} &= \frac{180}{200} \times 89.47 = 80.52 \text{ kg A} \\
20 \text{ kg Y} &= \frac{20}{30} \times 10.53 = 7.02 \text{ kg A} \\
\end{align*}
\]

87.54 kg A

IV. Several kinds of compensating products are obtained from one kind of temporarily exported goods only

Value scale method

(a) Quantity of temporarily exported goods:

100 kg A

(b) Yield of 100 kg A:

200 kg X at EUR 12 = EUR 2 400
30 kg Y at EUR 5 = EUR 150

EUR 2 550

(c) Calculation of respective proportions:

\[
\begin{align*}
200 \text{ kg X} &= \frac{2 400}{2 550} \times 100 \text{ kg} = 94.12 \text{ kg A} \\
30 \text{ kg Y} &= \frac{150}{2 550} \times 100 \text{ kg} = 5.88 \text{ kg A} \\
\end{align*}
\]

\[
\begin{align*}
100 \text{ kg A}
\end{align*}
\]
(d) Quantity of compensating products released for free circulation:

180 kg X and 20 kg Y

(e) Quantity of temporarily exported goods to be taken into account for determining the import duties to be deducted:

\[
\begin{align*}
180 \text{ kg X} &= 180/200 \times 94.12 = 84.71 \text{ kg A} \\
20 \text{ kg Y} &= 20/30 \times 5.88 = 3.92 \text{ kg A} \\
\hline
&= 88.63 \text{ kg A}
\end{align*}
\]

V. Several kinds of compensating products are obtained from several kinds of temporarily exported goods:

Quantitative scale method (temporary export goods)

(a) Quantity of temporarily exported goods:

100 kg A and 50 kg B

(b) Yield of 100 kg A and 50 kg B

200 kg X, which incorporate 85 kg A and 35 kg B

30 kg Y, which incorporate 10 kg A and 12 kg B

\[
\begin{align*}
200 \text{ kg X} &= 85/95 \times 100 \text{ kg} = 89.47 \text{ kg A} \\
&= 35/47 \times 50 \text{ kg} = 37.23 \text{ kg B} \\
30 \text{ kg Y} &= 10/95 \times 100 \text{ kg} = 10.53 \text{ kg A} \\
&= 12/47 \times 50 \text{ kg} = 12.76 \text{ kg B} \\
\hline
&= 100 \text{ kg A} 50 \text{ kg B}
\end{align*}
\]

(c) Calculation of respective proportions:

\[
\begin{align*}
200 \text{ kg X} &= 85/95 \times 100 \text{ kg} = 89.47 \text{ kg A} \\
&= 35/47 \times 50 \text{ kg} = 37.23 \text{ kg B} \\
30 \text{ kg Y} &= 10/95 \times 100 \text{ kg} = 10.53 \text{ kg A} \\
&= 12/47 \times 50 \text{ kg} = 12.76 \text{ kg B} \\
\hline
&= 100 \text{ kg A} 50 \text{ kg B}
\end{align*}
\]

(d) Quantity of compensating products released for free circulation:

180 kg X and 20 kg Y

(e) Quantity of temporarily exported goods to be taken into account for determining the import duties to be deducted:

\[
\begin{align*}
180 \text{ kg X} &= 180/200 \times 89.47 = 80.52 \text{ kg A} \\
&= 180/200 \times 37.23 = 33.51 \text{ kg B} \\
20 \text{ kg Y} &= 20/30 \times 10.53 = 7.02 \text{ kg A} \\
&= 20/30 \times 12.76 = 8.51 \text{ kg B} \\
\hline
&= 87.54 \text{ kg A} 42.02 \text{ kg B}
\end{align*}
\]
VI. Several kinds of compensating products are obtained from several kinds of temporarily exported goods

Value scale method

(a) Quantity of temporarily exported goods:

100 kg A and 50 kg B

(b) Yield of 100 kg A and 50 kg B

\[
\begin{align*}
200 \text{ kg } X & \text{ at EUR } 12 = \text{ EUR } 2400 \\
30 \text{ kg } Y & \text{ at EUR } 5 = \text{ EUR } 150 \\
& \text{ EUR } 2550
\end{align*}
\]

(c) Calculation of respective proportions:

\[
\begin{align*}
200 \text{ kg } X = \frac{2400}{2550} \times 100 \text{ kg } &= 94.12 \text{ kg A} \\
&= \frac{2400}{2550} \times 50 \text{ kg } &= 47.06 \text{ kg B} \\
30 \text{ kg } Y = \frac{150}{2550} \times 100 \text{ kg } &= 5.88 \text{ kg A} \\
&= \frac{150}{2550} \times 50 \text{ kg } &= 2.94 \text{ kg B} \\
& \text{ 100 kg A and 50 kg B}
\end{align*}
\]

(d) Quantity of compensating products released for free circulation:

180 kg X and 20 kg Y

(e) Quantity of temporarily exported goods to be taken into account for determining the import duties to be deducted:

\[
\begin{align*}
180 \text{ kg } X = \frac{180}{200} \times 94.12 &= 84.71 \text{ kg A} \\
&= \frac{180}{200} \times 47.06 &= 42.35 \text{ kg B} \\
20 \text{ kg } Y = \frac{20}{30} \times 5.88 &= 3.92 \text{ kg A} \\
&= \frac{20}{30} \times 2.94 &= 1.96 \text{ kg B} \\
& \text{ 88.63 kg A and 44.31 kg B}
\end{align*}
\]
Compensatory interest

(Article 519)

Fictitious illustrative examples

Example 1

On 1 July 2000 import goods are placed under the arrangements. Customs debt is incurred on 27 March 2001. The first operation took place in a Member State being part of the euro-zone.

Which interest rate applies with regard to the compensatory interest?

March 2001 is the month in which the customs debt is incurred. The applicable rate is that applicable two months before March 2001 (see Article 519(2)(2)). Therefore the interest rate of January 2001 applies which is the three-month money market interest rate for the euro-zone published for that month in the statistical Annex to the monthly bulletin of the European Central Bank (see for instance the ECB Internet address: http://www.ecb.int).

How can this interest rate be found?

See statistic 3 ‘Financial markets and interest rates in the euro area’, table 3.1 ‘Money market interest rates’, column 3. The exact interest rate for January 2001 is 4.77%.

Example 2

On 1 July 2000 import goods are placed under the arrangements. Customs debt is incurred on 27 March 2001. The first operation took place in a Member State not being part of the euro-zone.
Which interest rate applies with regard to the compensatory interest?

March 2001 is the month in which the customs debt is incurred. The applicable rate is that applicable two months before March 2001 (see Article 519(2)(2)). Therefore the interest rate of January 2001 applies which is the three-month money market interest rate applicable in the other Member States not being part of the euro-zone published for that month in the statistical Annex to the monthly bulletin of the European Central Bank.

How can this interest rate be found?

See statistic 11 'Economic and financial developments in the other EU Member States', table 11 'Economic and financial developments', column 12. The exact interest rate for January 2001 is 5.34%.

Possible methods of calculating compensatory interest payments on inward-processing relief arrangements when time limits for discharge are aggregated

INTRODUCTION

To offset the unjustified financial advantage gained from the postponement of the customs debt when goods coming under the inward-processing arrangements (compensating products or products in the unaltered state) are released for free circulation, compensatory interest is applied.

It should be pointed out that the inward-processing arrangements provide for the possibility of aggregating the periods for discharge in order to simplify management and reduce the cost of administering the arrangements.
For instance, the Community rules provide for the monthly or quarterly aggregation of periods for discharge, as set out below.

In the case of monthly aggregation, all periods for discharge beginning to run in a given month expire on the last day of the calendar month during which the period for discharge relating to the final entry for the arrangements in the month in question would expire.

In the case of quarterly aggregation, all periods for discharge beginning to run in a given quarter expire on the last day of the quarter during which the period for discharge relating to the final entry for the arrangements in the quarter in question would expire.

It should be pointed out that, for the same reasons, the Community rules also allow the aggregation of releases for free circulation of goods coming under the arrangements.

When such a general authorisation for release for free circulation has been issued, the import goods may be put on the Community market either in the form of compensating products or of goods in the unaltered state without the formalities relating to release for free circulation having to be completed when the goods are put on the market.

On the other hand, import goods either in the form of compensating products or of goods in the unaltered state, for which a general authorisation for release for free circulation has been issued but to which none of the customs-approved treatments or uses has been assigned by the end of the stated period for discharge (in this case an aggregated period for discharge), could be deemed to have been released for free circulation.

Finally, the Community rules provide that, where import goods have been entered for the arrangements by virtue of a single authorisation but under several declarations, compensating products or goods in the unaltered state which have been assigned one of the customs-approved treatments or uses shall be deemed to have been obtained from the import goods entered for the arrangements under the earliest of the declarations (FIFO or ‘first in, first out’ system).

