

# Foreword

This notice cancels and replaces Notice 221 (September 2007) and Notice 221A (February 2014). Details of the main changes to the previous versions can be found in paragraph 1.2 of this notice.

## 1. Introduction

### 1.1 What is this notice about?

This notice explains the Customs Procedure with Economic Impact (CPEI) known as Inward Processing (IP). Under this procedure, payment of Customs import duties and import VAT may be suspended (or later repaid) when goods imported from outside the EU (third country goods) for processing are then re-exported/exported from the EU. To benefit from IP or any other CPEI, the legal requirements of the procedure must be met by the person/company that holds the IP Authorisation.

Before deciding whether to use IP you should read this notice and research the procedure to make sure that you can meet **all** the obligations attached to it.

If the legal requirements of the procedure are not met any Customs duties and import VAT suspended under the IP Suspension procedure will become due and claims under the IP Drawback system will not be paid.

Additionally, any person who makes a false declaration or provides untrue information about goods entered to IP may be liable to penalties under the Customs and Excise Management Act 1979.

**This notice does not replace the law.** It is our view of what the law says and explains UK HM Revenue & Customs (HMRC) policy on certain aspects of IP. Nothing in this notice takes place of the law but it may help you decide whether IP will suit your business requirements.

### 1.2 What has changed?

This notice has been updated from the September 2007 version. It has been re-ordered and changes have been made to most sections but in particular on:

- IP Authorisation types - this notice now includes the conditions relating to IP with a Simplified Authorisation as previously laid out in PN 221A
- IP Authorisation types - the terms 'local' and 'specific' authorisation (applicable only in the UK) have been dropped and replaced with 'UK authorisation with (or without) an economic test'

- import and (re)export - the previous notice was written from the perspective of the majority of Customs declarations being made to HMRC using paper (C88) forms not electronic submission to CHIEF. The notice was also pre SAD Harmonisation and pre Export Control System (ECS) and Import Control System (ICS) so has been amended to take account of the move towards electronic communication with all Customs traders
- the section on simplified discharge under Article 544c for aircraft and aircraft parts has been updated to include new guidance from the EU Commission on the new concept of 'Simplified Discharge By Anticipation (SDBA)'

## 1.3 What law covers this notice?

The law on IP is published in the Official Journal of the European Community under Council Regulation (EEC) No 2913/92 establishing the Customs Code, and Commission Regulation (EEC) No 2454/93 as amended, which lays down the provisions for its implementation (the Customs Code Implementing Regulations).

EU law on import VAT relief is contained in Council Directive 2006/112/EC which is interpreted into UK law in the Value Added Tax Act 1994 under which authority for the Value Added Tax Regulations 1995 were made. Other national provisions and VAT directives may also apply.

The rules for **excisable products** under IP and/or other suspensive procedures can be found in Article 3(4) of Council Directive 2008/118/EC

## 1.4 Where can I obtain further information about IP?

This notice sets out the general principles of the Inward Processing procedure; it cannot cover every aspect in detail. If, after reading this notice, you need further information you can:

- email your enquiry using the [Customs General Enquiry form](#) available on the HMRC website
- phone the VAT and Customs Helpline on telephone: **0300 200 3700**
- write to the CITE X, Written Enquiries Team, HM Revenue & Customs, Crownhill Court, Tailyour Road, Plymouth, PL6 5BZ (fax number **01752 765807**)
- visit the HMRC Website at [www.hmrc.gov.uk](http://www.hmrc.gov.uk)
- refer to the [Integrated Tariff of the United Kingdom](#)

Enquiries about your application for IP Authorisation should be directed to your Authorising Office (see Section 3).

Enquiries once you have been authorised, should be directed to your Supervising Office (as notified in your IP Authorisation letter).

## 1.5 What rights do I have in relation to a customs decision?

If you receive an adverse customs decision from HM Revenue and Customs (HMRC) you have rights under the 'Right to be Heard' (RTBH) process.

When you receive an adverse customs decision from HMRC you will first be issued with a 'Pre-Notification Communication' explaining the reasons why the adverse decision will be made. Once the pre-notification is issued you will have a period of 30 calendar days in which you may make further representations or provide further information to HMRC concerning the decision.

Once the RTBH period has expired and a decision has been issued, the decision letter will contain two options, if you do not agree with a decision within 30 days of the date of the decision you can either:

- request a review of the decision by someone not involved in making the disputed decision
- appeal direct to a tribunal who are independent of HMRC

Your request for a review should be made in writing (setting out the reasons you do not agree with the decision) to:

Customs Directorate  
Review and Appeals Team  
7th Floor South West  
Alexander House  
21 Victoria Avenue  
Essex  
SS99 1AA

If you opt to have your case reviewed you will still be able to appeal to a tribunal if you disagree with the outcome.

Further information relating to reviews and appeals (including the process for appeals to a tribunal) is contained in leaflet [HMRC 1 HM Revenue & Customs decisions - what to do if you disagree](#) which can be obtained from our website, or by phoning our Helpline on telephone: **0300 200 3700**.

## 1.6 Civil penalties

We are obliged under EU agreements to promote compliance with EU provisions and to have arrangements in place to counter non-compliance. You should make sure you comply with all the requirements set out in your IP authorisation. Where the requirements are not met, civil penalties are seen as an appropriate sanction in most cases. Civil evasion penalties and prosecution remain an option in certain circumstances.

The maximum penalty provided for in law for a Customs Civil Penalty is £2,500 per contravention.

## 2. Inward Processing general information

### 2.1 Types of inward Processing - Suspension and Drawback

There are currently 2 types of Inward Processing (IP) facility allowed for in EU law, IP Suspension and IP Drawback. The IP Drawback facility will be removed when the Union Customs Code (UCC) is implemented in 2016.

**For this reason most sections of this notice are written from the perspective of IP Suspension.** For current users of IP Drawback there is a separate section (Section 17) which explains the IP Drawback process and requirements where they differ from IP Suspension rules.

Traders currently using IP Drawback may wish to consider transferring to the IP Suspension facility before the UCC is implemented.

### 2.2 What is IP Suspension?

IP Suspension is a Customs Procedure with Economic Impact. It allows customs duties\*, import VAT and excise duty on third country goods imported to the EU for **processing** to be suspended on condition that there is an intention to re-export the goods at the end of processing and that all the requirements of the procedure are met. It is intended to assist EU established processors to compete on an equal footing in the world market without harming the essential interests of EU producers of similar goods.

If you plan to re-export or transfer only a percentage of your processed products, IP Suspension may be used for the percentage of your imports based on a reasonable estimate. If the majority of your goods are to be re-exported, you may enter all your goods to suspension but if your re-export figure falls below 80%, you will be required to apportion future imports. You should speak to your Supervising Office if you need to agree apportionment.

If you import more goods under IP Suspension than you need for your re-export market (or other eligible IP disposals) you will need to divert the surplus goods to free circulation with full payment of Customs duties, import VAT and Compensatory Interest (see Sections 10 and 11).

\* 'Customs duties' includes other customs duties such as Anti Dumping Duty and CAP duties.

## 2.3 Responsibilities of the IP authorisation holder

You must obtain prior authorisation from HMRC to use this Customs Procedure with Economic Impact. The authorisation holder is responsible for the duty and associated charges on **all goods entered to IP under the authorisation**, whether or not the authorisation holder owns them, until they are put to an eligible method of disposal (see Sections 8 and 9). This includes goods entered under the authorisation by other named processors.

Other companies included as named processors may only receive, process, dispose of or transfer IP goods as specified within your authorisation.

**IP authorisation holders will need to consider whether or not to arrange for a form of indemnity to cover any ineligible entry, processing or disposal by other operators named on their authorisation or by agents acting on authorisation holders behalf.**

## 2.4 Can I use IP if I do not obtain prior authorisation from HMRC?

Under certain circumstances it is possible to use IP with a 'Simplified Authorisation'. The authorisation is granted when the customs import declaration (using the correct Customs Procedure Code (CPC)) is accepted by Customs. IP with a Simplified Authorisation should only be used occasionally and there are strict conditions attached to its use which, if not complied with, will lead to the Customs duties and import VAT becoming due. This type of authorisation is supervised by National Import Reliefs Unit (NIRU). A separate section on using IP with a Simplified Authorisation (see Section 16) has been added to this notice and notes appear in other sections if IP with a Simplified Authorisation is not allowable or constrained.

## 2.5 What is processing?

Processing can be anything from re-packing or sorting goods to the most complicated manufacturing. Some of the simplest processing types such as receiving and re-packing goods may come under Usual Forms of Handling (UFH) rules. UFH is restricted to a 3 month 'throughput period', if you plan to operate under UFH please read Section 21.

## 2.6 Are there any restrictions on goods that can be entered to IP?

Almost any type of goods may be processed under IP provided there is a proven economic need. Economic codes are used to identify the reason the IP authorisation has been agreed. Some goods are restricted to being processed under IP Suspension (not IP Drawback) and some cannot be processed under a Simplified Authorisation. Further information on economic codes can be found in Section 3.5.

Some goods also require an economic test to be performed by DEFRA. Further information on goods requiring an economic test can be found in Section 3.6 and Section 23.

If you are processing Excise goods you should make sure that you read Section 22.9 of this notice and also the Excise Notices.

## 2.7 What happens if I do not re-export my IP Suspension goods?

If you do not re-export your goods after processing (or discharge them to an eligible method of disposal (see Sections 8 and 9)) you will have to pay the suspended duties (at the rate the good first entered IP) and import VAT and will also be charged Compensatory Interest on **all goods diverted to free circulation**. The calculation for Compensatory Interest is made from the date the goods were imported into the EU. It is charged to make sure that IP is not used by some traders to gain an unfair advantage over others who pay customs duties and import VAT on the way in and later reclaim the VAT under normal input tax rules. See Section 11 for further information on Compensatory Interest.

## 2.8 Who can use IP?

To use IP, you do not need to be the owner of the goods but you must be:

- a 'natural', or 'legal' person established in the EU
- the person carrying out the processing (or arranging for it to be carried out)
- authorised by HMRC to use the procedure (or be eligible to use IP with a Simplified Authorisation for you goods)
- have an Economic Operator Registration and Identification (EORI) number

A 'natural' person is any person normally resident in one of the Member States. A 'legal' person is a business, for example, a partnership or a limited company, which has a permanent business establishment in the EU.

You may name other processors on your application for authorisation that will carry out the processing on your behalf. However, as IP Authorisation holder, you are responsible for paying any duty or other charges which become due on the imported or processed goods.

All persons involved in international trade are required to have an EORI number.

Further information on [EORI](#) scheme and how to apply for an EORI can be found on the HMRC website.

## 2.9 Who cannot use IP?

A person **not** established in the EU cannot be authorised for IP **unless** the imports are of a non-commercial nature (see Section 2.10 below).

However, an authorisation can be issued to a person established in the EU who acts **on behalf of** a person established outside the EU provided that person either:

- actually carries out the processing on the goods
- arranges for the processing to be carried out

**Agents are not eligible for IP authorisation** if they do no more than complete import and re-export declarations (either for a person established in the EU or a non-established EU trader).

If you are advised by an agent that you should use IP then you will need to be sure that you understand the requirements of the procedure as it is the IP authorisation holder who will be ultimately responsible for the duties and taxes suspended if any part of the process described in this notice is not carried out correctly.

## 2.10 IP authorisations for persons not established in the EU - non commercial imports

The person carrying out the processing normally holds the IP authorisation. However, where the goods are of a non-commercial nature, the authorisation holder can be the person outside the EU who sends the goods for processing provided that the goods are privately owned by that person.

The application should be made by the third country person on form C&E810 and submitted to the authorising office.

The authorisation should be applied for under economic code 30(1) and all declarations will be subject to the taking of security. See Section 3.21.

Alternatively, the processor in the EU may hold an authorisation under one of the other economic codes listed in Section 24.

**IP with a Simplified Authorisation cannot be used by non EU established traders.**

## 2.11 What are the requirements of IP for which the authorisation holder is responsible?

The requirements of the end to end process for IP Suspension are as follows:

- you must hold a Customs authorisation to use IP (see Section 3) and it is your responsibility to make sure it is kept up to date and renewed on time
- if using IP with a simplified authorisation you must be eligible and you must adhere to all the requirements of use
- the goods must be imported using the correct IP Customs Procedure Code (CPC) as detailed in your IP authorisation (see Section 6)
- the holder of the authorisation must process the goods (or arrange for them to be processed) within the 'throughput period' laid down in the authorisation (see Section 4.6)
- there must be an intention to re-export the goods once the throughput period has ended
- the goods must be re-exported using the correct IP CPC and evidence of the re-export (including CHIEF Export Declaration reference numbers) should be kept in your records (see Section 8)
- the correct procedures must be used for IP goods received or transferred (see Section 7) and any conditions or processes set out in the authorisation must be adhered to
- meticulous records (see Section 4.11 and 4.12) must be kept of all operations carried out under your IP authorisation. IP goods remain under **customs supervision** at all times and you could be asked to present (or explain the whereabouts using documentation) the goods at any time from when the goods entered the EU to when they are re-exported (or otherwise disposed of)
- any processor named on your authorisation or third party such as agents or freight forwarders who enter IP goods for you should be given clear written instructions of the goods to be entered and procedures to be followed (see Section 2.18)



- for full IP authorisation holders, a Bill of Discharge (BoD) or Form C&E 812 must be submitted by the due date (monthly or quarterly as detailed in your authorisation) for all IP goods received and disposed of within the accounting period of the BoD. For accounting periods when there has been no IP activity (ie no goods entered to IP or disposed of) the submission of a NIL return BoD is still required (see Section 12.9)
- for traders using IP with a Simplified Authorisation, the Bill of Discharge (Form C99) should be submitted as soon as the IP goods are re-exported or put to another eligible method of disposal. You do not have to wait for the end of the throughput period granted (which is 6 months for Simplified Authorisation holders) so, at the **very latest**, the Bill of Discharge should be **received** by HMRC no more than 30 days after the 6 month throughput period ends. A separate section on the completion of the C99 electronic form has been included in Section 27
- the provision of security (by cash deposit or bank guarantee) if required is the responsibility of the IP authorisation holder (see Section 20)
- the payment of duty, import VAT and Compensatory Interest (see Section 11) for IP suspension goods diverted to free circulation (see Section 10) is the responsibility of the IP authorisation holder whether or not you own the goods. This includes goods entered under the authorisation by other processors named on your authorisation

## 2.12 Discharge of IP Suspension goods - the Bill of Discharge (BoD)

IP Suspension goods are not discharged properly until they have been correctly re-exported AND a Bill of Discharge has been received **within** the legal deadline (30 days after the end of the throughput period). If these and/or other requirements explained in this notice are not met (and correctly evidenced) the Customs duties, import VAT and Compensatory Interest will become due and the authorisation holder (including IP Simplified Authorisation holders) will be responsible for the payment of the debt.