As all these provisions may affect the amount of compensatory interest to be collected and since, in order to prevent distortion of competition, Community law must be applied uniformly in all Member States, the Commission considers it appropriate to publish the following specimen calculations of compensatory interest where the aggregation system is used.

SPECIMEN 1

Inward-processing arrangements (suspension system)

1. ASSUMPTIONS

1.1. Quarterly aggregation

1.2. Authorisation to carry out inward processing (suspension system) in Belgium:

— quantity of import goods A: 1 000 kg,

— value of import goods: EUR 100 000 (import duty: 5 % ad valorem),

— rate of yield: 90 % in main compensating products, no secondary compensating products obtained.

1.3. A general authorisation for release for free circulation was issued.

1.4. The import goods, either in the form of compensating products or in the unaltered state, are put on the Community market.
1.5. In this example, the period for discharge is three months.

1.6. Applicable interest rate: 9.36%.

1.7. 1 000 kg A entered for the arrangements on the following dates:

<table>
<thead>
<tr>
<th>Date</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 July</td>
<td>200 kg</td>
</tr>
<tr>
<td>15 July</td>
<td>100 kg</td>
</tr>
<tr>
<td>31 July</td>
<td>100 kg</td>
</tr>
<tr>
<td>1 August</td>
<td>100 kg</td>
</tr>
<tr>
<td>15 August</td>
<td>100 kg</td>
</tr>
<tr>
<td>31 August</td>
<td>100 kg</td>
</tr>
<tr>
<td>1 September</td>
<td>200 kg</td>
</tr>
<tr>
<td>30 September</td>
<td>100 kg</td>
</tr>
</tbody>
</table>

1.8. Quantity of main compensating product B obtained: 900 kg

2. PROCEDURE

2.1. The period for discharge for all entries is 31 December, the bill of discharge to be presented by 30 January.

The elements of assessment for the goods/products will be assessed in accordance with Article 121 of the Code. The operative date is 31 December.

2.2. When presenting the bill of discharge the holder only submits an export declaration in respect of 600 kg of the compensating product B obtained; the remaining 300 kg is deemed to have been released for free circulation.

3. CALCULATION

3.1. Customs debt is incurred in respect of 300 kg B.

3.2. Quantity of import goods corresponding to the quantity of B in respect of which a customs debt has arisen:

$$\frac{300}{900} \times 1 000 \text{ kg} = 333.33 \text{ kg A}$$

3.3. Value of import goods corresponding to the quantity of B in respect of which a customs debt has arisen:

$$\frac{333.33 \text{ kg} \times \text{EUR} 100 000}{1 000} = \text{EUR 33 333}$$

3.4. Total duties payable:

$$\frac{33 333 \times 5}{100} = \text{EUR 1 666.65}$$

3.5. Compensatory interest:

3.5.1. quantity of A held to be discharged without paying customs duties:

$$1 000 \text{ kg} - 333.33 \text{ kg} = 666.67 \text{ kg}$$
3.5.2. entries of 600 kg for the arrangement from 1 July to 15 August, and the entry on 31 August in respect of 66,67 kg, can therefore be considered discharged;

3.5.3. quantities and periods used in the calculation of compensatory interest:

- 33,33 kg – 4 months (1 September to 31 December)
- 300,00 kg – 3 months (1 October to 31 December)
- 333,33 kg

3.5.4. calculations:

3.5.4.1. import duties:

\[
\frac{33,33 \times 100}{1000} \times \frac{5}{1} \times 100 = \text{EUR 166,65}
\]

\[
\frac{300 \times 1000}{1000} \times \frac{5}{1} \times 100 = \text{EUR 1 500}
\]

total duty: EUR 1 666,65

3.5.4.2. compensatory interest:

\[
\frac{166,65 \times 4 \times 9.36}{12 \times 100} = \text{EUR 5,2}
\]

\[
\frac{1 500 \times 3 \times 9.36}{12 \times 100} = \text{EUR 35,1}
\]

total interest: EUR 40,3

SPECIMEN 2

**Inward-processing arrangements (drawback system) for goods under the inward-processing arrangements (suspension system)**

1. **ASSUMPTIONS**

1.1. Monthly aggregation

1.2. Inward-processing authorisation (drawback system) issued in France:

- quantity of import goods B: 5 000 kg
- value of import goods: EUR 50 000 (import duty: 9 % ad valorem)
- rate of yield:

  80 % in main compensating products
  10 % in secondary compensating products

1.3. In this example, the period for discharge is three months.

1.4. Applicable interest rate: rate for the Member State where the first operation (under the suspension system) took place, e.g. United Kingdom rate (14.51 %).
1.5. Particulars of inward-processing authorisation (suspension system) issued earlier in United Kingdom:

1.5.1. quantity of import goods A: 15 000 kg;

1.5.2. value of import goods: EUR 45 000 (import duty: 6% ad valorem);

1.5.3. rate of yield: 50% in main compensating products, no secondary compensating products obtained;

1.5.4. 15 000 kg A entered for the arrangements on:
   - 1 July 5 000 kg
   - 15 July 5 000 kg
   - 31 July 5 000 kg

1.5.5. monthly aggregation;

1.5.6. general authorisation for release for free circulation;

1.5.7. the import goods, either in the form of compensating products or in the unaltered state, are put on the Community market;

1.5.8. the period for discharge is three months.

1.6. Compensating products B obtained under the inward-processing authorisation (suspension system) in the United Kingdom: 7 500 kg.

1.7. Entries for the inward-processing arrangements (drawback system) in France:
   - 1 September 2 000 kg B
   - 30 September 3 000 kg B

2. FORMALITIES FOR ENTRY UNDER INWARD-PROCESSING ARRANGEMENTS (DRAWBACK SYSTEM) IN FRANCE

2.1. Validation of two IM 4 declarations, box 37 code 4151, on 1 and 30 September

2.2. Transmission of two INF 1 sheets by French customs to British customs.

3. FORMALITIES IN UNITED KINGDOM

3.1. Three entries for the arrangements in July aggregated in the United Kingdom.

The period for discharge for all entries expires on 31 October; presentation of bill of discharge is 30 November.

The elements of assessment for the goods/products will be assessed in accordance with Article 121 of the Code. The operative date is 31 October.
3.2. Calculations to be carried out on receipt of the information sheet:

3.2.1. customs debt incurred in respect of 2 000 and 3 000 kg B;

3.2.2. quantity of import goods corresponding to the quantity of B in respect of which a customs debt has arisen:

\[
\frac{2 000 \times 15 000 \text{ kg}}{7 500} = 4 000 \text{ kg A}
\]

and

\[
\frac{3 000 \times 15 000 \text{ kg}}{7 500} = 6 000 \text{ kg A}
\]

3.2.3. value of import goods corresponding to the quantity of B in respect of which a customs debt has arisen:

\[
\frac{4 000 \times 45 000}{15 000 \text{ kg}} = \text{EUR 12 000}
\]

\[
\frac{6 000 \times 45 000}{15 000 \text{ kg}} = \text{EUR 18 000}
\]

3.2.4. duties payable:

\[
\frac{12 000 \times 6}{100} = \text{EUR 720}
\]

\[
\frac{18 000 \times 6}{100} = \text{EUR 1 080}
\]

3.2.5. compensatory interest:

quantities and periods used to calculate compensatory interest:

2 000 kg – 2 months (1 August to 30 September)

and

3 000 kg – 2 months (1 August to 30 September);

3.2.6. compensatory interest:

import duties \times period \times \% interest rate

\[
\frac{\text{EUR 720} \times 2 \times 14.51}{12 \times 100} = \text{EUR 17.41}
\]

\[
\frac{\text{EUR 1 080} \times 2 \times 14.51}{12 \times 100} = \text{EUR 26.12}
\]

3.2.7. amounts to be notified to French authorities:

first INF 1: box 9a: EUR 720

box 9b: EUR 17.41

second INF 1: box 9a: EUR 1 080

box 9b: EUR 26.12
4. **FORMALITIES IN FRANCE**

After receiving notification of the amounts, the French customs should collect both the import duty and the compensatory interest.

5. **FORMALITIES FOR DISCHARGING INWARD-PROCESSING ARRANGEMENTS (SUSPENSION SYSTEM) IN THE UNITED KINGDOM**

When presenting the bill of discharge (30 November) the holder only submits T1 declarations for consignment to France in respect of 5 000 kg of compensating product B obtained; the remaining 2 500 kg is deemed to have been released for free circulation.

5.1. Consequently, a customs debt is incurred in the United Kingdom in respect of 2 500 kg of product B.

5.2. Quantity of import goods corresponding to the quantity of B in respect of which a customs debt has arisen:

\[
\frac{2{,}500 \times 15{,}000}{7{,}500} = 5{,}000 \text{ kg A}
\]

5.3. Value of import goods corresponding to the quantity of B in respect of which a customs debt has arisen:

\[
\frac{5{,}000 \times \text{EUR 45} \times 000}{15{,}000 \text{ kg}} = \text{EUR 15} \times 000
\]

5.4. Total duties payable:

\[
\frac{15{,}000 \times 6}{100} = \text{EUR 900}
\]

5.5. Compensatory interest:

5.5.1. quantity of A deemed to be discharged:

\[
15{,}000 \text{ kg} - 5{,}000 \text{ kg} = 10{,}000 \text{ kg A (= T1 'IP' consignments to France)}
\]

5.5.2. entries for the arrangements on 1 July and 15 July can therefore be considered discharged

5.5.3. quantity and period used in the calculation of compensatory interest:

\[
5{,}000 \text{ kg} - 3 \text{ months (1 August to 31 October)}
\]

5.5.4. compensatory interest:

\[
\text{import duties} \times \text{period} \times \text{interest rate}:
\]

\[
900 \times \frac{3}{12} \times \frac{14.51}{100} = 32.65 \text{ EUR}
\]

6. **SUBSEQUENT FORMALITIES IN FRANCE**

6.1. The holder submits a repayment claim, presenting two export declarations in respect of 3 000 kg of compensating product C obtained.

Calculations:

6.2. Quantitative scale (import goods)

(a) import goods: 5 000 kg B
(b) products obtained:

- 4 000 kg C, containing 4 000 kg B
- 500 kg D, containing 500 kg B

<table>
<thead>
<tr>
<th></th>
<th>kg B</th>
</tr>
</thead>
<tbody>
<tr>
<td>total</td>
<td>4 500 kg B</td>
</tr>
</tbody>
</table>

(c) breakdown in kg B:

\[
\begin{align*}
C: & \quad \frac{4 000}{4 500} \times 5 000 = 4 444.44 \text{ kg B} \\
D: & \quad \frac{500}{4 500} \times 5 000 = 555.56 \text{ kg B} \\
& \quad 5 000 \text{ kg B}
\end{align*}
\]

(d) quantity of compensating products which is not eligible for repayment:

1 000 kg C and 500 kg D

(e) quantity of import goods B corresponding to 1 000 kg C:

\[
\frac{1 000}{4 000} \times 4 444.44 \text{ kg} = 1 111.11 \text{ kg B}
\]

(f) quantity of import goods B corresponding to 500 kg D:

_first possibility:_ product D charged under Article 122 of the Code:

Import duties ‘appropriate’ to product D are to be applied only to that proportion of D which corresponds proportionally to the exported part of the other compensating products (i.e. those not on the list).

- quantity of products exported in kg B:
  \[
  \frac{3 000}{4 000} \times 4 444.44 \text{ kg} = 3 333.33 \text{ kg B}
  \]

- proportion exported:
  \[
  3 333.33/(5 000 - 555.6) \times 100 \% = 75 \%
  \]

- chargeable under Article 122 of the Code:
  \[
  75 \% \times 500 \text{ kg D} = 375 \text{ kg D}
  \]

- chargeable under Article 121:
  
  \[
  500 \text{ kg} - 375 \text{ kg} = 125 \text{ kg D}
  \]

- quantity of import goods B corresponding to the quantity of D for the purposes of applying Article 121:
  \[
  125 \text{ kg D} \times \frac{555.56 \text{ kg B}}{500 \text{ kg D}} = 138.89 \text{ kg B}
  \]

- conclusion:

  (i) application of Article 122 of the Code in respect of 375 kg D

  (ii) application of Article 121 of the Code in respect of 138.89 kg B
(iii) no repayment possible in respect of 1 111.11 kg B + 138.89 kg B = 1 250 kg B

second possibility: product D not chargeable under Article 122 of the Code:

no repayment possible in respect of 1 111.11 kg B + 555.56 kg B = 1 666.67 kg B

6.3. Import duties repayable:

first possibility: product D chargeable under Article 122 of the Code

(a) no repayment possible in respect of 1 111.11 kg B + 138.89 kg B = 1 250 kg B

(b) duties paid on entry of 5 000 kg B for the arrangements: EUR 720 + EUR 1 080 = EUR 1 800

(c) proportion repayable:

\[ 5 000 \text{ kg} - 1 250 \text{ kg} = 3 750 \text{ kg} \]

(d) repayment of:

\[ \frac{\text{EUR 1 800} \times 3 750 \text{ kg}}{5 000 \text{ kg}} = 1 350 \text{ EUR} \]

second possibility: product D not chargeable under Article 122 of the Code:

(a) no repayment possible in respect of 1 111.11 kg B + 555.56 kg B = 1 666.67 kg B

(b) duties paid on entry of 5 000 kg B for the arrangements: EUR 720 + EUR 1 080 = EUR 1 800

(c) proportion repayable: 5 000 kg B - 1 666.67 kg B = 3 333.33 kg B

(d) repayment of import duties totalling:

\[ \frac{\text{EUR 1 800} \times 3 333.33 \text{ kg}}{5 000 \text{ kg B}} = \text{EUR 1 200} \]

6.4. Compensatory interest repayable

calculations (compensatory interest collected on entry for the arrangements: EUR 17.41 + EUR 26.12 = EUR 43.53):

first possibility: product D chargeable under Article 122:

repayment of compensatory interest totalling:

\[ \frac{43.53 \times 3 750 \text{ kg B}}{5 000 \text{ kg B}} = \text{EUR 32.65} \]

second possibility: product D not chargeable under Article 122:

repayment of compensatory interest totalling:

\[ \frac{43.53 \times 3 333.33 \text{ kg B}}{5 000 \text{ kg B}} = \text{EUR 29.02} \]
Possible methods of applying compensatory interest in cases where goods are further processed outside the Community

(Article 123 of the Code)

I. INTRODUCTION

In order to offset any unjustified financial advantage accruing from deferment of the customs debt when compensating products or goods in the unaltered state previously entered for inward processing are released for free circulation, compensatory interest should be charged on the import duties payable.

To ensure consistent application of these provisions a number of specimen calculations illustrate calculations to be used in the event of aggregation.

To work out the correct amount of compensatory interest three factors must be known:

— the import duty payable,

— the interest rate,

— the period for which interest is owed.

Where interest is payable it is charged at the rate prevailing in the Member State where the processing operations, or the first such operation, took place.

Compensatory interest can be charged from the first day of the month after the month in which the import goods discharged were entered for the arrangements until the last day of the month in which the customs debt is incurred. Interest is charged per month, with a minimum of one month.

In order to prevent distortions of competition, the following specimen cases are published therefore showing how these rules affect the compensatory interest, if any, applicable in various circumstances.

To illustrate more clearly the different possibilities practical 'cases' are included showing whether interest is payable, and, if so, for what period.

Finally, it is important to remember, that a distinction has been made between the two types of inward-processing arrangement: the suspension system (application of import duties is suspended) and the drawback system (duties are initially paid when the goods are entered for the arrangements).

II. POSSIBLE CASES

Case No 1: goods entered for the inward-processing relief (IPR) arrangements under the drawback system are temporarily exported for further processing; the reimported products are immediately put into free circulation without being entered again for IPR.

Here import duty is payable on the basis of the differential method provided by the outward-processing relief arrangements.

Since import duty was paid on the import goods when they were entered for IPR, no unjustified financial advantage results from deferral of the customs debt and hence no compensatory interest is charged.
As the IPR arrangements cannot be discharged in respect of the temporarily exported goods the operator cannot claim repayment of the import duty initially paid on those goods.

Example

1. 15 January: cotton yarn is entered for IPR under the drawback system (time limit for re-export: 12 months);

2. 15 June: cotton fabric exported for further processing;

3. 15 October: end products (cotton garments) reimported and released for free circulation.

Conclusions

1. Import duty is applicable on 15 October in accordance with the outward processing relief arrangements.

2. The holder has not obtained any unjustified financial advantage and release for free circulation on 15 October does not therefore attract compensatory interest.

Case No 2: the same goods are entered for IPR under the drawback system but this time the products reimported after further processing outside the Community are again placed under IPR drawback arrangements.

Here the import duty applicable in accordance with the differential method provided by the outward processing relief arrangements is payable when the goods are re-entered for IPR (drawback); again, compensatory interest is not charged.

When the compensating products are subsequently exported, the repayment claim must reflect both sets of duty paid.

Example

1. 15 January: cotton yarn is entered for IPR under the drawback system (time limit for re-export: 12 months);

2. 15 June: cotton fabric exported for further processing;

3. 15 October: printed and dyed cotton fabric reimported and again entered for IPR under the drawback system;

4. 15 December: some of the end products (cotton garments) are exported.