## 2.13 Do I have to complete the whole IP process from import to re-export to be an IP authorisation holder?

No. There are some scenarios where a UK IP authorisation holder might not see the whole process through from import to re-export. For example:

- UK IP Authorisation holders may be authorised to receive non EU goods from another IP authorisation holder in the UK or other EU Member State. In this case they will not have been responsible for the import leg but a 'transfer' must take place in these circumstances from one IP authorisation holder to another
- goods may also be transferred to IP authorisation holders from another customs procedure such as Customs Warehousing
- goods authorised to be released free circulation will need to be discharged by the submission of a Diversion Declaration to CHIEF rather than the usual re-export declaration

Please see Sections 7, 8, 9 and 10 for further information on the requirements of the eligible methods of disposal for IP goods including, re-export, transfers between authorisation holders and the process and requirements relating to diverting goods to free circulation.

## **2.14 What if there are no customs duties due on my goods (VAT only IP)?**

If the goods brought into IP do not attract import duty but are liable to import VAT, you can still enter them to IP on a 'VAT only' basis. Section 26 provides further information on VAT only IP imports which will usually come from one of the 'Special Territories'.

Goods that benefit from a nil rate of duty by virtue of a 'preference certificate' are not eligible for 'VAT-only' IP. The trader will need to choose when goods with such a certificate are imported, whether to use VAT only IP OR take up the benefits of the preference certificate. You cannot benefit from both.

However, if the goods are entered to IP and remain unaltered (ie no processing) and are subsequently diverted to free circulation, you may be able to claim preference if the certificate that accompanied the entry of the goods remains in date.

VAT only IP is only available under IP Suspension, VAT-only Drawback is not permitted.

Single Union authorisations (see Section 3) are also not permitted for VAT only IP.

## **2.15 What happens if I do not adhere to the requirements of the IP authorisation?**

You should only apply to use IP (or any other Customs Procedure with Economic Impact) if you are sure you can meet all the obligations attached to the authorisation. If the requirements and the processes outlined in this notice are not strictly adhered to a customs debt is incurred and the suspended customs duties, import VAT and Compensatory Interest (if applicable) will become due. The responsibility for this debt lies with the IP authorisation holder.

This also applies to traders using IP with a Simplified Authorisation. You are expected to comply with all the requirements of the IP Customs procedure which are explained in this notice and in the 'Welcome' and 'Reminder' letters issued by the NIRU Supervising Office (see Section 16 for further information on this and other aspects relating to the use of the Simplified Authorisation process)

## 2.16 The nature of a 'Customs Debt'

The European Court of Justice ruling in the Dohler case explained the nature of a 'customs debt' in relation to the Inward Processing Suspension procedure as follows: '...the incurrance of a customs debt does **not** have the nature of a penalty, but must rather be regarded as the consequence of the finding that the conditions required to obtain the advantage derived from the application of the inward processing procedure in the form of a system of suspension have not been fulfilled. The procedure implies the granting of a conditional advantage, which cannot be granted if the applicable conditions are not respected, thereby making the suspension inapplicable and consequently justifying the imposition of customs duties.'

## 2.17 Under what circumstances will a Customs debt arise in relation to IP?

Some examples of when a Customs debt is incurred are as follows:

### Under A204:

a) the **non-fulfilment of an obligation** arising, in respect of goods liable to import duties from the use of a customs procedure under which they are placed

This would include not fulfilling one of the requirements set out in your IP authorisation for example - late or non-submission of a Bill of Discharge or exceeding the throughput period set in the authorisation

b) non-compliance with a **condition governing the placing of the goods under that procedure...**

This would include not having an IP authorisation in place when the goods were declared to an IP CPC. This could be either because a previous authorisation had not been renewed on time or an IP authorisation did not exist for the person named on the declaration

### Under A203(1)

A customs debt on importation shall be incurred through:

- the unlawful removal from customs supervision of goods liable to import duties

All IP Suspension goods are 'liable to import duties' so an example of this would be where an incorrect (re)export CPC is used which does not allow the customs administration to properly control the goods on exit or before they are discharged from the IP procedure. IP traders should always make sure that the correct (re)export or discharge CPC is used and that **positive Customs clearance** has been granted before the goods are removed.

### **Interest charges on late payment of customs debts**

Interest will be charged on any customs duty debts that are notified but not paid in full by the due date (within 10 days from the date of issue of the C18).

Interest charged for late payment of a debt is not the same as Compensatory Interest (see Section 11) which is applied on IP Suspension goods that are later released for free circulation. The interest rate applicable for late payments is also different from the Compensatory Interest rate applied for IP purposes. Any Compensatory Interest included in an IP debt will not be subject to interest charged for late payment of the debt. For further information please see Notice 199 : Imported Goods: Customs procedures and Customs debt.

## **2.18 Authorising a third party to act on your behalf**

It is the IP authorisation holder who is ultimately responsible for ensuring that all the conditions of IP are met. If you use an agent or representative for any aspect of the IP process (such as submitting import and/or export declarations) we would strongly recommend that:

- instructions to agents/shippers are in writing and evidenced in your IP records
- you develop your own assurance checks to confirm that your instructions have been complied with

Notice 199 'Imported goods: Customs procedures and Customs debt' provides further information about the liability for Customs debt.

A third party may not enter goods on your behalf using the Customs Freight Simplified Procedures (CFSP) unless the use of CFSP by the named third party has been agreed and included in your IP authorisation.

When you renew your authorisation you should always make sure you advise the third party of your new authorisation number otherwise your imports may be delayed, or we may require security for the release of the goods.

## **2.19 Types of representation**

There are 2 types of representation:

- **direct representation** - the third party submits a customs declaration in **your name and on your behalf**. You are **solely** responsible for any customs debt that may arise if information on the declaration is incorrect or the import or export process is not properly completed
- **indirect representation** - the third party submits a customs declaration in **their own name** and they are **jointly and severally** liable with you for any customs debt that may arise if a declaration is incorrectly made

A third party must quote your IP authorisation number on all Customs import/export declarations.

## 2.20 Type of representation allowed for IP with a Simplified Authorisation

As it is the acceptance of the Customs import declaration by HMRC which grants the IP authorisation, the person requesting the use of IP with a simplified authorisation must be named in the 'Consignee' field (Box 8) of the declaration and will be the person to which any debt demand (C18) will be issued.

Anyone submitting a declaration on behalf of this person is always acting in a direct capacity because he is requesting the authorisation on their behalf. For this reason, indirect representation is not an option for IP with a Simplified Authorisation.

## 2.21 Responsibilities of third party representatives

Third party representatives (such as freight agents) should only declare goods to IP CPCs where they have been given clear instructions from an IP authorisation holder. Agents should also not enter goods to IP with a Simplified Authorisation on behalf of another trader unless specifically instructed to do so.

Any representative who cannot evidence that these instructions were given may become liable for the customs debt under Article 5 of the Customs Code should any irregularity arise.

## 2.22 What are my responsibilities when using a third party representative?

You should make sure that your third party provides you with copies of customs declarations (and/or their CHIEF reference numbers) and customs clearance reports for your records. You should also check that the correct IP CPC has been used on import and re-export and that duty calculations are correct.

## 2.23 How best to use this Notice

This notice explains the conditions and requirements which need to be met by traders using Inward Processing.

It will help you decide:

- the type of authorisation you will need and how to apply for it (Section 3)
- the economic code under which your application will need to be made (Section 3.5)
- whether an economic test is required (Section 3.6)
- how to establish and evidence the throughput period (the time allowed to process and dispose of IP goods and their by-products) you will need (Section 4.6)
- whether you will be able to meet the stringent record keeping requirements of this customs procedure (Sections 4.11 and 4.12)

It will also explain in other sections how to:

- enter/import goods to IP (Section 6)
- transfer to and/or receive goods from another IP trader (Section 7)
- re-export/export IP goods or discharge them using other approved methods of disposal (Sections 8 and 9)
- arrange for IP goods to be released to free circulation with full payment of Customs duties and import VAT and, where required, Compensatory Interest (Sections 10 and 11)
- account for the disposal of IP goods and by-products in the Bill of Discharge (C&E812 and C99). Further information on the importance of the Bill of Discharge can be found in Sections 12 and 13 and, for IP with a Simplified Authorisation, Sections 16 and 27

The notice also explains other aspects of IP which you can apply for authorisation to use such as 'equivalence', 'triangular traffic' and some simplifications such as A544c simplified discharge.

## 3 Inward Processing authorisation

This Section explains the different types of IP authorisation available and how to apply for them. It also provides information on the 'Economic Codes' under which each IP application must be made and when an 'Economic Test' is required.

### 3.1 Why do I need an authorisation from HMRC?

In order to use IP and other Customs Procedures with Economic Impact, you will usually need to be authorised in advance\* to import, process and/or receive goods to IP. Authorisations are issued to the person who processes the goods or arranges for them to be processed on their behalf. If you sub-contract processing, the sub-contractor themselves must hold an authorisation or be named on your authorisation. The authorisation holder is responsible for ensuring that **all** the requirements of IP are met.

When you apply for any IP authorisation, you must state the economic code under which the application is being made and give reasons why you need to process third country products rather than those produced in the EU.

Some goods entered to IP will also require an 'examination of the economic conditions' or, as it has become known, an 'economic test' to be performed.

\* Not for IP with a Simplified Authorisation - see Section 16 and other relevant sections below.

### 3.2 How do I know which authorisation type to use?

The type of IP authorisation you apply for will depend on:

- whether the processing of IP goods will be carried out wholly in the UK or in the UK and another Member State(s)
- whether you intend to receive goods from another IP authorisation holder (either in the UK or in another Member State)
- whether you intend to receive goods from another Customs Procedure, for example Customs Warehousing or Outward Processing Relief
- the frequency of your intended use of IP (see Section 3.3)

### 3.3. Types of Inward Processing authorisation

There are 4 types of IP authorisation in the UK:

- UK authorisation\* for when IP goods receipt and processing will take place in the UK only. You should specify on your application form whether the goods require an economic test or not
- Single Union authorisation for when IP goods receipt and/or processing is carried out in more than one Member State
- Integrated authorisation for when you require authorisation for IP and other customs procedure(s) such as Customs Warehousing in the UK only
- Simplified authorisation - If you are likely to use IP less than 10 times a year then you may be eligible to use Inward Processing with a Simplified Authorisation which is under the control of the National Import Reliefs Unit (NIRU). There are stringent restrictions on the use of this simplification so you should read Section 16 carefully before deciding whether this type of authorisation is suitable for you

\* Please note the term 'UK authorisation with (or without) an economic test' replaces the terms previously used - 'Local' authorisation (an IP authorisation without an economic test) and 'Specific' authorisation (an IP authorisation with an economic test).

The requirements and application process for all types of authorisation are explained in more detail in this notice.

### 3.4 What information must be included in my application for IP authorisation?

You must include information about:

- the economic code under which the application is being made;
- whether the goods require an economic test
- the goods to be processed and the end products (compensating products) that will be obtained from them (including the expected 'rate of yield')
- the time it will take to process the goods (the 'throughput period')
- how the goods will be disposed of (or discharged from IP)



- how you will record and evidence that the requirements of the IP procedure have been met
- information on any simplifications you wish to apply for

The first two listed above are covered in this section. Further details on the other information requirements for an IP authorisation can be found in Section 4.

### **3.5 What is the economic code?**

Economic codes are listed in Annex 70 of the Customs Code Implementing Regulations 2454/93. They are used to identify the reasons for using IP.

You will need to quote the economic code (and attach supporting evidence) under which the application is being made on **all** IP applications for authorisation including those where no economic test is required. Your application cannot be examined without such evidence and will be returned to you without processing if the information is not provided. See Section 24 of this notice for guidance on current economic codes and the type of evidence required to support your application.

### **3.6 Goods requiring an economic test**

Certain goods listed in Annex 73 of the Customs Code Implementing Regulations 2454/93 will require an economic test to be performed unless they meet the conditions of Article 539(2) (see Section 3.8). Where the application for IP authorisation requires an economic test you will need to provide:

- evidence of the economic reasons for needing to use imported goods in the process
- evidence that authorisation will lead to the creation or maintenance of processing activity within the EU

The economic test will be carried out by DEFRA who will contact you direct for additional information if necessary.

Further information on the goods listed in Annex 73 can be found in Section 23 of this notice.

### **3.7 Successive processing - economic test already conducted**

Where goods you intend to process have already undergone processing under IP in the EU and the previous processor held an authorisation that was subject to an economic test, your application does not have to undergo a further economic test. When you apply for your authorisation quote economic code 30(5) and include details of the previous authorisation with your application.