Conclusions

1. Import duty is applicable on 15 October in accordance with the outward processing rules.

2. The holder can claim repayment of the import duty paid on 15 January and 15 October corresponding to the proportion of the yarn and fabric incorporated in the garments which were exported on 15 December.

3. Duty is not repayable in respect of those garments sold within the Community, but since no unjustified financial advantage was obtained, no compensatory interest is payable either.
Case No 3: the same goods are entered for IPR under the drawback system and the products reimported after further processing outside the Community are again entered for IPR, but this time under the suspension system.

Since entry for IPR (suspension) arrangements discharges IPR (drawback) arrangements the holder can claim repayment of the import duty paid when the goods were initially entered for the drawback system.

In this case the amount of import duty suspended when the goods are placed under IPR for the second time is determined in accordance with Article 123 of the Code.

If the products are ultimately put into free circulation, compensatory interest will apply from the first day of the month following that in which the goods were actually entered for the IPR suspension arrangements (in this case, when they were reimported after further processing) to the last day of the month in which the customs debt was incurred.

In other words, the earlier period, when the goods were under the IPR drawback arrangements and then outside the Community, does not count.

Example

1. 15 January: cotton yarn is entered for IPR under the drawback system in France (time limit for re-export: 12 months);
2. 15 June: cotton fabric exported for further processing;
3. 15 October: printed and dyed cotton fabric reimported into the United Kingdom and again entered for IPR (suspension system) (time limit for re-export: three months);
4. 15 December: some of the end products (cotton garments) are exported;
5. 15 January: release for the free circulation of the not re-exported garments;
6. 14 February: submission of the bill of discharge.

Conclusions

1. Following the entry of the goods for IPR (suspension) on 15 October, the import duty paid on 15 January on the initial entry for the drawback system may be claimed back.
2. Article 123 of the Code governs the amount of import duty suspended when the goods are entered for IPR the second time (suspension system).
3. The suspension system can be discharged in respect of the goods incorporated in the garments which are exported.
4. On the other hand, the sale of some the garments inside the Community generates a customs debt. In this case compensatory interest will be charged, as well as import duty.
5. As those garments are released for free circulation on 15 January, the interest will be charged at the rate applying in the Member State where the goods were entered for the suspension system (i.e. the United Kingdom).

In calculating the period for which interest may be charged, note that no unjustified financial advantage was obtained before the goods were placed under the suspension system. The period subject to interest therefore runs from 1 November to 31 January of the following year, i.e. three calendar months.

Case No 4: the goods are entered for IPR under the suspension system then temporarily exported for further processing. The reimported end products are immediately put into free circulation without being entered again for IPR.

The release for free circulation of the products obtained after the further processing operations gives rise to a customs debt. Hence compensatory interest will be charged as well as import duty, at the rate applying in the Member State where the goods were entered for the arrangements. Interest will be payable not only for the period during which the goods were actually under the suspension system, but also for the time they were outside the Community undergoing the further processing.

In calculating the amount of interest due, the period when the goods were outside the customs territory of the Community does count in this case.

Example

1. 15 January: cotton yarn is entered for IPR under the suspension system in France (time limit for export: one year),

2. 15 June: cotton fabric exported for further processing;

3. 15 October: cotton garments reimported into the United Kingdom and released for free circulation.

Conclusions

1. The import duty applicable at the time of release for free circulation (15 October) is calculated in accordance with Article 123 of the Code.

2. Compensatory interest is payable. The rate of interest is that applicable in France. The period for which interest is due runs from 1 February to 31 October, i.e. nine months.

Case No 5: the same goods are entered for IPR under the suspension system then temporarily exported for further processing. The reimported products are again placed under the suspension system.

In this case the duty relating to the further processing operation is again suspended when the goods are placed under suspension for the second time.

Where the arrangements are discharged by release of the end products for free circulation the compensatory interest rate is determined in the usual way. Interest applies from the first day of the month following that in which goods were first entered for IPR to the last day of the month in which the customs debt was incurred.

Compensatory interest also applies in this case to the time during which the exported goods were undergoing further processing.
Example

1. 15 January: cotton yarn entered for IPR under the suspension system in France (time limit for re-export: 12 months);

2. 15 June: cotton fabric exported for further processing;

3. 15 October: printed and dyed cotton fabric reimported into the United Kingdom and again entered for IPR (suspension system) — time limit for re-export, i.e. three months;

4. 15 December: some of the end products (cotton garments) are exported;

5. 15 January: remainder of the garments released for free circulation;

6. 14 February: submission of bill of discharge.

Conclusions

1. When the goods are again entered for the suspension system on 15 October the suspended import duties are calculated in accordance with Article 123 of the Code.

2. The suspension system can be discharged in respect of the goods incorporated in the garments which were exported.

3. The sale of the remainder of the garments inside the Community generates a customs debt, so compensatory interest is payable as well as import duty.

Since some of the garments were released for free circulation on 15 January, interest will be charged at the rate prevailing in France at that time.

Interest is payable for the period running from 1 February to 31 January of the following year, i.e. 12 months.

Case No 6: the same goods are entered for IPR under the suspension system then temporarily exported for further processing. The reimported products are again entered for IPR, but this time under the drawback system.

Import duties and compensatory interest are payable at the time of entry for the drawback system.

The import duty is calculated in accordance with Article 123 of the Code.

Interest is payable for the period running from the first day of the month following the month when the goods were first entered for the arrangements to the last day of the month in which they were placed under the drawback system.

Compensatory interest is also payable for the period when the exported goods were undergoing further processing outside the Community.

Note that the compensatory interest is repayable along with the import duty when the drawback system is finally discharged by the export of the compensating products.
Example

1. 15 January: cotton yarn entered for IPR under the suspension system in France (time limit for re-export: 12 months);

2. 15 June: cotton fabric exported for further processing;

3. 15 October: printed and dyed cotton fabric reimported into the United Kingdom and again entered for IPR, this time under the drawback system (time limit for re-export: three months);

4. 15 December: some of the end products (cotton garments) are exported.

Conclusions

1. Entry of the goods for the drawback system on 15 October involves release for free circulation and payment of import duty calculated in accordance with Article 123 of the Code, plus compensatory interest.

   Interest is charged at the rate applicable in France at the time of release for free circulation.

   Interest is applicable from 1 February to 31 October, i.e. nine months.

2. Export of some of the garments on 15 December gives entitlement to partial repayment of the import duty and compensatory interest paid when the goods were entered for drawback. A repayment claim must be lodged within six months of the date of export.

CHAPTER 2

CUSTOMS WAREHOUSING

Usual forms of handling

(Article 531)

Mixing of olive oil

The mixing of olive oil may be carried out within the limits of operations listed in Annex 72 establishing the list of usual forms of handling which may be carried out under the customs warehousing arrangements.

Item 12 of Annex 72 could allow the addition of a small quantity of product to goods the original nature of which has to be preserved. In this case, only the products which have been added could be classified under another eight-digit CN code (i.e. under the CN code of the principal goods to which they have been added).

With regard to olive oil, this operation could therefore be possible in the event of addition of a small quantity of virgin olive oil of code CN 1509 10 10 or 1509 10 90 to refined olive oil of code CN 1509 90 00 to the extent that the latter would not lose its physical and chemical parameters and the product obtained would also be classified under the code CN 1509 90 90. The same principle could apply to the addition of olive oil of headings 1509 or 1510 to olive oil classified under code CN 1510 00 90.
In relation to the usual form of handling referred to under item 14 of Annex 72, only olive oils classified under the same eight-digit CN code could be mixed.

**Common storage**

(Article 534)

Article 106(1)(a) of the Code allows Community goods not under the arrangements to be stored in the same storage area as goods entered for the arrangements. In this case, the principle applies that it must be possible to identify at all times these goods.

It is, however, possible to derogate from that principle, where ‘common storage’ is allowed:

Without prejudice to special rules laid down in other fields concerning the storage of goods (see Article 1 of the Code) or the provisions governing the claiming of preferences, Article 534(2) of the implementing provisions of the Code defines ‘common storage’ as the case where storage of Community goods not under the arrangements and non-Community goods entered for the arrangements in the same storage area makes it impossible to identify at all times the customs status of these goods.

Common storage may be allowed under the condition that these goods share the same eight-digit CN code, the same commercial quality and the same technical characteristics.

Where goods in common storage are declared for another customs-approved treatment or use, they may be deemed to be either Community or non-Community goods at the choice of the operator provided that the original quantities of each type of goods before common storage are respected.

**Example**

10 000 l mineral oil (non-Community goods under the warehousing arrangements) and 10 000 l mineral oil (Community goods not under the arrangements) could be stored in one single tank where both types of goods share the same eight-digit CN code, the same commercial quality and the same technical characteristics.