## 3.8 Annex 73 goods not requiring an economic test

In line with Article 539(2) of the Customs Code Implementing Regulations, where an application for IP concerns import goods mentioned in Annex 73, no economic test will be required provided that:

(a) the application concerns:

(i) operations involving goods of a **non-commercial nature**, that is, goods which are your own personal property or the property of members of your family

(ii) a job processing contract

(iii) successive processing of compensating products obtained under authorisation which was previously subject to an economic test (see Section 3.7)

(iv) Usual Forms of Handling (UFH) (see Section 21)

(v) repair

(vi) the processing of durum wheat falling under CN code 1001 10 00 to produce pasta falling under CN codes 1902 11 00 and 1902 19, or

(b) if the value of the Annex 73 goods to be entered to IP is below 150,000 Euros per applicant and per calendar year for each eight digit Commodity Code (CN) code, or

(c) agricultural products (listed in part A of Annex 73 (CCIP)) - where the Rural Payments Agency (RPA) has issued a 'supply balance certificate' permitting entry for a **specific quantity** of import goods to IP within limits determined on the basis of a supply balance under Council Regulation (EU) No. 3448/93 Article 11, there is no need for an economic test. For further information on Supply Balance Certificates please see Section 22.4

## 3.9 UK authorisation

This is likely to be the most usual form of IP authorisation in the UK. If you are receiving IP goods and carrying out processing in one Member State (that is in the UK only) you should apply for a full UK IP authorisation using form [C&E810](#) which is available on the HMRC website. You should specify in the application whether the goods require an economic test and provide all the supporting information required for this test to be carried out by DEFRA.

You must be sure to use the correct economic code in your application. A few examples of the economic code required are listed below but please refer to the detailed guidance in Annex B before completing your application form to make sure you apply under the correct economic code.

Example 1 - for IP goods not subject to an economic test but with an annual value of over €500,000 economic code 01 should be quoted on the application.

Example 2 - if you carry out successive processing on goods (received from another IP authorisation holder either in the UK or another Member State) -see Section 3.7 - economic code 30(5) should be used.

Example 3 - where the Rural Payments Agency has issued a document allowing goods to be entered to IP within limits determined on the basis of a supply balance under Council Regulation (EU) No. 3448/93 Article 11 economic code 31 should be used.

Example 4 - if you are applying to process goods that would usually require an economic test under economic code 99 (other reasons), you will need to provide DEFRA with information on why economic codes 10 (unavailability), 11 (price) and 12 (contractual obligations) do not apply.

## 3.10 UK authorisation for goods requiring an economic test

When you submit an application for IP authorisation for goods requiring an economic test, we will consider whether the application meets all the usual conditions attached to IP and also that DEFRA has agreed that the economic conditions are met (that is that the economic test is passed).

The IP authorisation issued will detail any conditions relating to its use including any authorised maximum values and/or quantities you can enter to IP for the period of authorisation granted. Values or quantities should not be treated as annual figures unless that is specifically stated in the authorisation letter. If you need to change the value or quantity limit specified in the authorisation, you must apply, in writing to your Supervising Office before that limit is exceeded. This will be treated as a fresh application and will be referred to DEFRA for a further examination of the economic conditions.

If you are using IP under the terms of a supply balance (see Section 22.4), the quantity limits allowed by the supply balance certificate can be added to the €150,000 limit before an economic test is required.

**Please note: VAT only IP goods are also required to undergo an economic test if the €150,000 limit is exceeded.**

## 3.11 How do I apply for a UK authorisation?

Applications for an IP UK authorisation should be submitted on form [C&E810](#) (IP Application Form) to the relevant Authorising Office (see Section 3.29). For further details of the information required to complete Form C&E810 please see Sections 4 and 25.

IP applications for goods **not** requiring an economic test should be submitted **at least** 1 month before you intend to import/receive goods to IP.

IP applications for goods requiring an economic test to be carried out by DEFRA should be submitted at least 2 months before you intend to import/receive goods to IP.

If you need, exceptionally, to import or receive goods to IP before the result of your IP application is known, you should contact the Customs Authorisation Office. You may be allowed to enter the goods to free circulation/home use (with payment of duties and import VAT) but later apply for a retroactive IP authorisation (see Section 5) to cover the shipments in which case the duties and import VAT will be repaid. If the goods do not require an economic test and are not in the list of exclusions, you **may** be eligible to use IP with a Simplified Authorisation (see Section 16).

## 3.12 Single Union authorisation

If you are receiving and/or processing IP goods in more than one Member State you will need to apply for a Single Union authorisation to cover all your IP activities in the EU. Processing can be carried out by one or more businesses and there is no requirement for you and other processors to have a legal relationship or for successive processing of goods to take place.

## 3.13 How do I apply for a Single Union authorisation?

Applications for Single Union authorisations should be made on the model form in Annex 67 of the Customs Code Implementing Regulations 2454/93 available on our website at the following link - [Annex 67 model form](#).

The notes on Form C&E810 in Section 25 may help you to provide all the information you will need for the application.

The application should be made in the Member State where your main accounts are held and at least part of the processing will be carried out. As the application has to be considered by each Member State where processing takes place, you should apply at least 2 months before the first intended use of IP. You will not be able to import or receive IP goods until the result of your application is known.

If you import or receive goods which require an economic test, the application will be referred to DEFRA who may contact you direct for additional information if necessary. If the economic test is satisfied and we are content with the supervision arrangements, it will be forwarded with a draft authorisation to each of the Customs authorities where IP operations are to take place for their agreement. Member States are required to issue a decision on your application within 30 days of receipt of the draft authorisation from UK Customs.

For further information on the details you will need to provide in an application for Single Union authorisation please see Section 28.

## 3.14 Integrated authorisation

If you need an authorisation to include use of other customs procedures in the UK such as Customs Warehousing (CW), Outward Processing Relief (OPR), Processing under Customs Control (PCC), Temporary Admission (TA) and/or End Use you should apply for an Integrated Authorisation.

How you move goods between customs procedures covered by the authorisation will be agreed and stated in the authorisation. You may be authorised to move between the different procedures within an Integrated Authorisation by notation in your records (except where payment/repayment of duty is due on the movement). See Section 6.13 for further information on moving goods from one customs procedure to another under an Integrated Authorisation.

## 3.15 How do I apply for an Integrated Authorisation?

If your application **predominantly covers Inward Processing** you should use form [C&E810](#).

You will need to provide details of the goods to be entered and processed and indicate under which procedure the entry and processing will be made. You will also need to describe in detail the processing operations including any proposed movements between customs procedures.

If the main customs procedure required is not IP but, for example, Customs Warehousing then you should complete the application form appropriate for that procedure with any additional requirements for IP added.

Please note that Integrated authorisations which include Customs Warehousing will take longer to process (up to 60 days).

## 3.16 What if my IP application involves more than one processor?

If your application for an IP authorisation covers more than one company in the UK (or other Member State(s)) you should provide details of the processors, the goods to be entered and operations to be carried out by each processor including the sequence and locations.

## 3.17 How do I apply to use IP with a Simplified Authorisation?

If you are eligible to use IP with a Simplified Authorisation, there is no need to complete an application form or request prior authorisation. The authorisation is granted on acceptance of the Customs declaration by the HMRC computer system Customs Handling of Import and Export Freight (CHIEF). See Section 16 for full details of the requirements for using IP with a Simplified Authorisation.

## 3.18 How long does it take for an IP authorisation to be approved?

This will depend on the type of authorisation you are applying for. HMRC will need to review the information you provide and conduct various assurance checks which may include a visit to your premises. If a Single Union authorisation is being requested, we will also need to consult Customs authorities in other Member States named on the application. The authorisation process will take longer if you have not provided all the information we need on your application form.

Except where a Single Union or Integrated authorisation including Customs Warehousing is applied for, we are required to issue a decision on your application within 30 days of receipt of all the necessary information. If you apply for an Integrated authorisation that includes Customs Warehousing, you may have to wait up to 60 days for a decision on your application. Single Union authorisations will also take longer because of the required consultation with other Member States.

**Your application form will be returned to you without processing if you do not provide all the necessary information and the application processing period starts only when all the necessary information required has been received.**

If you do not receive a decision on your application or if you have not been contacted with a request for additional information within 35 days of submission, you should contact the Authorising Office immediately.

## 3.19 How long does an IP authorisation last?

The period for which IP authorisation is granted will take into consideration the needs of the applicant, but will not normally exceed 3 years. Authorisation may exceptionally be granted for a longer period provided there are duly justifiable reasons, for example a fixed term contract or commercial agreement. You will need to provide reasons and evidence with your application if you wish to be authorised for longer than 3 years.

If the process is one which requires an economic test, the period of authorisation granted may be much shorter than 3 years (or may be subject to periodic re-examination of the economic conditions). The authorisation (or validity) period for goods under Inward Processing covered by Annex 73, Part A cannot exceed 6 months (Article 507(4)). For milk and milk products referred to in Article 1 of Council Regulation (EC) 1255/1999, the period of validity cannot exceed 3 months.

**You should apply for renewal of an authorisation before it expires** - see Section 3.25 below.

## **3.20 Customs checks and supervision of the IP authorisation**

Prior to the issue of an authorisation, you may receive a visit from your Supervising Office to make sure that your records and systems are adequate for Customs purposes and to clarify details of the goods that you intend to enter and process under IP.

During the period of the authorisation, further visits may be made to make sure that you are complying with all conditions of the authorisation as IP goods remain under Customs control at all times.

If you have a Single Union authorisation issued in the UK, a UK Customs office will be your Supervising Office. Visits to check operations or records in another Member State may be made by the Customs administration in those Member States. These arrangements will generally have been agreed with the UK Supervising Office when the authorisation was considered.

If a Single Union authorisation is issued in another Member State, Customs in that Member State will be responsible for monitoring your operation. They may request information from UK Customs or require UK Customs to carry out checks or visits to your operations in the UK.

## **3.21 Do I need to provide security?**

Security is not normally required unless any of the following arise:

- the authorisation holder is established outside the EU (see Section 2.10)
- the movement of certain goods considered to bear greater risk of fraud (see Sections 7.3 and 20.7)
- where prior export equivalence (see Section 14) is used and the goods being exported would be liable to export duties if the goods had not been declared to IP, or
- where a production accessory (see Section 19) is used in the processing of free circulation goods

In addition security may be requested if either:

- you do not fulfil one or more of the obligations under your authorisation for example if you fail to submit Bills of Discharge when they are due, or you remove goods from customs control by failing to re-export IP goods under the correct CPC
- HMRC has doubts about your financial stability

Section 20 explains the options for providing security.

## **3.22 How do I know if my IP authorisation has been approved?**

If the authorisation is approved you will be issued with an IP authorisation number and an authorisation letter detailing the conditions relating to its use including:

- what goods (commodity codes) you are approved to receive and process under the IP authorisation
- the maximum time you can take to process the goods under the authorisation (this is known as the 'throughput period' see Section 4 for further information on this and other main aspects of IP conditions)
- any conditions relating to the disposal (see Sections 8 and 9) and transfer (see Section 7) of the processed goods
- what simplifications you will be eligible to use along with IP
- details of your Supervising Office
- the frequency that your Bills of Discharge (see Section 12) will need to be submitted to your Supervising Office

If you cannot meet the conditions set out in your IP authorisation you should contact your Supervising Office immediately as the authorisation may be withdrawn if you do not meet the requirements.

## **3.23 What if my application for IP authorisation is refused?**

If your application is refused you will not be eligible to use Inward Processing.

You have the right to request a review of a decision to refuse an IP authorisation. Section 1.5 of this notice explains the HMRC review and appeals procedures.



## 3.24 Alterations and amendments to existing IP authorisations

You should always keep the information on your authorisation up to date. If any details of your business (for example, name, address or ownership) change, you must advise your Supervising Office. A change of company name or ownership may mean you have to re-apply for IP authorisation in the new name. As the authorisation holder it is your responsibility to make sure that all details relating to the authorisation remain current and correct.

**If you need to make any changes to the terms and conditions of your authorisation, including adding new commodity codes you should contact your Supervising Office as soon as possible prior to the date the changes will take effect.**

If you have a Single Union authorisation, Customs authorities in other Member States may need to be consulted and a new authorisation issued so you should give as much warning as possible of requests for amendment(s).

## 3.25 Renewing an IP authorisation

The authorisation holder is responsible for applying for a renewal before the current authorisation period expires. Your Supervising Office will not issue a reminder. If your renewal involves significant changes to your previous authorisation, a new authorisation may need to be issued and the process may take longer.

Applications for renewal should be made in writing to your Supervising Office at least 1 month before your authorisation is due to expire. You must advise us if any of the relevant facts on your original application have changed. You can use form C&E810 (or the model form for Single Union Authorisations) for renewals but please be sure to insert the existing IP authorisation number and make clear that the application is for a **renewal** of an existing IP authorisation.

If you forget to renew your authorisation before the set expiry date you should contact your Supervising Office immediately as you may be eligible to apply exceptionally for retroactive authorisation to cover the lapsed period (see Section 5).

## 3.26 Cancellation/revocation of an IP authorisation

You can cancel your authorisation at any time by writing to your Supervising Office. In your letter you must give the date by which all of the goods currently being processed under the IP authorisation will be correctly disposed of.

We may also annul or revoke an authorisation if it is established that it was issued on the basis of incorrect or incomplete information or when the conditions of the IP procedure have not been met. If this happens you will be notified in writing and you will be told how to dispose of any IP goods you still have on hand.

## 3.27 Can I use simplified export and import procedures with an IP Authorisation?

If you are authorised for other import and/or export simplifications (for example Customs Freight Simplified Procedure (CFSP), Local Clearance Procedure (LCP) and/or Simplified Declaration Procedure (SDP)) and wish to use them for IP goods **you will need to request permission** to do so on your application for IP authorisation.

Import and export simplified procedures (and other simplifications relating to transfers etc) may **not** be used with IP with a Simplified Authorisation.

## 3.28 How do I apply for IP authorisation?

For UK authorisations (with or without an economic test) and Integrated authorisations you should complete form [C&E810](#) - IP Authorisation Application Form.

For Single Community Authorisation application should be made on the Customs [Code Annex 67 model form](#) - Application Customs Procedures - authorisation to use CPEI/End-Use.

Section 4 and Section 25 provide further details of the information you will need to provide on your application form.

## 3.29 Where should I send my application for IP authorisation?

Completed C&E 810 application forms should be sent to:

- for Large Business Service (LBS) traders
- your Customer Relationship Manager (CRM)
- for all other (non LBS) traders

CITEX Authorisations and Returns Team  
2nd floor East  
HM Revenue and Customs  
Fitz Roy House  
Castle Meadow Road  
Nottingham  
NG2 1BD.

Questions about IP with a Simplified Authorisation should be submitted to:

NIRU  
Abbey House  
Head Street  
Enniskillen  
N. Ireland  
BT74 7JL  
Telephone: **03000 572 100**

## **3.30 Is it possible to obtain a provisional authorisation?**

HMRC is not able to grant provisional authorisations. Article 86 of the Customs Code explains that authorisations are only granted where a trader is able to provide guarantees for the proper operation of the procedure and where HMRC can supervise its use, which precludes a provisional authorisation.

## **4 Information required for IP authorisation**

This section explains in more detail some of the information you will need to provide when you apply for IP authorisation. Full requirements for the completion of the IP application form (C&E810) can be found in Section 25.

### **4.1 Key information requirements**

When you apply to use IP you will need to provide information to the Authorising office on the following:

On the goods to be processed:

- the Commodity Code(s), also know as CN Codes **and** clear description of the goods
- the Economic Code (see Section 3.5)
- whether the goods require an Economic Test (see Section 3.6)
- description of the main and secondary compensating products that the process will produce (see Section 4.2)
- the rate of yield produced by the process (see Sections 4.3 and 4.4)

**On the process:**

- the estimated 'throughput period' required to process and dispose of the goods (see Section 4.6)
- method(s) of disposal which will be used (see Section 4.10)

On the records you will keep on the process and to evidence that the conditions of the IP authorisation have been adhered to (see Section 4.11).

You will also need to provide information on:

- how you propose to enter the goods to IP (see Sections 6 and 7)
- how you propose to dispose of the goods (see Sections 8, 9 and 10)
- how you will account for the goods on the Bill of Discharge (see Sections 12 and 13) and 16 for IP with a Simplified Authorisation
- what **simplifications** you wish to apply for (see Section 15)

## 4.2 Details of processed goods/products

You need to provide information on all the products you obtain from the goods you import/receive under IP. Compensating products are all the products resulting from processing operations under IP including by-products. You should include details of both the Main Compensating Products (MCPs) and Secondary Compensating Products (SCPs) that will be produced by the processing. You will also need to include details of how the goods entered to IP will be identified in the processed product(s).

You should provide details of both the commodity code and a description of the goods. Descriptions of goods should be complete and accurate (the common trade description not just the Tariff classification heading), terms such as 'various' will not be accepted and any application showing this will be rejected unless supplementary documentation with the required information is provided. Commodity codes can be found in [Part 2 of the UK Tariff](#).

Secondary Compensating Products - these are products that are a necessary by-product of producing your MCP(s) and are not to be treated as waste or scrap. For IP purposes the term 'waste and scrap'\* only usually applies to goods destroyed under Customs supervision (see Section 9.17).

Waste and scrap are not the same as production losses (see Section 4.5) which must be taken into account when establishing the 'Rate of Yield' for the processing operation being carried out.

\* Traders in the aircraft industry authorised to use 'Simplified Discharge by Anticipation' should note that any waste or scrap expected from processing operations must be listed specifically in the IP authorisation as a 'Secondary Compensating Product (SCP)'. When the simplified discharge takes place (when the goods are used for the first time in the manufacture of an aircraft (or part)) any waste or scrap will also obtain the status of free circulation goods. See Section 15 for further information.

IP content in the compensating product - although, in certain circumstances, the IP content of the finished product may be small in comparison to the final product itself, it is important to remember that the whole product is considered to be a product of the procedure. For example: a car made up of predominantly free circulation parts but with an IP gearbox must be re-exported (or exported in the case of drawback) as an IP car under the appropriate re-export or export CPC. However, the duty liability will only be in respect of the actual IP components.

Further information on how to calculate the charges due on secondary compensating products can be found in Section 11.13.

## 4.3 Rate of yield

The rate of yield is the quantity of processed products (compensating products) made from a unit quantity of goods entered to IP. This can include production accessories, catalysts or agents that are not found in the compensating product (for example because they were used up in the production of the product).

The rate of yield or the method by which it will be calculated must be specified clearly in the application for IP. You must also identify what records you will use to evidence the rate of yield. If your application includes more than one processing operation, you must provide the rate of yield for each processing operation at each location.

Your records will need to identify how much of the IP goods are:

- contained in each main compensating products (MCPs) produced (that is, products for which use of IP is applied for)
- contained in any secondary compensating products that are a necessary by-product of producing your MCP(s)
- lost or used up during processing (production losses) see Section 4.5
- the quantity of production accessory (see Section 19) used to aid the production of IP goods or accessory used to process a unit quantity of free circulation goods for export

## 4.4 Calculation of the rate of yield

If you dispose of (re-export) the same goods as you enter to IP, the rate of yield will be 1:1. This is likely to be the case for goods for repair or for minor activities under usual forms of handling (see Section 21). Production losses (see Section 4.5) must be taken into account when setting the rate of yield.

For certain processing operations for agricultural goods, EU law sets standard rates of yield that must be used. There are also specific rules if you process beef fillets. For further information on special rates of yield rules please see Section 22.

You must provide a full explanation of how you will determine and evidence in your records the rate of yield if it is not known at the time of application or is likely to vary. If you intend to use your production records as a basis for establishing the rate it is not enough to state simply on the application 'production records' or any similar statement, the application will be returned to you for a fuller explanation; for example, precisely where in your records the rate of yield can be found.

If you have entered the rate of yield on the application/authorisation form and the rate of yield changes or is incorrect, you must inform your Supervising Office immediately.

## 4.5 Production losses

To allow your rate of yield to be verified and to make sure that you obtain the full amount of relief you are entitled to, we need to be aware of any losses that arise during processing.

Production losses are those parts of the imported goods that are lost during the manufacturing process due to evaporation, desiccation, venting as gas or leaching. While the quantity of goods declared to IP and processed can be adjusted to take account of production losses, the duty liability remains constant.

The following example shows a typical calculation:

Goods declared to IP: 1,000 tons

Customs duty liability = £10,000

Agreed losses in production (evaporation) = 10%

Revised liability is now 900 tons with a customs duty liability of £10,000

500 tons of main compensating products manufactured - rate of yield = 50% or 2:1

## 4.6 Period required to process and dispose of the goods – the 'throughput period'

The throughput period starts either from the date you import to IP or the date on which the goods were transferred to you. You need to specify on your application the period you require to process and dispose of the goods. Goods should be re-exported (see Section 8) or disposed of using another eligible method of disposal (such as discharge to a Customs Warehouse) before the end of the throughput period. See Section 9 for details of other eligible methods of disposal.

The throughput period must be demonstrated in the request for IP authorisation by the submission of a detailed end to end flow chart explaining the full process with time periods for each part so that this information can be assessed by officers considering the authorisation request. We may then look at whether, for example, complex processes involving sampling and quality checks throughout can be regarded as part of the processing.

As a general rule the throughput period should not normally exceed 1 year but in certain industries longer periods may be required, for example, the aircraft industry. Where there are sound business reasons and evidence, these will be approved.

If, after authorisation, you find you need a longer throughput period you should contact your Supervising Office and apply in writing for an extension to the throughput period before the authorised throughput period ends.

If the throughput period has ended before you have contacted your Supervising Office for an extension, you should contact them as soon as possible as they may be able to grant a retrospective extension. However, you will need to explain the circumstances of why you did not contact them sooner and demonstrate that your records are sufficient to show the Supervising Office that the goods are still under official supervision.

If you are approved to use CFSP, the through-put period will commence either on the day of acceptance of the supplementary declaration or, where local clearance procedures are approved, the date when the goods leave temporary storage. You cannot commence processing the goods until either of these has occurred.

## **4.7 Restricted throughput periods**

The throughput period for certain agricultural goods is restricted by law (Article 542 Reg 2454/93) (see Section 23 for further information).

Additionally, Usual Forms of Handling (UFH) are considered to be simple operations therefore any applications for UFH will be given up to a maximum throughput period of 3 months.

Traders using IP with a Simplified Authorisation should refer to Section 16 for information on the throughput period granted under this simplification.

## **4.8 Storage**

IP is a processing regime. It should not be used for storage. Once processing is finalised the IP goods should be re-exported or discharged to another eligible method of disposal as soon as possible. If you need to store goods before and/or after processing you should use the customs warehousing arrangements. If there is likely to be a long delay between the processing of the goods being completed and their re-export, the compensating products should be declared to customs warehousing where the goods can await re-export from the EU (or disposal by some other eligible method).

A reasonable period of storage will be permitted in the IP authorisation if it can be demonstrated that this is part of the 'process' but any period of storage period granted cannot be longer than the time taken to process the goods.

## 4.9 Apportionment of goods at import

If you have EU and third country markets for your goods but you are not sure of the precise destination of the goods, you should agree an apportionment figure between IP and free circulation with your Supervising Office. This figure should be as accurate as possible but end of period adjustments will be possible.

Apportionment is also possible between IP and End Use and IP and Processing under Customs Control.

If your EU market is less than 20% of your imports, you will normally be allowed to enter all your imports to IP with duty, import VAT and compensatory interest being paid only when the goods are 'diverted to free circulation'.

## 4.10 Eligible methods of disposal

Most goods brought into IP will be re-exported at the end of processing but there are a number of other approved methods of disposal. The main methods of disposal are as follows:

- re-export (for IP Suspension) and export (for IP Drawback) (see Section 8)
- declaring the goods to another customs procedure (see Section 6)
- transfer to another IP authorisation holder (see Section 7)
- release to free circulation (IP goods released to free circulation will attract compensatory interest) (see Sections 10 and 11)

Further information on discharging goods to all other eligible methods of disposal (for full IP authorisation holders) can be found in Section 9. Section 16 lists the eligible methods of disposal which can be used by traders using IP with a Simplified Authorisation.

## 4.11 Records and accounts

You must state where your main accounts are held and keep records of all goods you enter to IP. You can normally use your own commercial records but we may ask you to adapt them to provide the information needed to meet the requirements of the procedure. If you have a computerised accounting system or keep computerised records, you must tell us which software package(s)/systems you use to make sure that these meet the requirements of IP. You will be required to provide any technical information and assistance we may need in order to check them.

If processing is going to be carried out by sub-processors, you should also include details of them and their record systems in the application for IP.



If you are applying to use equivalence in any form (see Section 14) your records must contain all the necessary technical details to determine/establish equivalence.

Records must be retained for four years after you dispose of the goods to facilitate any post event assurance checks which may be conducted by customs.

## 4.12 Information to be retained in your records

Your records must provide information on:

- what goods are entered to IP - Commodity codes and commercial and/or technical descriptions of the goods must be sufficient to identify them and must correspond to the description of goods that is stated in your IP authorisation
- details of the quantities and values of goods entered to IP. If your authorisation restricts the quantity or value of goods on which you may claim IP, you will need to make sure that your records allow you to monitor values/quantities as it is your responsibility to make sure that you do not exceed the limits set
- when and where goods were entered to IP (including transfers received from other IP traders or procedures) and documents relating to their entry
- where all goods and compensating products held under the authorisation are held at any time including any movement of goods and compensating products to or between operators specified in the authorisation (for single Community authorisations, Customs authorities in other Member States where operators are located will usually require the operators to have basic stock records showing what goods or products the operator has received and how they have been disposed of)
- what processing is to be carried out on the goods
- locations where processing takes place
- how goods entered to IP are identified in the products produced. For example - manufacturer's marks, serial numbers, plumbs, seals, clip marks, other marks fixed to the compensating product, samples, illustrations, technical descriptions, analysis or other supporting documents that clearly show the compensating product has been manufactured from your IP goods
- production data that establishes the rate of yield achieved ie how many products are produced including any secondary compensating products (by-products)

- precisely where in your records details of the rate of yield can be found
- details of when and where goods were exported/re-exported (or disposed of by other approved methods of disposal). This includes retaining the documentation relating to their disposal

## 4.13 How do I discharge IP Suspension?

It is a requirement of IP Suspension to submit Bills of Discharge to the Supervising Office to account for how you disposed of the goods you declared to IP **within 30 days** of the end of the agreed throughput period. It is your responsibility to make sure that Bills of Discharge are **received** by your Supervising Office within the 30 day legal deadline. You will not be sent reminders

Failure to submit Bills of Discharge by the due dates **will** lead to the suspended customs duties and Import VAT becoming due.

Your IP authorisation will indicate whether you are authorised to submit Bills of Discharge monthly or quarterly. IP Authorisation holders are required to submit NIL return Bills of Discharge each month or quarter even if there has been no IP activity.

Traders using IP with a Simplified Authorisation are also required to submit Bills of Discharge within the deadlines set in the 'Welcome' and 'Reminder' letters received from NIRU (see Section 16).

## 4.14 What are the data requirements for a Bill of Discharge?

You should make sure that you provide **all** the data required by law in the Bill of Discharge (as set out in Article 521(2) Customs Code Implementing Regulations 2454/93). For fully pre authorised IP traders, Form [C&E812](#) (which is available on the HMRC website) and its accompanying notes will help you to meet the legal requirements. Simplified Authorisation traders should use [Form C99](#) which can be completed online but must then be printed, signed and forwarded to NIRU.

Traders who are approved to submit the Bill of Discharge information in the form of a schedule from their own systems should make sure that all the information required by law is submitted along with a signed declaration (this can be done by printing the form C&E812, completing minimum data and signing the 'Declaration' page for submission to your Supervising Office).

For further information on the completion of the Bill of Discharge please see Sections 12 and 13 for the C&E812 and Section 16 for the C99.