Where 10 000 l mineral oil is declared for re-exportation, the arrangements could be deemed to be discharged.

**CHAPTER 3**

**INWARD PROCESSING**

**Production accessories**

(Article 538)

**Examples of treatment of production accessories**

1. Where the production accessory is entirely used up in the processing operation and 100 % of the compensating products is re-exported, full duty relief on the production accessory could be granted.

2. Where the production accessory is entirely used up in the processing operation, but only 50 % of the compensating products is re-exported, duty relief could be granted in respect of 50 % of the production accessory.

Import duties and interest could be due on the amount of production accessory used in the production of the remaining amount of compensating products for which a customs debt is incurred.
3. Where a certain quantity of the production accessory only is used up, and only this amount of the compensating products is re-exported, and the remaining, untouched, production accessory is released for free circulation, duty relief could be granted in respect of the amount of production accessory used in the production of compensating products which are re-exported.

Import duties and interest could be due on the remaining production accessory not used and released for free circulation.

4. Where production accessories are used, but not used up for a certain amount of compensating products which are re-exported, and where a customs debt incurs in respect of the production accessories, import duties and interest could be due in respect of those production accessories. However, the proportional 'economical' value of the production accessories contained in the compensating products re-exported could be subtracted from the customs value of the production aid.

Example

The following simplified assumptions are made. Assume a catalyst is entered for the arrangements which may be used for 10 years and its value may be estimated to be EUR 10 000. Further assume that 10 compensating products are produced during the first year and subsequently re-exported whereas the production aid is released for free circulation. What would be the proportional value of the compensating products and the remaining catalyst?

The value of the catalyst would be 10 years/EUR 10 000 thus EUR 1 000 per year. Thus, the proportional value of the compensating products could be EUR 1 000. This value would have to be subtracted from the EUR 10 000. The 'remaining' proportional value of the catalyst could be EUR 9 000 to be taken into account for determining the customs debt.

**Equivalent goods**

(Article 541(3))

Special provisions, set out in Annex 74, apply in respect of the goods referred to in that Annex.

Recourse to the use of equivalence for milk and milk products is only permitted if the content in milk dry matter, milk fat matter and milk protein of the equivalent product is not lower than the content of those matters in the import goods.

The content of those matters in the import and equivalent goods must be entered on the declaration for entry (IM/EX) or the export declaration (EX/IM) and on the relevant information sheets (INF9 or INF5), in order to allow the equivalence to be controlled.

Where physical controls are carried out, the following scenarios could be envisaged:

1. In the case of random physical checks carried out on a single consignment of equivalent goods to be exported (EX/IM), the respective consignment of import goods should not present a higher quantity of one or more of those matters. However, if a part of the imported consignment presents a higher quantity with regard to one or more of these matters, the benefit of the equivalence could not be allowed for the respective part.

Example

Assuming 1 000 kg of milk powder (CN code 0402 21 17), with a fat content by weight of 3 %, are used as equivalent goods and exported, 1 000 kg of milk powder (CN code 0402 21 17) of a fat content by weight not exceeding 3 % could be entered for the arrangements. However, if the fat content was 6 % for 250 kg of the consignment, this 250 kg could not be entered for the arrangements and could not be replaced by another consignment of 250 kg meeting the criteria.
2. In the case of representative samples taken for a certain reference period, for instance for all goods exported and entered for arrangements by virtue of one authorisation, the supervision could be carried out for instance on the basis of the 'bill of discharge'. In this case, the bill of discharge should indicate the sum of all of these matters for all consignments of exported equivalent goods to be related to all imported consignments during that reference period, and thereby taking account of their natural variations in content (quantities).

**Aggregated discharge**

*(Article 546)*

**Examples of monthly and quarterly aggregation**

Combined application of Article 118(2), second subparagraph, of the Code and Article 546

The examples given below are based on the following assumptions:

(a) that the inward-processing arrangements (suspension system) have been authorised;

(b) that a general authorisation for release for free circulation in accordance with Article 546 has been issued;

(c) that the import goods, whether in the form of goods in the unaltered state or of compensating products, are put on the Community market in accordance with Article 546 of the implementing provisions;

(d) that the period for discharge is, for the example given, three months.

<table>
<thead>
<tr>
<th></th>
<th>January</th>
<th>February</th>
<th>March</th>
<th>April</th>
<th>May</th>
<th>June</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>1</td>
<td>15</td>
<td>31</td>
<td></td>
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<td>B</td>
<td>1</td>
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</tbody>
</table>

*Example A: monthly aggregation:*

Three consignments of goods entered for the arrangements in January are to be aggregated (1, 15 and 31 of the month).

The period for discharge for all these consignments is 30 April; the deadline for presentation of the bill of discharge is then 30 May.
For the purposes of the first subparagraph of Article 218(1) of the Code, the declaration for release for free circulation is deemed to have been lodged and accepted and release granted at the time of presentation of bill of discharge. The items of charge for the goods or products are determined on the basis of Article 121 or Article 122 of the Code.

Example B: quarterly aggregation

Nine consignments of goods entered for the arrangements in the course of a quarter are to be aggregated:

— 1, 15 and 31 January,
— 1, 15 and 28 February,
— 1, 15 and 31 March.

The period for discharge for all these consignments is 30 June; the deadline for presentation of the bill of discharge is then 30 July.

For the purposes of the first subparagraph of Article 218(1) of the Code, the declaration for release for free circulation is deemed to have been lodged and accepted and release granted at the time of presentation of bill of discharge. The items of charge for the goods or products are determined on the basis of Article 121 or Article 122 of the Code.

CHAPTER 4

PROCESSING UNDER CUSTOMS CONTROL

(Article 552 (1))

Annex 76, Part A

Order number 8

Example for processing into products for civil aircraft for which an airworthiness certificate could be issued:

An operator applies for an authorisation to enter printed circuit boards (PCB) into the processing under customs control arrangements with a view to producing navigational instruments for use in civil aircraft.

This operator has obtained the authorisation from a European aviation authority to issue airworthiness certificates for the navigational instrument to be produced.

Due to the fact that an airworthiness certificate may be issued for the navigational instruments, the economic conditions could be deemed to be fulfilled for the printed circuit boards, in accordance with order number 8 of Annex 76, part A.

Where navigational instruments are released for free circulation, the airworthiness certificate may be presented to the office of discharge.
**Order number 10**

*Example on the calculation of the ‘import duty advantage’*

<table>
<thead>
<tr>
<th></th>
<th>Without PCC</th>
<th>With PCC</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Goods/import goods</strong></td>
<td>Tubes of iron</td>
<td>Tubes of iron</td>
</tr>
<tr>
<td><strong>Customs value/customs value after PCC</strong></td>
<td>EUR 100 000</td>
<td>EUR 350 000</td>
</tr>
<tr>
<td><strong>Processing costs</strong></td>
<td>—</td>
<td>EUR 250 000</td>
</tr>
<tr>
<td><strong>Processed products</strong></td>
<td>—</td>
<td>Seats with metal frames</td>
</tr>
<tr>
<td><strong>Duty rate</strong></td>
<td>4 %</td>
<td>Free</td>
</tr>
<tr>
<td><strong>Amount of import duty</strong></td>
<td>EUR 4 000</td>
<td>EUR 0</td>
</tr>
<tr>
<td><strong>Import duty advantage</strong></td>
<td></td>
<td>EUR 4 000</td>
</tr>
</tbody>
</table>

*Formula:*

\[
\text{amount of import duty without PCC} - \text{amount of import duty with PCC} = \text{import duty advantage}
\]

**CHAPTER 5**

**TEMPORARY IMPORTATION**

**ATA CARNET**

*Authorising use of the procedure*

**Part 1**

1. Presentation of an ATA carnet to a customs office duly empowered by the customs authorities in order to use the temporary importation procedure must be equivalent to presentation of the application for authorisation and acceptance of the carnet (temporary importation voucher) must be equivalent to authorisation to use the procedure.

2. Goods which can be temporarily imported in accordance with the procedure described in paragraph 1 are listed in following list.

3. ATA carnets may be accepted by the customs offices only if they are:

   (a) issued in a country which is a Contracting Party:

      — to the ATA Convention (1), or

      — a Contracting Party to the Istanbul Convention having accepted the Customs Cooperation Council Recommendations of 25 June 1992 concerning acceptance of the ATA carnet and the CPD carnet for the temporary admission procedure within the periods and on the conditions laid down in those recommendations, and endorsed and guaranteed by an association forming part of an international guarantee chain;

(b) certified by the customs authorities in the appropriate section of the cover page; and

c (c) valid throughout the customs territory of the Community.

Entry of goods for the procedure

Part 2

The ATA carnet should be presented in order to enter goods for the temporary importation procedure at any duly empowered office of entry. The office of entry should then act as the office of entry for the procedure.