For details on how to discharge IP Drawback goods and completion of the C&E813 please see Section 17.

## **4.15 Where do I submit my Bill of Discharge?**

For IP traders authorised by the Large Business Service (LBS), where to send your Bills of Discharge is detailed in your authorisation. For Non-LBS authorised IP traders, Bills of Discharge should be sent to the National Authorisations and Returns team in Nottingham.

Traders using IP with a Simplified Authorisation should submit Bills of Discharge on Form C99 to NIRU.

As Bills of Discharge are required to be signed, and we do not at present have a facility to accept an electronic signature, you should send a hard copy of the Bill of Discharge or fax it to your Supervising Office unless instructed otherwise.

Where you have failed to submit a return within the required time scale you may apply to your Supervising Office for an extension. However, approval is not automatic and you will need to show that there are special circumstances which warrant such an extension before it is granted.

## **5 Retrospective IP Authorisation**

This section explains how, and in what exceptional circumstances, you may apply for a retrospective IP authorisation.

### **5.1 Under what circumstances would a retrospective authorisation be allowed?**

The authorisation holder is responsible for applying for the renewal of an IP authorisation on time. No reminders will be issued by the Supervising Office. Retrospective authorisation cannot be used as a regular or recurring form of authorisation.

A retrospective authorisation is unlikely to be granted more than once, as any further requests for retrospection are likely to be considered as obvious negligence unless the circumstances are very exceptional and different from those which led to the first retrospective authorisation being granted.

Applications must meet all the criteria set out in Section 5.3. Requests will be considered on a case by case basis by the Authorising Office so it is very important that you explain the exceptional circumstances when applying for a retrospective authorisation.

An example of what exceptional circumstances might be considered are: if you receive an unexpected export order from a customer or if your domestic customer has gone bankrupt and you decide to export the compensating products to another customer outside the EU.

## **5.2 How do I apply for retrospection?**

Applications should be made on form C&E810. In addition, you must provide a covering letter stating the reasons why retrospection is required and provide a list of the imports you wish to be included in the retrospective period of authorisation. You will also need to be able to produce records to support your application and show that the goods in question were or are eligible for the Inward Processing procedure.

## **5.3 Criteria which must be met for retrospective authorisation to be approved**

In order for your application to be considered, you will have to show that:

- exceptional circumstances apply. Retrospection cannot be regarded as a regular or recurring form of authorisation
- there is an economic need for authorisation
- there is no obvious negligence or attempted deception associated with the application
- all periods of validity and through-put periods must be/have been adhered to
- the applicants accounts and records must be able to show that all the requirements of IP can be deemed to have been met throughout the period of retrospection applied for
- all the formalities of the arrangements should/can be regularised by amending relevant Customs declarations

## **5.4 Are there any circumstances when retrospective authorisation cannot be approved?**

As retrospective economic tests are not allowable in law, goods which would have required an economic test cannot be the subject of a retrospective IP authorisation.

Additionally, retrospective authorisations cannot be granted for equivalence.

Retrospection is not allowed under any circumstances for Inward Processing using a Simplified Authorisation. Any application for retrospection for goods previously under this type of authorisation must be applied for under the full IP authorisation process using Form C&E 810.

## **5.5 What is 'obvious negligence'?**

Within the context of retrospective applications for IP, EU Commission guidelines define 'obvious negligence' as being any situation where the applicant has failed to comply with the conditions for granting an authorisation although they must have been aware of those requirements or had previously been in a similar situation and therefore must have been aware of the need to obtain an authorisation prior to importation.

Where a trader has already been granted a retrospective authorisation they will be regarded as aware of the obligations and therefore subject to the obvious negligence condition if any further requests for retrospection are received.

## **5.6 What period of retrospection can be granted?**

Where no previous authorisation existed, retrospection cannot be backdated more than 1 year from the date your completed application is received. There are no exceptions to this time period which is set down in law.

## **5.7 Can I have retrospection if I forget to renew my authorisation?**

Exceptionally, you may request a renewal of the authorisation but only for a maximum of 3 years after your authorisation expired. You will need to submit Form C&E 810 to your Authorising Office requesting a renewal and explaining the reasons why your failure to renew was exceptional. You will also need to evidence that the renewed authorisation will cover the same type of goods and processes that your lapsed authorisation covered and that you can meet the criteria in Section 5.3 above. You should submit the request for retrospective renewal immediately the error becomes apparent.

## **6 Entering goods to Inward Processing procedure**

This section explains how to declare goods to the Inward Processing procedure using a Customs import declaration and how to receive goods into IP from another Customs procedure. It also explains the concept of moving IP goods 'under the arrangements' of the procedure from the [air]port to an inland premises.

For information on transfers of goods within an IP authorisation and between other IP traders please see Section 7.

## **6.1 Responsibilities of the IP Authorisation holder**

It is the responsibility of the IP Authorisation holder (including those traders using IP with a Simplified Authorisation) to make sure that goods are properly declared to customs and entered to IP as the IP goods must be under customs supervision from the time they are entered to the procedure (usually when the goods are imported) until such time as they are properly discharged. The IP Authorisation holder is responsible for the suspended customs debt and import VAT. If you use a third party representative to submit your import declarations to customs you should be sure that you understand where the liability lies and the type of representation that is being declared on the import declaration. For further information about what to consider when using a representative please see Sections 2.18 to 2.22.

## **6.2 What is a Customs import declaration?**

When you complete any customs 'declaration' (including import, export or transit declarations) you are making a legal declaration that the accuracy and the content of that declaration are correct. The 'declarant' is the person responsible for any conditions applying to the procedure and for any debt arising from mistakes made. For IP, the declarant is most usually the IP Authorisation holder who will be held solely responsible for any mistakes made or customs debt owed. (See section 2.19 for the exception where responsibility for customs debt may be shared (Indirect Representation)).

If you are completing a customs declaration (or someone is completing it on your behalf) using an IP Customs Procedure Code (CPC) this means that you are declaring the goods to the customs procedure known as Inward Processing and that you are also declaring you are aware of and agree to meet all the conditions and legal obligations relating to that procedure as set out in the Customs Code and Implementing Regulations. See Section 2.11 for an outline of the requirements of IP procedure).

## **6.3 Using a third party to submit Customs declarations on your behalf**

Where a third party submits a customs declaration in your name and on your behalf, you are still liable for any customs debt that may arise if any information on the entry is incorrect. You will need to develop your own assurance checks but we would recommend that the IP Authorisation holder makes sure that instructions to third parties are in writing and retained in the IP records and also that details of each Customs import entry submitted by a third party (including the IP CPC) are checked.

## 6.4 Importing goods to IP using the customs import declaration

When importing goods to IP you must follow the correct import procedures when declaring IP goods to customs. These are set out in full in Volume 3 Part 3 of the UK Customs Tariff and Notice 501 'A Brief Guide to Import Procedures' provides an overview. A customs import declaration is required to be completed and submitted to customs to make sure the goods are properly entered to the Inward Processing procedure. The import declaration is known as the SAD (Single Administrative Document) C88 form. This section explains the import declaration requirements which relate specifically to IP.

## 6.5 What is the Tariff?

The Integrated Tariff of the United Kingdom is usually referred to as the Tariff and contains all the information to help you with importing or exporting. It includes references to the relevant laws and regulations.

Although the UK version is called the Integrated Tariff of the United Kingdom, the same format is used throughout the EU, so regardless of the country in which you operate, the Tariff equivalent acts as a comprehensive point of reference. All EU countries have the same commodity codes, duty rates and Customs procedures as the UK.

The Tariff consists of 3 volumes:

- Volume 1 contains essential background information for importers and exporters. It covers duty relief schemes, contact addresses for organisations such as Department Of Trade and Industry, Department of Environment, Food and Rural Affairs and Forestry Commission. It also contains an explanation of Excise Duty, Tariff Quotas and many similar topics
- Volume 2 contains the 16,000 or so Commodity Codes set out on a chapter-by-chapter basis. It lists duty rates and other directions such as import licensing and preferential duty rates
- Volume 3 contains a box-by-box completion guide for import and export declarations, the complete list of Customs Procedure Codes (CPCs) for importing and exporting, the Country Codes for the world, lists of UK docks and airports both alphabetically and by their Entry Processing Unit (EPU) numbers and further general information about importing or exporting

Volume 2 (Commodity Codes) is available free on line at the following link: [Tariff Volume 2](#) Further information on how to obtain a UK Tariff can be found on the HMRC website.

## 6.6 How do I submit an import declaration to customs?

Customs import declarations must be submitted electronically to the UK import and export computer system called CHIEF (Customs Handling of Import and Export Freight) preferably by Direct Trader Input (DTI) method explained below.

Import declarations can currently be submitted to CHIEF by:

- Direct Trader Input (DTI) - where the information can be submitted to CHIEF electronically by any IP trader or his representative/agent who holds a CHIEF authorisation (or CHIEF 'badge' as it is known), or
- Customs Freight Simplified Procedure (CFSP) - see Section 6.18 regarding the approval and use of CFSP for entering goods to IP
- Customs Input of Entries (CIE) - where a paper C88 SAD form is completed and submitted to the National Clearance Hub (NCH) for input to CHIEF by Customs staff; CIE declarations should be emailed to: [nchcie@hmrc.gsi.gov.uk](mailto:nchcie@hmrc.gsi.gov.uk). Please note that CIE declarations may take longer to be submitted to CHIEF

All the information you need to complete customs declarations (including the CHIEF codes to be used for particular fields) can be found in the Integrated UK Tariff and its appendices.

All persons submitting customs declarations should have access to a Tariff as it is not possible to cover all the information required for a declaration for numerous circumstances in this notice which is purely for guidance.

## 6.7 How do I enter goods to IP using a Customs declaration?

You must complete a Customs import declaration (either electronically to CHIEF or using the paper SAD C88 form) according to the instructions in the Tariff. Some of the information on an import declaration is particularly important when entering goods to IP and is required to be on the declaration. These important IP related data elements are highlighted in the table below.

Box	Data element name	Information required
31(1)	Description of goods	The description of the goods should correspond with the description specified in your IP Authorisation. It should be the normal trade description and detailed enough for Customs to identify the goods.



33	Commodity Code (Combined Nomenclature (CN ) code)	CN codes should match those specified in your IP Authorisation and should be the code for the goods declared in Box 31. A full list of Commodity Codes is available in Volume 2 of the UK Tariff (now available on line for free).
37	Customs Procedure Code (CPC)*	<p>The entry of a CPC in this field constitutes a formal declaration that the conditions of the relevant procedure will be complied with and legally binds the declarant accordingly. The CPC also drives the amount of information that is required to be submitted on the declaration.</p> <p>The IP Authorisation holder must make sure the correct IP CPC is entered on the Customs import declaration. The requirements of each CPC are set out in full in Volume 3 Appendix E2 of the UK Tariff. You should make sure you (and your representative) are aware of the requirements for each CPC declared.</p>
44	Customs Schemes (Authorisation to use a customs procedure with economic impact)	<p>CHIEF Box 44 covers many required data elements but, for a declaration to an IP procedure code, you are required to submit information into the Customs Schemes section including:</p> <ul style="list-style-type: none"> <li>• the IP document code - C601</li> <li>• your IP Authorisation number, and</li> <li>• the name and address of your Supervising Office (as detailed in your Authorisation letter)</li> </ul> <p>If you have an Integrated Authorisation you will have an authorisation number for each procedure covered (for example IP and Customs Warehousing). When goods are entered to IP you must use the authorisation number with the 'IP' prefix.</p>

\* You should refer to the Tariff for full details of the requirements for each CPC.

## 6.8 Can I amend or invalidate a Customs import declaration?

If you make an error on your import declaration you may be able to rectify the situation by either amending the declaration or invalidating it and replacing it with another declaration. The type of error determines the action that must be taken.

If the goods have been declared in error to the wrong Customs Procedure Code (for example, if the goods are entered mistakenly to free circulation rather than IP) you will need to request that your original declaration be invalidated and replaced by a new declaration. Applications for invalidation should be made to your Supervising Office as soon as you become aware of the error and, at the very latest, within 3 months of the date of the original import declaration. If your application is made outside of this period, you will need to provide the Supervising Office with a full explanation of the exceptional circumstances that caused the delay.

If the goods have been declared to the correct Customs Procedure Code but some of the information contained within the declaration is incorrect (for example, the weight, value or number of packages) your declaration may be able to be amended.

## **6.9 How do I amend a Customs import declaration?**

If you wish to amend your import declaration, you should write to your Supervising Office as soon as you become aware of the error providing details of the proposed amendment. Where the amendment will generate a repayment, you should include a completed Form C285 with your application. If, as a result of your application, a customs debt is incurred, your Supervising Office will inform you accordingly. Requests for amendment are not restricted to a maximum of three months after the submission of the original declaration (unlike request for an invalidation of a declaration).

## **6.10 How do I invalidate and replace a Customs import declaration?**

If you wish to invalidate your Customs import declaration you should write to your Supervising Office explaining the reason the invalidation is required. You should submit a revised paper SAD C88 and provide evidence to support your request including copies of the original import documentation and your IP authorisation together with any other relevant evidence. Where you think that the invalidation will generate a repayment, you should include a completed Form C285 with your application.

## **6.11 Moving goods between the port of entry and the IP authorisation holders premises**

When a declaration to IP is made it is this declaration that allows the goods to move 'under the arrangements' of the procedure. This means that, where a full frontier declaration to IP is submitted to CHIEF (and cleared by Customs), the customs import declaration allows the movement of the goods from the office of entry at the [air]port to the inland IP authorisation holder's premises. If CFSP entries are declared inland (ie CFSP LCP) the goods should be moved from the port to the IP premises under the Transit procedure.

Traders using IP with a Simplified Authorisation cannot move 'under the arrangements' all movements should be conducted using the Transit procedure. This is because a 'simplified' authorisation by means of a customs declaration cannot request approval for this method of moving goods. That can only be granted when a full IP authorisation is approved.