However:

(a) where the duly empowered office of entry is unable to check the fulfilment of all conditions to which the use of the temporary importation procedure is subject; or

(b) where the office of entry is not empowered to act as the office of entry for the procedure,

the said office permits the goods to be carried to the office of destination able to carry out such checks under cover of the ATA carnet used as a transit document.

Part 3

The office of entry for the procedure proceeds as follows:

(a) verify the information given in boxes A to G of the importation voucher;

(b) complete the counterfoil and box H of the importation voucher; the final date for re-exportation of the goods, to be entered in box H(b), must not be later than the date on which the carnet's validity expires, without prejudice to the special periods referred to in Article 140 (2) of the Code;

(c) enter the name and address of the office of entry for the procedure in box H(e) of the re-exportation voucher; and

(d) retain the importation voucher.

Discharge of the procedure

Part 4

The ATA carnet must be presented at a duly empowered customs office of discharge.

Part 5

The office of discharge:

(a) completes the counterfoil and box H of the re-exportation voucher;

(b) retains the re-exportation voucher and returns it without delay to the office referred to in box H(e).
Provisions concerning application of charges

Part 6

In the case of an offence or irregularity committed in the course of or in connection with a temporary import operation under cover of an ATA carnet, the provisions in Articles 454 and 455 and Articles 458 to 461 relating to use of the ATA carnet as a transit document applies mutatis mutandis to recovery of the import duties payable.

Transfer of goods

Part 7

Goods entered for the temporary importation procedure under cover of an ATA carnet may move within the customs territory of the Community without further customs formalities until completion of the formalities for discharge of the procedure. Article 452 applies mutatis mutandis.

Renewal of ATA carnets

Part 8

1. Where it is foreseen that the temporary importation operation might exceed the period of validity of the ATA carnet because the holder is unable to re-export the goods, the issuing association may issue a replacement carnet. The holder returns the original carnet to the issuing association.

2. The replacement carnet must be submitted to the competent customs office for the place where the goods are located, which carries out the following formalities:

(a) it discharges the original carnet using the re-exportation voucher which it returns without delay to the initial customs office of temporary importation;

(b) it receives the replacement carnet and retains the importation voucher, first entering on the said voucher the final date for re-exportation as shown on the original carnet plus any extension, and the number of the original carnet.

3. When the temporary importation procedure is discharged the office of re-exportation carries out the formalities laid down in part 5 using the re-exportation voucher of the replacement carnet, which it returns without delay to the customs office which received the replacement carnet.

4. The issue of replacement carnets is the responsibility of the issuing association. If an ATA carnet expires and the holder is unable to re-export the goods, and the issuing association refuses to issue a replacement carnet, the customs authorities shall require completion of the normal customs formalities for temporary importation.

List of goods for which temporary importation may in particular be applied for by presentation of an ATA carnet

1. Professional equipment

2. Goods for display or use at an exhibition, fair, meeting or similar event

3. Pedagogic material and scientific equipment, spare parts and accessories, tools especially designed for the maintenance, checking, calibration or repair of such material or equipment

4. Medical, surgical and laboratory equipment
5. Disaster relief materials

6. Packings in respect of which a written declaration may be required

7. Goods of any kind which are to be subjected to tests, experiments or demonstrations, including the tests and experiments required for type-approval procedures, but excluding any tests, experiments or demonstrations constituting a gainful activity

8. Goods of any kind to be used to carry out tests, experiments or demonstrations, but excluding any tests, experiments or demonstrations constituting a gainful activity

9. Samples, i.e. articles which are representative of a particular category of goods already produced or which are examples of goods the production of which is contemplated, but not including identical articles brought in by the same individual, or sent to a single consignee, in such quantity that, taken as a whole, they no longer constitute samples under ordinary commercial usage

10. Replacement means of production made temporarily available free of charge to the importer by or on the initiative of the supplier of similar means of production to be subsequently imported for release into free circulation or of means of production reinstalled after repair

11. Works of art imported for the purposes of exhibition, with a view to possible sale

12. Positive cinematograph films, printed and developed, intended for viewing prior to commercial use

13. Films, magnetic tapes and magnetised films which are intended to be provided with a soundtrack, dubbed or copied

14. Films demonstrating the nature or the operation of foreign products or equipment, provided that they are not intended for public showing for charge

15. Data-carrying media, sent free of charge for use in automatic data processing

16. Articles (including vehicles) which, by their nature, are unsuitable for any purpose other than advertising of specific articles or publicity for a specific purpose

17. Live animals of any species imported for dressage, training or breeding purposes or in order to be given veterinary treatment

18. Tourist publicity material

19. Welfare material for seafarers

20. Various equipment used, under the supervision and responsibility of a public authority, for the building, repair or maintenance of infrastructure of general importance in frontier zones

Use of containers placed under the temporary importation arrangements in internal traffic

(Article 557 (2))

1. Containers placed under the temporary importation procedure may be used without restriction throughout the period during which they remain within the customs territory of the Community, for the transport of goods loaded within the customs territory of the Community which are to be unloaded within that territory.
2. However, the use of containers placed under the temporary importation procedure for internal transport within each Member State (transport of goods loaded within the territory of a Member State for unloading within the territory of that Member State) could be limited to a single journey during each stay in a Member State and to situations where the containers in question would otherwise have to travel empty within that Member State. It could be possible to return several times to a given Member State in the period during which the containers remain within the customs territory of the Community.

Example: a container is introduced into the customs territory of the Community on 1 January by Member State A and it is reexported on 31 December from Member State B. In the year during which it remains under the procedure it carries out the following operations:

— Member State A: entry loaded — transport — unloading — loading transport — unloading — loading — transport — exit to Member State B,

— Member State B: entry loaded — transport — unloading — loading transport — unloading — exit unladen to Member State C,

— Member State C: entry unladen — journey to loading point — loading transport — unloading — loading — transport — exit to Member State A,

— Member State A: entry loaded — transport — unloading — journey unladen — loading — transport — exit to Member State B,

— Member State B: entry loaded — transport — unloading — loading transport — unloading — loading — transport — re-export.

**Travellers' personal effects and goods imported for sports purposes**

(Illustrative list)

(Article 563)

A. **Travellers' personal effects**

1. Clothing

2. Toilet articles

3. Personal jewellery

4. Still and motion picture cameras together with a reasonable quantity of film and accessories therefor

5. Portable slide or film projectors and accessories therefor together with a reasonable quantity of slides or films

6. Video cameras and portable video recorders, with a reasonable quantity of tapes

7. Portable musical instruments

8. Portable gramophones with records

9. Portable sound recorders and reproducers (including dictating machines), with tapes

10. Portable radio receivers

11. Portable television sets

12. Portable typewriters

13. Portable calculators

14. Portable personal computers
15. Binoculars

16. Perambulators

17. Wheelchairs for invalids

18. Sports equipment such as tents and other camping equipment, fishing equipment, climbing equipment, diving equipment, sporting firearms with ammunition, non-motorised bicycles, canoes or kayaks less than 5.5 metres long, skis, tennis rackets, surfboards, windsurfers, hang-gliders and delta wings, golfing equipment

19. Portable dialysis and similar medical apparatus, and the disposable items imported for use therewith

20. Other articles clearly of a personal nature

B. Goods imported for sports purposes

A. Track and field equipment, such as:
   - hurdles,
   - javelins, discuses, poles, shots, hammers.

B. Ball game equipment, such as:
   - balls of any kind,
   - rackets, mallets, clubs, sticks and the like;
   - nets of any kind,
   - goalposts.

C. Winter sports equipment, such as:
   - skis and sticks,
   - skates,
   - bobsleighs,
   - curling equipment.

D. Sports wear, shoes, gloves, headgear, etc. of any kind.

E. Water sports equipment, such as:
   - canoes and kayaks,
   - sail and row boats, sails, oars and paddles,
   - surf boards and sails.

F. Motor vehicles and craft, such as:
   - cars,
   - motor bicycles,
   - motor boats.

G. Equipment for miscellaneous events, such as:
   - sports arms and ammunition,
   - non-motorised bicycles,
   - archer's bows and arrows,
— fencing equipment,
— gymnastics equipment,
— compasses,
— wrestling mats and tatamis,
— weightlifting equipment,
— riding equipment, sulkies,
— hang-gliders, delta wings, windsurfers,
— climbing equipment,
— music cassettes to accompany the performance.

H. Auxiliary equipment, such as:
— measuring and score display equipment,
— blood and urine test apparatus.

**Welfare materials for seafarers**

*(Illustrative list)*

*(Article 564)*

(a) **Reading material, such as:**
— books of any kind,
— correspondence courses,
— newspapers, journals and periodicals,
— pamphlets on welfare facilities in ports.