## **6.12 Moving goods between Customs procedures**

Apart from importing goods to IP (using a Customs import declaration) you may also declare goods to your IP authorisation from another Customs procedure (such as Customs Warehousing). This is not a 'transfer' as such. Transfers take place either within an IP authorisation or from one IP authorisation holder to another and are explained in Section 7.

## **6.13 Moving goods between Customs procedures within an Integrated Authorisation**

If you have an Integrated Authorisation, for example IP and Customs Warehousing, the movement of goods between the Customs procedures covered by the authorisation may be made by entry in your records if authorised, rather than by the submission of a Customs declaration. The Integrated Authorisation must include LCP (Receipt of goods) approval for the Customs procedure to which goods will be moved (see Section 7.7 for details).

You will need to demonstrate in your application for an Integrated Authorisation that your records are sufficient to trace the goods through each procedure from the moment of entry to each procedure in the authorisation to the moment of final disposal/discharge. The records should:

- contain details of the goods moved (including the commodity code)
- identify the procedure under which the goods were held and the procedure they are being moved to
- contain the date of entry to each procedure and details of how the goods were moved to the other procedure

A formal Customs declaration to CHIEF (C88 (SAD)) will only be required where payment of duty is due on the movement. For IP Drawback goods, if as a result of the movement a repayment claim will be made, the commercial documents or records identifying the movement should be used to support the claim.

## **6.14 Entering goods to IP from another Customs procedure without an Integrated Authorisation**

If you do not hold an Integrated Authorisation, goods received from another customs procedure must (depending on the circumstances described in Sections 6.15 and 6.16) use the Declaration or Transit methods explained in Sections 7.8 and 7.10.

## **6.15 Declaring goods to IP from another Customs procedure (UK to UK)**

If the goods are moved from a UK authorisation holder of one customs procedure (for example Customs Warehousing) to a UK IP authorisation holder, the Declaration or Transit methods described in Sections 7.8 and 7.10 may be used. Where the declaration method is used the appropriate CPC should be used (eg 51 71 xxx for a movement from a Customs Warehouse to IP).

## **6.16 Declaring goods to IP from another Customs procedure (Other Member State (OMS) to UK)**

If the goods are moved from another Customs procedure in another Member State to IP in the UK then only the Transit method (described in Section 7.10) may be used to move the goods.

Once in the UK, a Customs declaration using the relevant CPC must be made to CHIEF.

## **6.17 Can I import goods to IP by post?**

Yes, but you must follow the process set out below correctly.

You should ask the sender to clearly mark the package(s) and accompanying Customs declaration (Form CN22 or CN23) with the following:

- 'IP suspension' or 'IP drawback' as appropriate
- 'IP authorisation no: \_\_\_\_\_'
- your EORI number and VAT number (if you are registered for VAT)

If the sender does not mark the package(s) as above, IP will not be applied and the goods will not be eligible for IP suspension or IP Drawback claims.

If the package has been correctly marked you will be sent (by the Border Force) a 'Notice of Arrival' informing you of what actions you need to take.

If you are required to complete a customs import declaration (Form C88 (SAD)) for the goods, this can be downloaded from the HMRC website. If you require us to input the declaration to CHIEF on your behalf (a Customs Input Entry (CIE), you should submit the completed Form C88 (SAD) to the address provided in the Notice of Arrival. The goods will be released for delivery when the import declaration has been accepted and cleared by customs on CHIEF - if any further information is required to clear the goods, we will contact you.

If you (or your agent) submit the declaration electronically to CHIEF and receive clearance, you should send the CHIEF acceptance advice to the address on the top right hand corner of the Notice of Arrival. The goods will then be released for delivery.

If you are declaring the goods to Inward Processing (Drawback), do not send any payment with either your acceptance advice or the declaration. Duty, import VAT and any other applicable charges will be collected when the goods are delivered to you. If you have any queries you should contact your Supervising Office.

See also Notice 144 'Trade Imports by Post: how to complete customs documents'.

## **6.18 Can I use a simplified import procedure to enter my goods to IP?**

If you (or your agent) are authorised to use Customs Freight Simplified Procedure (CFSP), and you wish to enter goods to IP using this simplification, you must make sure that the request to use CFSP is included on your IP authorisation. You should make clear on your application form that you wish to use CFSP and provide details of the CFSP authorisation under which the import entries will be made.

For further information on the operation of CFSP please see Notice 760 'Customs Freight Simplified Procedures (CFSP)'

## **7 Transfer and movement of goods within the Inward Processing procedure**

This section explains how to transfer IP goods within your own authorisation and to/from other IP authorised traders. It also explains the options for moving IP goods around the UK and EU including by Transit, the concept of moving 'under the arrangements' of the procedure and movement of goods to the Continental Shelf.

## 7.1 Approval for methods of transfer

Apart from importing goods to IP (using a Customs import declaration (C88 (SAD)) and declaring goods to your IP authorisation from another customs procedure (such as Customs Warehousing) which are explained in Section 6, it is also possible to transfer goods within an IP authorisation and from one IP authorisation holder to another.

You should indicate on your application form (Box 15a of the C&E810 form) which methods of transfer you propose to use and whether you need LCP (Receipt of goods) facility (explained in Section 7.7). The methods you are authorised to use will be specified in your IP Authorisation letter.

Not all the options explained in this section are available to traders using IP with a simplified authorisation. Where they are restricted from using the method of transfer/movement this is stated below.

## 7.2 What is a 'transfer'

- There are 2 types of transfer:
- the transfer or movement of IP goods within the same authorisation
- the transfer or movement of IP goods from one IP authorisation holder to another

Moving goods from one customs procedure to another (described in Section 6) is not a 'transfer' as such but the Declaration and Transit methods described below can be used for these movements.

## 7.3 Do I need a guarantee when transferring goods?

Only certain goods that are considered to bear increased risk of fraud when being transferred require a guarantee. A guarantee will only be required when the quantity being moved exceeds the minimum quantities listed in Annex 44c of Commission Regulation 2454/93. Guarantees are required for all movement of these goods including:

- to/from the [air]port
- to/from the premises where the processing takes place
- between sites and operators approved within the same authorisation

The current list of Annex 44c goods requiring a guarantee is replicated in Section 20.7.

In certain circumstances, the amount of guarantee taken for transfers may be reduced. If you wish to apply for such a reduction, contact your Supervising Office for further details.

Where security/guarantee has already been provided, for whatever reason, additional security for transfers will only be taken if the Annex 44c guarantee is calculated to be greater than the security already taken. For details of the options for providing security/guarantees please see Section 20.4.

Please do not assume that that existing Transit guarantees may be used to guarantee all IP movements or transfers, a Transit guarantee only applies if the goods are moved under the Transit procedure. If you have a guarantee for other purposes, you should check with your Supervising Office, before any IP transfer is made, to make sure that it is valid for transferring IP goods.

## **7.4 Transfers within the same IP authorisation**

You can transfer goods between locations and other processors which have been included (and named) in your IP authorisation using commercial documents and by making an entry into your records. There is no need for a formal Customs declaration to be made to CHIEF and you will not need to be approved for LCP (Receipt of goods) described in Section 7.7).

Transfer documents must be endorsed 'P/S goods'(for IP Suspension) or 'P/D goods for IP Drawback) as appropriate. Your records must show the location of the goods at all times.

## **7.5 Transfers between IP authorisation holders**

It is the responsibility of anyone transferring goods to another IP authorisation holder to establish, prior to any transfer, that the recipient has an IP authorisation, that it covers the goods being transferred to them and that it includes LCP (Receipt of goods) approval. If the recipient is not properly authorised, the authorisation holder transferring the goods may be liable for the duty. We would recommend that anyone transferring goods to another IP authorisation holder obtains a copy of their authorisation to retain as evidence in their IP records.

## **7.6 What methods of transfer between IP Authorisation holders are available?**

Please note there is a requirement to report the transfers below on an Intrastat declaration when the goods have not been reported on a Customs declaration submitted to CHIEF.

The methods available are:

- a) full Declaration method (UK only) - submission of a Customs declaration (C88 SAD) to CHIEF (see Sections 7.8 and 7.9)

- b) transit procedure (see Sections 7.10 and 7.11)
- c) paper 3-copy SAD (see Sections 7.12 and 7.13)
- d) paper 2 copy SAD transfer (see Sections 7.14 and 7.15)
- e) transfer using commercial documentation (see Section 7.16)

Method a above may only be used where both IP authorisation holders are in the UK.

Methods b - e above may be used between IP authorisation holders in UK and other Member States (OMS) - including UK to UK and OMS to UK.

In methods c - e, the goods are transferred from one IP authorisation holder to another without 'discharge of the arrangements'. These are paper methods of transfer which can be used for IP Suspension. Both transferor and receiver must be approved in their IP Authorisation to use them. Not for use with IP using a simplified authorisation.

## **7.7 LCP (Receipt of goods) - additional requirement when receiving goods to IP authorisation**

If you intend to receive goods from another IP authorisation holder using the paper 3-copy SAD or 2-copy SAD methods outlined below you will need to be authorised for LCP (Receipt of goods). You should indicate on your IP application form that you require this approval.

LCP (Receipt of goods) approval allows you to receive goods without making a formal declaration to CHIEF and for entry to IP to be made by a notation in your records.

LCP (Receipt of goods) should not be confused with the other export/import simplifications such as LCP for CFSP or LCP (Export) which need separate authorisations. For further information on LCP for CFSP see Notice 760 and for LCP (exports) see Notice 275.

If you only intend to transfer goods using the Declaration and Transit methods described below there is no need to request authorisation for LCP (Receipt of goods).



## 7.8 How do I transfer IP goods using the full declaration method?

All IP authorisation holders may use this method of transfer and you do not need any special approvals such as LCP (Receipt of goods). It can be used to transfer goods between UK IP authorisation holders only and will discharge your liability for the goods. You should make sure that the IP authorisation holder to whom the goods are being dispatched is aware and advise them of the full particulars of the declaration. You will need to select the appropriate Transfer Customs Procedure Code from the UK Tariff.

The sender of the goods should make a declaration to CHIEF following the instructions laid down in the UK Tariff. When the 'acceptance advice' is received from CHIEF the goods may be released to move. A copy of the declaration and the CHIEF acceptance advice must accompany the goods to the recipient's IP premises. When the recipient receives the goods, a commercial receipt must be issued and returned to the sending trader.

**The liability of the sending trader is discharged when the commercial receipt is received.**

## 7.9 What information needs to be included on a full declaration transfer?

Box by Box instructions for the completion of customs declarations can be found in Volume 3, Part 3 of the UK Tariff. Fields to be completed specifically for IP transfers include:

- Box 2 (Consignor) - the sender will be shown in this field
- Box 8 (Consignee) - the receiver will be shown in this field
- the declaration should be completed in respect of the goods **originally declared to IP** with details of the goods actually being transferred noted in Box 44
- Box 44 (Additional information/Documents produced/Certificates and Authorisations field) should be completed with the reference details of the declaration that entered the goods to IP, and the words 'TRANSFER' and 'IP/S goods'

Please note that the declaration procedure must be used for all IP Drawback transfers and also where the receiver of IP Suspension goods is not approved for LCP (Receipt of goods) facilitation.

## 7.10 How do I carry out transfers using the Transit procedure?

If you use the Transit procedure to transfer goods from one IP Authorisation holder to another, you should follow the processes set out in EU Transit Manual available on the EUROPA website. Transit declarations are submitted to the New Computerised Transit System (NCTS) and instructions for their completion can be found in the manual.

The liability of the sending trader will be discharged when the goods are placed under the Transit procedure.

## 7.11 What information needs to be included on a Transit declaration?

Some of the information which will need to be included is as follows:

- the Transit declaration should be completed using the details of the goods **actually being transferred**
- it should show the status of the goods as T1
- Box 44 should include the IP authorisation number, Customs Supervising Office address and be endorsed 'IP/S goods'
- in the 'Produced Certificates/Previous References field on the NCTS 'item details' screen, insert the reference number of the **original import entry** declaring the goods to IP

## 7.12 What is the 3-copy SAD method of transfer?

The 3-copy SAD method is a 'paper' transfer process from one IP authorisation holder to another. The law describes it (in Annex 68 of Regulation 2454/93) as the 'Transfer of goods or products covered by the arrangements from one holder to another'.

The method uses copies 1 (Copy for the office of dispatch/export) and 4 (Copy for the office of destination) and an additional copy 1 of the SAD C88 form. Form SAD C88 is available to view on the HMRC website for information purposes only. Copies of the form are available from [our Helpline](#) on telephone: **0300 200 3700**

When you use the 3-copy SAD method there is no need to submit a formal declaration to CHIEF but if you are receiving under this method you must have LCP (Receipt of goods) approval. This method may be used to transfer goods to/from other Member States but you should make sure the appropriate paper work travels with the goods in case they are inspected by Customs in other Member States.

## **7.13 How do I carry out transfers using the 3-copy SAD method?**

When you use the 3-copy SAD method, the documentation should be completed in respect of the goods originally declared to IP with details of the goods actually being transferred noted in Box 44 of the SAD. No CPC is required for these paper transfers.

Once the appropriate pages of the SAD are completed, the supplier keeps copy 1 with their records and sends copy 4 with the goods to the receiver. The additional copy 1 is sent to the supplier's Supervising office (unless otherwise instructed). The receiver should issue a commercial receipt for the goods and retain the copy 4 in their records. The receipt should be kept with the supplier's records as evidence that the duty liability has been discharged.

Please note the '3-copy SAD' transfer method should not be confused with 'copy 3 of the SAD'.

## **7.14 Simplified transfer procedures (2-copy SAD method and commercial documents)**

Simplified transfer procedures can allow use of a 2-copy SAD or commercial documentation to make transfers between IP authorisation holders. Both sender and receiver will need to be IP authorised and also have the approval to use the simplification.

The advantage of these simplifications is that they can avoid the need to notify your Supervising Office of each individual transfer. An alternative form of notification to your Supervising Office may be agreed and will form part of your IP Authorisation.

You will need to provide your Supervising Office with details of the goods you expect to supply and/or receive and the name and address of your customer/supplier. The Supervising Office must be satisfied that your records are sufficient to support use of the simplification before it can be approved.

It is your responsibility to make sure the customer is authorised for IP and approved by their Supervising Office to use the same simplified procedure.

## **7.15 How do I carry out transfers using the 2-copy SAD method?**

If you are authorised to use this simplified transfer process only Copies 1 and 4 of the SAD are used. The supplier retains copy 1 and copy 4 is sent with the goods and retained by the customer. A commercial receipt is issued for the goods and sent back to the supplier. The receipt should be kept with the supplier's records as evidence that duty liability has been discharged.

When you use the 2-copy SAD method, the documentation should be completed in respect of the goods originally declared to IP with details of the goods actually being transferred noted in Box 44 of the SAD.

## **7.16 How do I carry out transfers using commercial documentation?**

Commercial documentation for transfers may be approved provided they contain all the information that would normally be included on the transfer SAD.

The commercial document used should be notated 'IP/S goods'.

The movement of documents will normally follow those outlined for the 3-copy SAD method (see Section 7.13). However, where the requirement to notify the Supervising Office of each individual transfer has been waived, the supplier should retain a copy of the commercial document and the original sent with the goods should be retained by the customer. The customer will be responsible for the goods when they have received and entered the goods in their records. A commercial receipt should be issued which should be retained in the supplier's records as evidence that the duty liability has been discharged.

**Transfer by commercial documentation cannot be authorised for IP Drawback.**

## **7.17 Transferring IP goods between Member States under a Single Union authorisation**

Subject to agreement with the Member States involved, transfers can be made within the authorisation between the locations and/or named operators without official documentation but it will be your responsibility to maintain accurate records that show where the goods are at all times. The recipient must also keep records to show where the goods are and what process they undergo.

You must set out in your application what methods of transfer you would like agreed and we will consult with other Member States involved.

## **7.18 Transfers to and from IP simplified authorisation holders**

All transfers to and from traders who use IP with a simplified authorisation in the UK must be made under the Transit or Declaration procedures outlined above.

## 7.19 Commercial confidentiality transfers

If you have the written agreement of your customer(s), you may be able to transfer your goods without having to reveal details of the suspended duty or the value for VAT. This will allow you to maintain commercial confidentiality in regard to how much you paid for the original goods. If your customer releases the goods to free circulation or any customs debt subsequently arises, you must provide your customer with the relevant details. An undertaking to this effect must be included with your application together with the written agreement of your customer(s).

Transfers involving goods in any of the following circumstances are excluded from this arrangement:

- where the recipient's authorisation is limited by value
- where the goods are listed in Annex 44c of Reg 2454/93 (see Section 20.7)
- excisable goods
- where either authorisation is subject to security;
- drawback to drawback transfers
- transfers using transit
- transfers using the declaration procedure
- transfers involving other Member States

This arrangement is not permitted between different customs procedures (for example, inward processing to customs warehousing) nor is it available if the goods are moving between suspension and drawback.

## 7.20 Transfers involving IP Drawback

Please see separate Section 17 for all IP Drawback transfer scenarios.

## 7.21 Movements of IP goods to and from the Continental Shelf outside EU territorial waters

IP may only be used for the processing of goods intended for the Continental Shelf outside UK territorial waters. Traders involved in Continental Shelf operations also have the option of using End-Use (this option can be used both within and outside of the UK territorial limits).

Normal authorisation, entry to IP, transfer and discharge procedures apply to IP goods used for Continental Shelf operations. However, you may apply for authorisation to use the simplified declaration process (explained in Sections 7.24 to 7.28) to cover the movement of IP goods to or from the UK Continental Shelf outside territorial limits.

## **7.22 Are there any goods excluded from using the simplification?**

The arrangements cannot be applied to any shipment or return of goods where a full Customs declaration is required. This includes Excise goods, CAP goods (but not where CAP scheduling has been approved), goods subject to Dual Use (see Section 15.10) and/or other licence requirements, goods entering the EU for the first time or where duty and/or any VAT is payable.

## **7.23 Simplified declaration process for the movement of IP goods to and from the Continental Shelf outside EU territorial waters**

A simplification is available for the movement of goods to and from the Continental shelf. This simplification can cover goods that are under Inward Processing, End-Use or those in free circulation but cannot be applied to any goods under the customs warehousing procedure.

The simplification allows the movement of most Inward Processing goods without a full Customs declaration (see exceptions in Section 7.22). However, it should be noted that, goods shipped to or received from the Continental Shelf belonging to another Member State are reportable on an Intrastat declaration. For further information, including how to classify the goods, please see Notice 60 'Intrastat General Guide'.

If you are approved to use the simplified declaration process you will be required to submit a brief Supplementary Declaration (see Section 7.26) each month confirming that all the movements of IP goods have been entered in you IP records.

Full details of the process are also explained in Notice 770 'Imported goods - end-use relief'.

## **7.24 Inward manifest - returned goods**

Goods may be moved from the port or airport to an authorised operator's premises without formalities where:

- the ship or aircraft manifest is annotated with the operator's authorisation number or name and address

- the operator adheres to any conditions in the authorisation concerning notifying Customs (standing notification may be authorised where the nature of the goods and their rapid turnover so warrant)
- the goods are entered in the operator's records on return

The form of the records and the details to be entered will be agreed as part of the authorisation. The date, description of the goods, duty relief claimed and inland workpoint/place of destination will always be required as will a reference number which will allow the goods to be traced through stock and financial records.

## 7.25 Outward manifest despatches

Authorised operators must declare goods by entering them in their records prior to any shipment to an offshore platform/workpoint.

The form of records and details to be entered will be agreed as part of the authorisation. The date, Customs status of the goods, their description and the platform/workpoint of destination will always be required as will a reference which will allow the goods to be traced through stock and financial records.

Entry into records prior to shipment should, as far as possible, be met from existing commercial records and will be met by having sufficient available commercial documentation for Customs to verify operations.

Authorised operators must usually notify Customs when goods are to be removed, however, this requirement may be waived where justified by the nature of the goods and where there is a rapid turnover. Notification requirements will form part of the authorisation.

The goods must be accompanied by a copy 3 of the Single Administrative Document (SAD) or a commercial document endorsed with the operator's authorisation number.

## 7.26 Supplementary Declarations

A brief Supplementary Declaration will be required each month from all operators confirming that all movements of IP goods have been entered in their records. There are heavy penalties for making a false declaration or a false claim to HMRC. If you are aware of irregularities you should notify your Supervising Office immediately.

### **Specimen Supplementary Declaration**

Authorisation number

Name and address

I declare that all goods moved to or from the Continental Shelf during the month

of..... have been accounted for in one of the following ways:

1 All imports and exports of excise and CAP goods (other than where CAP scheduling has been authorised), imports of third country goods entering the EU for the first time and imports of goods on which VAT or any other customs charge is payable, have been declared to Customs using full declaration procedures or equivalent simplified procedures.

2 Other despatches to continental shelf installations have been entered in our records as required by our authorisation.

3 Duty relief is claimed on all other returned goods, which have been entered in our records as eligible for:

\*i) Inward Processing Relief

\*ii) End Use relief

\*iii) Returned Goods Relief

\*iv) Other (specify)

Signature Status

Name

Date

\*Delete where appropriate.

## **7.27 How do I apply to use this simplification?**

Submit the following details in writing with you IP application (Form C&E 810) or later by letter if appropriate:

(a) company name and address

(b) list of premises where goods are despatched to or received from the Continental Shelf

(c) type of goods despatched/received

(d) office(s) where records are kept

(e) description of those records, including confirmation that they will include (as appropriate):

- a reference number which will tie in with commercial documents and stock/financial records
- the nature of the goods



- their customs status (despatches)
- the premises from which despatched/where received
- the platforms/workpoints of destination or despatch
- for returned goods, the duty relief claimed
- date of entry in the records

(f) arrangements for notifying Customs

Either how it is proposed to notify Customs of individual despatches and receipts **or** an application that Customs waives the requirement to notify, with an indication as to why this would be appropriate.

(g) undertaking to provide monthly supplementary declarations not later than the end of the following month. Please indicate the name and status of the authorised signatory/signatories

(h) the name and phone number of a contact should we need to discuss the application

## **8 Disposal - Re-export and discharge to Community Transit**

This section explains how to discharge your liability for the customs duties and Import VAT suspended on entry to Inward Processing by re-exporting the goods from the EU or by discharging them to Transit.

For information on other approved methods of disposal where a full IP authorisation is held please see Section 9. Traders using IP with a Simplified Authorisation should refer to Section 16.

### **8.1 Responsibilities of the IP Authorisation holder**

It is the responsibility of the IP Authorisation holder to make sure that IP goods are properly re-exported or discharged by another eligible method of disposal before the expiry of the throughput period. Full details of how to (re)export goods from the UK (and the relevant codes to use on Customs Export declarations) can be found in the UK Tariff, supplemented by the Notice 275: 'Customs: export procedures and the Export Best Practice Guide'.

As IP goods must remain under Customs supervision from the time they are entered to the procedure until such time as they are properly discharged, goods being re-exported must be properly 'presented to Customs' using the correct IP Suspension Customs Procedure Code (CPC) and receive positive 'Customs clearance' before they are moved (removed from IP). For IP Drawback, the goods will also need to be supervised at exit so you should make sure that the correct IP Drawback CPC is used (see Section 17 for further information on IP Drawback).

Under no circumstances should bulking CPCs (for either import or (re)export) be used for any IP goods as these do not allow for the identification of the goods which is required to provide evidence of export for the IP audit trail.

It is the IP authorisation holder who is ultimately responsible for ensuring that all the conditions of the IP authorisation are met (including that the re-export process is completed properly) otherwise the customs debt will become due. It is recommended that instructions to agents/shippers are evidenced in your IP records and that you develop your own assurance checks to confirm that your instructions have been complied with.

## **8.2 Where can I find information on completing Customs declarations?**

All the information you need can be found in the UK Tariff. Volume 2 (Commodity Codes) is available free on line at the following link: **Tariff Volume 2** Further information on how to obtain a UK Tariff can be found on the HMRC website.

## **8.3 How do I correctly declare my IP goods to Customs for re-export?**

The UK National Export System allows exporters and agents/freight forwarders to lodge electronic Customs export declarations with the Customs Handling of Import and Export Freight (CHIEF) computer system.

All IP goods must be 'pre-notified' to customs by lodging a (re)-export declaration to CHIEF with the correct Customs Procedure Code (CPC). This allows the Customs authorities the opportunity to control or supervise the IP goods at export.

Export CPCs can be found in Volume 3 Appendix E1 of the Integrated UK Tariff.

## **8.4 What happens if I do not re-export my goods correctly or cannot evidence that they have been re-exported?**

The IP goods will be considered to have been removed from Customs Supervision and this will mean that the debt relating to the suspended Customs duties and Import VAT is due under Article 203 of the Customs Code.

## 8.5 Customs Export Procedure process

You should make sure that all stages of the re-export process are completed on CHIEF as validation and processing takes place at each stage. The 4 stages of the export process are:

- electronic submission of an Export Declaration (with correct CPC) prior to the shipment of the goods (to the time limits laid down in the Customs Code)
- electronic 'Presentation' of the goods to customs (in the UK this is the 'Arrival message' submitted to CHIEF by a person with a 'CHIEF Loader role')
- electronic 'Customs Clearance' or the granting of 'Permission to Progress' (P2P). The P2P message is the Positive Clearance by Customs. The clearance message is sent by CHIEF to the person submitting the export declaration/arrival message. It means that the export has been cleared and the goods may now be loaded onto the means of transport for export
- electronic 'Departure' message which puts the export into a final state on CHIEF. Please note the 'departure message' is only required for direct exports

If you use an agent you will need them to supply you with the relevant CHIEF reports such as the report that shows you received positive Customs clearance (or their commercial equivalent) and copies of re-export declarations (and declaration reference numbers) for your IP records. See Section 8.12 for further information on the type of documents that may be used to evidence the export of the IP goods.

## 8.6 Types of re-export declaration

Your IP Authorisation will include details of how you are approved to re-export your IP goods. The methods available are:

**Full declaration procedure:** a full re-export declaration submitted at the frontier for either a direct or indirect\* re-export from the UK. All IP authorised traders will be approved to use this method.

**Simplified export procedures:**

- Local Clearance Procedure (LCP) for inland locations: a full re-export declaration made inland at your premises before removal of the IP goods to the frontier. LCP approval may also include permission for the two part declaration (described below) to be used rather than a full re-export declaration)

- Simplified Declaration Procedure (SDP) for frontier locations: a two part declaration - a short Pre-Shipment Advice (PSA) followed fourteen days later by a more detailed Supplementary Declaration (SD)

Traders using IP with a simplified authorisation cannot use the export simplified procedures described above.

To use any simplified export procedures, you (or your agent) must hold a separate authorisation. Please note that 'LCP (Receipt of Goods)' approval described in Section 7.7 is not the same as the export simplified procedure known as LCP.

\*See Section 8.8 for further information on the specific requirements for indirect exports being moved under the Transit procedure.

## **8.7 Movement from IP holders premises to the [air]port of departure in the UK - direct export**

For direct exports (that is, those going direct from the UK to a third country without a call in another Member State) the movement to the [air]port of departure in the UK may be made by the following methods:

- if the re-export declaration is to be made at the UK frontier, the goods may move either
  - under the Community Transit procedure by submitting a Transit declaration to the New Computerised Transit System (NCTS)
  - 'under the arrangements' of the IP procedure. This means that they are allowed to move to the [air]port of departure under the declaration that first entered them to the IP procedure
- if the re-export declaration is made inland under LCP, either a full declaration or a Pre Shipment Advice (PSA) should be submitted to CHIEF and await Customs clearance. Once this is received the goods must be moved under Community Transit to the [air]port of departure. You cannot move 'under the arrangements' of the original IP import declaration as the IP procedure was ended when the re-export declaration was granted customs clearance

## **8.8 Using Transit procedure to move IP goods to the Office of Exit in another Member State - indirect export**

If the re-export declaration is submitted in the UK but the IP goods are to exit the EU via another Member State, the goods must usually be moved to the Office of Exit under the Community Transit procedure.