(b) **Audiovisual material, such as:**
— sound- and image-reproducing instruments,
— tape recorders,
— radio sets, television sets,
— cinematographic and other projectors,
— recordings on tapes or discs (language courses, radio programmes, greetings, music and entertainment),
— films, exposed and developed,
— film slides,
— videotapes.

(c) **Sports gear, such as:**
— sportswear
— balls
— rackets and nets
— deck games
— athletic equipment
— gymnastic equipment.

(d) **Hobby material, such as**
— indoor games,
— musical instruments,
— material for amateur dramatics,
— materials for painting, sculpture, woodwork and metalwork, carpet-making, etc.

(e) **Equipment for religious activities**

(f) **Parts and accessories for welfare material**

*Activities carried out using equipment or animals*

(Illustrative list)

(Article 567)

1. Dressage
2. Training
3. Breeding
4. Shoeing or weighing
5. Veterinary treatment
6. Testing (for example, with a view to purchase)
7. Participation in shows, exhibitions, contests, competitions or demonstrations
8. Entertainment
9. Touring (including pet animals of travellers)
10. Exercise of function (police dogs or horses; detector dogs, dogs for the blind, etc.)
11. Rescue operations
12. Transhumance or grazing
13. Performance of work or transport
14. Medical purposes (delivery of snake poison, etc.)
Tourist publicity material

(Illustrative list)

(Article 568)

(a) Material intended for display in the offices of the accredited representatives or correspondents appointed by the official national tourist agencies or in other places approved by the customs authorities of the Member State of temporary importation: pictures and drawings, framed photographs and photographic enlargements, art books, paintings, engravings or lithographs, sculptures and tapestries and other similar works of art

(b) Display material (showcases, stands and similar articles), including electrical and mechanical equipment required for operating such display

(c) Documentary films, records, tape recordings and other sound recordings intended for use in performances at which no charge is made, but excluding those whose subjects lend themselves to commercial advertising and those which are on general sale in the Member State of temporary importation

(d) A reasonable number of flags

(e) Dioramas, scale models, lantern slides, printing blocks, photographic negatives

(f) Specimens, in reasonable numbers, of articles of national handicrafts, local costumes and similar articles of folklore

Professional equipment

(Illustrative list)

(Article 569)

A. Equipment for the press or for sound or television broadcasting

(a) Equipment for the press, such as:

— personal computers,

— telex equipment,

— typewriters,

— cameras of all kinds (film and electronic cameras),

— sound or image transmitting, recording or reproducing apparatus (tape and video recorders and video reproducers, microphones, mixing consoles, loudspeakers),

— sound or image recording media, blank or recorded,

— testing and measuring instruments and apparatus (oscillographs, tape and video recorder test systems, multimeters, toolboxes and bags, vectorscopes, video generators, etc.),

— lighting equipment (spotlights, converters, tripods),

— operational accessories (cassettes, exposure meters, lenses, tripods, accumulators, battery belts, battery chargers, monitors).
(b) Sound-broadcasting equipment, such as:

— telecommunications equipment such as broadcast transmitter-receivers or transmitters, terminals connectable to network or cable; satellite links,

— audio frequency production equipment (sound pick-up, recording or reproducing apparatus),

— testing and measuring instruments and apparatus (oscillographs, tape and video recorder test systems, multimeters, toolboxes and bags, vectorscopes, video generators, etc.),

— operational accessories (clocks, stopwatches, compasses, microphones, mixing consoles, sound tape, generating sets, transformers, batteries and accumulators, battery chargers, heating, air-conditioning and ventilating apparatus, etc.),

— sound recording media, blank or recorded.

(c) Television broadcasting equipment, such as:

— television cameras,

— telecinema,

— testing and measuring instruments and apparatus,

— transmission and retransmission apparatus,

— communication apparatus,

— sound- or image-recording or reproducing apparatus (tape and video recorders and video reproducers, microphones, mixing consoles, loudspeakers),

— lighting equipment (spotlights, converters, tripods),

— editing equipment,

— operational accessories (clocks, stopwatches, compasses, lenses, exposure meters, tripods, battery chargers, cassettes, generating sets, transformers, batteries and accumulators, heating, air-conditioning and ventilating apparatus, etc.),

— sound- or image-recording media, blank or recorded (credit titles, station call signs, music inserts, etc.),

— film rushes,

— musical instruments, costumes, scenery and other stage properties, pedestals, make-up material, hairdryers.

(d) Vehicles designed or specially adapted for the purposes specified above, such as:

— television transmitting vehicles,

— vehicles for television accessories,

— video tape recording vehicles,

— sound recording and reproducing vehicles,
— slow motion vehicles
— light vehicles.

B. Cinematographic equipment

(a) Equipment, such as:
— cameras of all kinds (film and electronic cameras),
— testing and measuring instruments and apparatus (oscillographs, tape and video recorder test systems, multimeters, tool boxes and bags, vectorscopes, video generators, etc.),
— camera dollies and booms,
— lighting equipment (spotlights, converters, tripods),
— editing equipment,
— sound- or image-recording or reproducing apparatus (tape and video recorders and video reproducers, microphones, mixing consoles, loudspeakers),
— sound or image recording media, blank or recorded (credit titles, station call signs, music inserts, etc.),
— film rushes,
— operational accessories (clocks, stop watches, compasses, microphones, mixing consoles, sound tapes, generating sets, transformers, batteries and accumulators, battery chargers, heating, air-conditioning and ventilating apparatus, etc.),
— musical instruments, costumes, scenery and other stage properties, pedestals, make-up material, hairdryers.

(b) Vehicles designed or specially adapted for the purposes specified above.

C. Other equipment

(a) Equipment for erection, testing, commissioning, checking, control, maintenance or repair of machinery, plant, means of transport, etc., such as:
— tools,
— measuring, checking or testing equipment and instruments (temperature, pressure, distance, height, surface, speed, etc.), including electrical instruments (voltmeters, ammeters, measuring cables, comparators, transformers, recording instruments, etc.) and jigs,
— apparatus and equipment for taking photographs of machines and plant during or after erection,
— apparatus for survey of ships.

(b) Equipment necessary for businessmen, business-efficiency consultants, productivity experts, accountants and members of similar professions, such as:
— personal computers,
— typewriters,
— sound- or image-transmitting, recording or reproducing apparatus,

— calculating instruments and apparatus.

(c) Equipment necessary for experts undertaking topographical surveys or geophysical prospecting work, such as:

— measuring instruments and apparatus,

— drilling equipment,

— transmission and communication equipment.

(d) Equipment necessary for experts combating pollution.

(e) Instruments and apparatus necessary for doctors, surgeons, veterinary surgeons, midwives and members of similar professions.

(f) Equipment necessary for archaeologists, palaeontologists, geographers, zoologists and other scientists.

(g) Equipment necessary for entertainers, theatre companies and orchestras, including all articles used for public or private performances (musical instruments, costumes, scenery, etc.).

(h) Equipment necessary for lecturers to illustrate their lectures.

(i) Equipment necessary for photography trips (cameras of all kinds, cassettes, exposure meters, lenses, tripods, accumulators, battery belts, battery chargers, monitors, lighting equipment, fashion goods and accessories for models, etc.).

(j) Vehicles designed or specially adapted for the purposes specified above, such as mobile inspection units, travelling workshops and travelling laboratories.

**Pedagogic material**

**(Illustrative list)**

**(Article 570)**

(a) **Sound or image recorders or reproducers, such as:**

— slide and filmstrip projectors,

— cinematographic projectors,

— back-projectors and episcopes,

— magnetophones, magnetoscopes and video equipment,

— closed-circuit television equipment.

(b) **Sound and image media, such as:**

— slides, filmstrips and microfilms,

— cinematographic films,

— sound recordings (magnetic tapes, discs),

— videotapes.
(c) **Specialised material, such as:**

- bibliographic equipment and audiovisual material for libraries,
- mobile libraries,
- language laboratories,
- simultaneous interpretation equipment,
- programmed teaching machines, mechanical or electronic,
- material specially designed for the educational or vocational training of handicapped persons.

(d) **Other material, such as:**

- wall charts, models, graphs, maps, plans, photographs and drawings,
- instruments, apparatus and models designed for demonstrational purposes,
- collections of items with visual or audio pedagogic information, prepared for the teaching of a subject (study kits),
- instruments, apparatus, tools and machine tools for learning a trade or craft,
- equipment, including specially adapted or designed vehicles for use in relief operations, which is imported for the training of persons involved in relief operations.

**Other goods imported in connection with educational, scientific or cultural activities**

*(Illustrative list)*

Goods such as:

1. costumes and scenery items sent on loan free of charge to dramatic societies or theatres;
2. music scores sent on loan free of charge to music theatres or orchestras.

**Temporary importation with partial relief**

The entry for a customs-approved treatment or use of goods under temporary importation with partial relief could be subject to payment of any amount due under Article 143 of the Code.

**CHAPTER 6**

**OUTWARD PROCESSING**

**Calculation of duty relief by taking the cost of the processing operation as the basis of the value**

*(Article 591)*

1. The operator has the option to request partial relief from import duties to be granted by taking the cost of the processing operations as the basis of the value (hereinafter referred to as value-added method of taxation). However, the value-added method of taxation may not be applied where, prior to their entry
for the outward-processing arrangements, temporary export goods which are not of Community origin had been released for free circulation at a zero duty rate. Therefore, several situations may occur:

(a) the value-added method is applied for in the case of temporary export goods subject to an *erga omnes* (normal duty) zero duty rate. Therefore, the value-added method of taxation may be applied only where the temporary export goods are of Community origin;

(b) the value-added method is applied for in the case of temporary export goods subject to a preferential zero duty rate. Therefore, the value-added method of taxation may be applied only where:
   
   — the temporary export goods are of Community origin, or
   
   — the temporary export goods had been released for free circulation at a duty rate higher than zero.

2. Where the value-added method of taxation is requested covering several temporary export goods, and some of these are neither of Community origin nor had been released for free circulation at a duty rate higher than zero, the value-added method of taxation may nevertheless be applied by excluding these goods from the arrangements. For this purpose, the value of these temporary export goods could be added to the processing costs of the compensating products.

**Example**

The value-added method is applied for a compensating product consisting of two different temporary export goods. The following simplified facts may be assumed:

(a) compensating product: motor vehicles, CN code 8703, duty: 10 %, processing costs: EUR 15 000;

(b) temporary export goods I: ball or roller bearings, CN code 8482, value: EUR 1 000;

(c) temporary export goods II: gearboxes, CN code 8708, value: EUR 1 000, which prior to their entry into outward processing had been released for free circulation at a zero duty rate, and do not have Community origin.

In this case, the value-added method may be applied by taking as the basis of assessment the processing costs for the motor vehicles (EUR 15 000) plus the value of the gearboxes (EUR 1 000) for applying the Common customs tariff: 10 % × (EUR 15 000 + EUR 1 000) = EUR 1 600. Therefore the import duties to be paid could be estimated at EUR 1 600.

**Aggregated discharge**

(Article 592)

1. **INTRODUCTION**

   1. The advantage of aggregation is that it cuts down the formalities involved in calculating the total or partial relief from import duties, because there is no longer any need to work out the exact amount payable on each consignment of compensating products entered for free circulation. This naturally speeds up the clearance and release of the imported compensating products.

   For the purposes of outward processing, which accounts for a considerable volume of trade and a rapid inward flow of compensating products, a simplified procedure has accordingly been introduced to allow rapid clearance while ensuring that the appropriate rules are properly applied. The following underlying principles, as illustrated in the example below, should help to ensure uniformity of application.
1.2. **PRINCIPLES**

1.2.1. **Conditions**

(a) Existence of an outward-processing authorisation not providing for a repair.

(b) The undertaking frequently carries out outward-processing operations.

(c) The competent customs office is able to set an average rate of duty by agreement with the holder.

(d) The holder of the authorisation regularly notifies the customs office of quantities and values of temporarily exported goods.

1.2.2. **Setting the average rate of duty**

1.2.2.1. **Definition**

The average rate of duty represents import duties paid or payable, on the basis of a forward estimate of the amount due or in the light of a past payment over a similar period of up to six months, as a whole percentage of the processing charges relating to the compensating products released for free circulation over an equal reference period.

1.2.2.2. **Increase**

The rate is increased as appropriate to ensure that the duties entered in the accounts should not be less than the amount legally due.

1.2.3. **Simplification**

1.2.3.1. **Provisional calculation of import duties**

Every time a consignment of compensating products is entered for free circulation the average rate of duty is provisionally applied to the processing charges, but there is no need to work out the exact import duties owed each time. The average rate remains applicable for all processing operations carried out under the authorisation over a reference period equal to that used in assessing import duties under 1.2.2.1 (a maximum period of 12 months).

1.2.3.2. **Entry of import duties in the accounts**

The sum of import duties obtained by applying the average rate of duty has to be entered in the accounts.

1.2.4. **Formalities for discharge of the arrangements**

1.2.4.1. **Final application of appropriate specific rate**

At the end of each reference period the customs authority carries out an aggregated discharge of the arrangements and does the final calculations in accordance with the rules on partial relief from import duties, i.e. it calculates the exact sum due for each consignment imported during the reference period.

If it emerges from the final calculation that the amount of import duties entered in the accounts is either too high or, despite the increase applied as described at 1.2.2.2, is less than that legally due, the necessary adjustment is made.
1.2.4.2. Setting of a new average rate of duty

A new average rate of duty, to apply when the various consignments of compensating products are entered for free circulation during a fresh reference period, is worked out in accordance with the rules described above.

II. SPECIMEN CALCULATION

2.1. FACTS

A Community textile firm regularly sends consignments of temporary export goods to a third country for making up into garments which it subsequently imports.

The flow of raw material consignments and the exigencies of fashion mean the firm needs to get the garments back as quickly as possible.

With a view to reducing the time taken for the goods to clear customs, the firm contacts the customs authorities. Under the existing authorisation, it can show that over the preceding six months it has paid EUR 1 000 000 in processing charges for the manufacture of garments. The total value of temporarily exported goods (fabric, buttons, thread, accessories) incorporated in the compensating products is EUR 2 500 000.

The rate of import duty applicable to the compensating products (garments) is 14 %.

The rate of import duty applicable to the temporarily exported goods differs in relation to the nature of the goods. For the purposes of this example, we have taken the amount to be deducted in respect of the temporarily exported goods as EUR 300 000. Transport and insurance costs calculated in accordance with customs valuation rules have been estimated at a total of EUR 70 000.

2.2. SETTING THE AVERAGE RATE OF DUTY

2.2.1. Customs value of compensating products:

- value of temporary export goods
- processing charges
- transport and insurance

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value of temporary export goods</td>
<td>EUR 2 500 000</td>
</tr>
<tr>
<td>Processing charges</td>
<td>EUR 1 000 000</td>
</tr>
<tr>
<td>Transport and insurance</td>
<td>EUR 70 000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>EUR 3 570 000</td>
</tr>
</tbody>
</table>

2.2.2. Import duties due:

- duties applying to compensating products:

  EUR 3 570 000 × 14 % = A = EUR 499 800

- duties to be deducted (duties applying to temporarily exported goods) = B EUR 300 000

- difference: import duties due: (A − B) = EUR 199 800
2.2.3. **Average rate of duty:**

- Import duties due: \[
\frac{199\,800}{1\,000\,000\text{ EUR}} \times 100 = 19.98\% = \text{rounded to 20}\%.
\]

The 20% will be subject to an increase of e.g. 1%, giving 21%, to try and ensure that the import duties entered in the accounts are not less than the amount legally due.

2.3. **CLEARANCE AND COLLECTION OF IMPORT DUTIES**

Over the reference period (e.g. six months) the holder of the authorisation can import the made-up garments and have each consignment released for free circulation by paying as import duty the amount of 21% on the processing charges, import duty legally due does not have to be worked out each time (see point 1.2.3.1).

2.4. **DISCHARGE OF OP OPERATIONS FOR ELAPSED REFERENCE PERIOD**

2.4.1. **Data:**

- Processing charges paid: EUR 1 250 000
- Duties paid at average rate (21%): EUR 262 500
- Rate of import duty applicable to the compensating products: 14\%
- Value of temporary export goods: EUR 3 000 000
- Transport and insurance: EUR 100 000
- Rate of import duty applicable to the temporarily exported: EUR 350 000

2.4.2. **Customs value of compensating products obtained:**

- Value of temporary export goods: EUR 3 000 000
- Processing charges: EUR 1 250 000
- Transport and insurance: EUR 100 000

EUR 4 350 000

2.4.3. **Import duties payable:**

- \[4\,350\,000 \times 14\% = A = EUR 609\,008\]
- \[B = \text{duties on temporary export goods to be deducted}: EUR 350\,000\]
- Import duties payable = (A - B) = EUR 259 000
- Excess duties collected:

EUR 262 500 - EUR 259 000 = EUR 3 500 (to be repaid or remitted).
2.4.4. **Setting of new average rate of duty applicable to imports in the ensuing reference period:**

— import duties due: 
\[
\frac{259\,000}{1\,250\,000} \times 100 = 20.72\% \text{ rounded to } 21\%.
\]

— processing charges: 

The 21% is subject to an increase of e.g. 1%, giving 22%, to ensure that the import duties entered in the account are not less than the amount legally due.