The process where a Transit procedure follows the Export procedure set out below (extract from Notice 275 'Customs export procedures') is designed to provide a clear audit trail between the Export Declaration and the Transit movement and to make sure that only one electronic message is sent across the EU to the Office of Exit. The 'goods are on their way' message ('Anticipated Arrival Record') will be sent from the NCTS system not the Export Control System (ECS).

When entering goods for export onto the CHIEF system:

- the Additional Information (AI) code 'TRANS' should be entered in Box 44 of the Export Declaration
- Box 29 (Office of Exit) should not be completed for these movements as they are outside of the ECS controls. Leaving Box 29 empty will make sure that the ECS messaging to other Member States Customs offices is suppressed. The control and messaging across the EU will take place on the NCTS system
- once P2P (Permission to Progress or Customs Clearance) is received from CHIEF, the goods may be declared to NCTS
- the Export Accompanying Document (EAD) should not be printed and taken with the goods they must travel under the Transit Accompanying Document (TAD) which is printed from the NCTS system

Once Customs Clearance is obtained for the re-export declaration a Community Transit declaration should be input to NCTS.

On the NCTS declaration:

- the Movement Reference Number (MRN) of the Export Declaration should be entered in box 40/44 (Produced certificates/previous references). This can be achieved by selecting the 'zzz other' entry option from the 'type' field. The export MRN should then be entered in the 'Document reference' box
- the TAD should be taken with the goods to the Office of Destination and discharged in the usual way

All documentation and reference numbers relating to both the export and transit declarations should be retained in the IP holders records.

## **8.9 Can I submit my re-export declaration in another Member State?**

It is possible to move IP goods under Transit to an Office of Exit in another Member State and submit the re-export declaration there. However, you should check with the Customs authorities in that Member State that they will allow this.

## **8.10 Can I move under the arrangements to an Office of Exit in another Member State and submit my re-export declaration there?**

It is possible to do this but, as well as checking that the Customs Authorities at the Office of Exit will allow this, it is also advisable to check with other Member States through which you will pass what documentation they will expect to see accompanying the goods. Some Member States may not approve this method of movement.

You should also note that, as there is no Transit guarantee, your IP liability is not discharged until the re-export declaration is submitted in the Member State at the Office of Exit. You will also need to make sure you can obtain copies of all the relevant export documents for your IP records.

Moving goods 'under the arrangements' is not allowed for IP with a Simplified authorisation or for moving IP Drawback goods.

## **8.11 When is my liability for the customs duty and import VAT discharged when I re-export my goods?**

This will depend on where the re-export declaration is submitted, and which method of movement (for example Transit or moving under the arrangements) to the point of declaration submission you have chosen/are authorised to use.

## **8.12 What evidence of export must I produce for HMRC if I am audited?**

This will depend on the method used. Examples of documents you will need to retain are as follows:

- the reference numbers and/or copies of CHIEF export declarations and NCTS Transit declarations:
  - for export declarations the reference number is either the Export MRN (Movement Reference Number) or the CHIEF reference number EPU/Entry No/Date

- for transit declarations the Transit MRN should be used

- copies of customs clearance reports (or other status reports) issued by CHIEF for example the S8 report - Export Movement Departure Advice and the X6 report - Export Entry Progress Advice (which shows 'customs clearance' (P2P) has been granted)
- copies of the equivalent reports from your (or your agent's) commercial system connected to CHIEF
- evidence that the Transit procedure was properly discharged

For further information on evidence of export please see Section 42 of **The Export Best Practice Guide**

If you use an agent to submit Customs declarations to CHIEF on your behalf, you will need to ask them to obtain the relevant information from CHIEF (or their commercial systems). In particular confirmation of the CHIEF status codes:

- evidence that 'Customs clearance' (P2P) was granted shows on CHIEF as the ICS status 50 or 51
- evidence that a 'goods departed' message was received (for direct exports) shows on CHIEF as ICS status 60

Various reports are available to be run from CHIEF or MSS (the CHIEF archive system) which show the status of declarations. Many agents/freight forwarders may use commercial software to access CHIEF but they should be able to provide an equivalent.

## 8.13 Using an agent/freight forwarder

If you use an agent or freight forwarder to re-export your goods it is your responsibility as IP authorisation holder to make sure they are provide with the relevant information to make sure the IP goods are correctly re-exported. This includes supplying them with:

- the correct IP re-export CPC number (please make sure that bulking CPCs are not used for IP goods)
- the correct commodity code and goods description
- your IP authorisation number
- details of the reference number of the original declaration/document which brought the goods into IP

You should also make sure they are aware that they will need to supply you with the relevant evidence of export.

## **8.14 Can I amend/invalidate my (re)export declaration**

If you make an error on your export/re-export declaration, you can rectify the situation by either amending the declaration or, provided the goods have not already left the EU, by invalidating it and replacing it with another declaration. The type of error determines the action that must be taken.

If the error is in regard to the description of the goods (for example, the weight or number of packages is incorrect) your declaration may be able to be amended. No time limits apply for amendments.

If the error concerns the CPC, your original declaration may have to be invalidated and replaced by a new declaration. Applications for invalidation must be made before the goods have left the EU.

The IP authorisation holder should make sure there are processes in place to assure the quality of Customs declarations submitted on their behalf. Persistent repetition of errors of the same type may lead to the imposition of a Customs Civil Penalty or the withdrawal of the IP authorisation if the conditions of that authorisation, including the use of the correct IP CPCs, are not being adhered to.

## **8.15 How do I amend my (re)export declaration**

If you wish to amend your export/re-export declaration, you should write to your Supervising Office informing them of the amendment and make sure you note your records and retain the relevant documentation in your records. The Supervising Office may agree that you do not need to notify them each time an amendment is required.

Where the amendment will generate a repayment, you should include a completed Form C285 with your application. If, as a result of your application, a customs debt is incurred, your Supervising Office will inform you accordingly.

## **8.16 How do I invalidate my (re)export declaration**

Your authorisation letter will set out the reporting requirements but you may need to contact your Supervising Office immediately whenever an error is identified. If the goods have already left the EU, no invalidation is possible.

The Supervising Office may agree that you do not need to notify them each time a CPC error is made so long as these occurrences are exceptional and your records are adequately noted (and evidence retained). You should have systems in place to assure the quality of your (re)export declarations and retain in your records any instructions you have sent to agents regarding the use of IP CPCs.



## 8.17 Notifying CPC amendments for Trade Statistics purposes

Amendments to CPCs no longer need to be notified to the Supervising Office on form C81 but you should make sure that your records are noted and evidence is retained for audit purposes. Form C81 is, however, still required to be completed and submitted to the address on the form for all errors on export declarations (including CPC errors) These forms are required for statistical purposes and there is no de minimis limit.

## 8.18 Can I (re)export IP goods by post?

Yes but if you are (re)exporting IP goods by Royal Mail or Parcel Force you should follow the process in Section 8.19.

This process should be used by all IP authorised traders (both IP Suspension and IP Drawback) and also by those using IP Suspension with a Simplified Authorisation.

The postal evidence of (re)export will need to be retained in your IP records and shown to HMRC Officer on any assurance visit/audit.

## 8.19 Process for (re)exporting IP goods by a postal operator authorised and operating under the Universal Postal Union requirement

Where IP goods are (re)exported using Royal Mail and/or Parcel Force and / or a postal operator authorised and operating under the Universal Postal Union there is no requirement to submit a Customs Export Declaration to the National Export System (CHIEF). The CN22 and CN23 forms are **equivalent** to a customs declaration.

For Royal Mail Post Office deliveries you should:

- complete and affix a Customs Declaration (Form CN22) to the goods outer packaging
- obtain a Post Office endorsed 'Certificate of Posting' (Form C&E132) for the goods. This is your evidence of export and should be retained in your records and (for IP Suspension) reference information submitted with your Bill of Discharge

For Parcel Force deliveries you should:

- complete and affix a Customs Declaration (Form CN23) to the goods outer packaging
- record the Parcel Force delivery reference in your IP records

- print a copy of your Parcel Force Booking and the online delivery tracking and delivery confirmation screens (or other evidence or reference numbers provided by Parcel Force). This is your evidence of export and should be retained in your records and (for IP Suspension) reference information submitted with your Bill of Discharge

## 8.20 (Re)exporting using postal companies other than Royal Mail or Parcel Force

If you use a company other than Royal Mail or Parcel Force (for example an Express Parcel Operator) a normal (re)export declaration should be made to the National Export System (CHIEF) using a Customs Procedure Code (CPC) in the 31 51 series for IP Suspension or the 10 41 series for IP Drawback (full authorisation holders only as IP Drawback cannot be used with a Simplified Authorisation).

Failure to use the correct IP CPCs will mean that the duties will become due. Under **no circumstances** should Express Parcel Operator MOU Bulking CPCs be used to (re)export IP goods.

## 8.21 Preference countries

Where there are preference agreements between the EU and certain countries you will not be able to claim IP **and** preference (only some preference agreements allow a claim to both). If you are unsure whether preference can be claimed contact our VAT, Excise and Customs Duties Advice Line or see Notice 827 'European Union Preferences: export procedures' and Notice 828 'Export preferences: Rules of origin for exports for further information'.

## 8.22 Can I (re)export IP goods to Channel Islands and other Special Territories to discharge my IP liability?

The movement of inward processing goods to the Channel Islands and other special territories of the EU do not discharge customs duty liability as it does not constitute an export from the customs territory of the EU. All the Special Territories are in the 'Customs' territory of the EU (but may be outside the 'fiscal' territory' see below). Therefore you cannot 'export' goods to the Channel Islands but the export procedure can be used if the movement to the Channel Islands or other Special Territory of the EU is part of an indirect export from the EU (ie the goods will move through the territory before exiting the EU properly).

## 8.23 What about VAT only (re)exports to Special Territories?

For VAT only goods entered to IP, the VAT liability will be discharged if the goods are sent to the Channel Islands and other Special Territories as they are outside the 'fiscal' territory of the EU. See Section 26 for further information on Special Territories and VAT only IP.

## 9 Other eligible methods of disposal

This section explains other eligible methods of disposal for IP goods which may be authorised.

### 9.1 What other methods of disposal are allowed?

You will need to apply on your IP application form for all the methods of disposal (including some of the simplified ones explained in this section) you intend to use. You will need to explain how you will evidence that the IP discharge has occurred.

In addition to transferring goods to another IP Authorisation holder (explained in Section 7) and re-exportation or discharge to Transit (explained in Section 8) you may be approved to dispose of your IP goods in one of the following ways:

Method of disposal	See section
Discharge IP goods to another customs procedure (for example Customs Warehousing (CW) either in the UK or in another Member State.	9.2 – 9.4
Discharge IP goods to Processing under Customs Control (PCC)	9.5
Move goods to another Customs Procedure within an Integrated Authorisation.	See Section 6.13
Move the goods to another approved customs use such as:	
• export shops	9.6
• armed forces	9.7
• NAAFI	9.8
• Embassy or consulate	9.9
• ships stores/bunkers	9.10
• commissary stores	9.11
• goods for use in tray type meals	9.12

Discharge of aviation fuel for third country or intra- EU flights	9.13
Simplified disposal of aircraft or aircraft parts (Article 544c disposals) and spacecraft/satellite and related equipment (A544d)	See Section 15
Temporary export outside the EU (IP and Outward Processing Relief (OPR))	9.14
Declaring IP goods to End-Use relief	9.15
Diverting IP goods to free circulation with payment of Customs duties, import VAT and Compensatory Interest	See Section 10
Diverting IP goods to free circulation at an End-Use duty rate	10.14
Diverting IP goods to free circulation at the rate applicable to the compensating product	10.15
Diverting IP goods to free circulation at Temporary duty suspension rates	10.16
Diverting IP goods eligible for duty relief under another customs relief (Community System of Duty Reliefs)	10.17
Destruction of goods under Customs supervision	9.17
Destruction of secondary compensating products and approved disposal of environmentally unsafe goods	9.18
Re-export of goods to Turkey	9.19

## 9.2 Declaring your goods to another customs procedure

When IP goods are declared to another customs procedure, IP liability will not be discharged until the goods have been received and entered to the new procedure. There should also be an intention to subsequently export/re-export the goods.

The liability of the sending trader is discharged when the commercial receipt is received. You should also request notification when the goods are later re-exported and retain copies of appropriate documents or declaration reference numbers. This is because, if the goods are subsequently diverted to free circulation (see Section 10), Compensatory Interest will become due from the moment the goods were entered to IP to the moment the goods are released for free circulation (this includes any time that they spent under Transit or in the Customs Warehousing or other special procedure.

See Section 11 for further information on the calculation of Compensatory Interest.

## 9.3 Discharging IP goods to another Customs procedure (UK to UK)

If you discharge your IP goods by moving them to an authorisation holder of another customs procedure in the UK (for example Customs Warehousing), the Declaration or Transit methods described in Sections 7.8 and 7.10 may be used. Where the declaration method is used the appropriate CPC should be used (for example 71 51 000 moves goods from IP to Customs Warehousing). If you choose to discharge your goods to Transit, then the **receiver** of the goods will need to make the appropriate CHIEF entry to declare the goods to their procedure.

## 9.4 Discharging IP goods to another Customs procedure in another Member State

If you discharge your IP goods by moving them to an authorisation holder of another customs procedure in another Member State then only the Transit method (described in Sections 7.10 - 7.11) may be used.

## 9.5 Discharging IP goods to Processing under Customs Control (PCC)

Provided the goods originally entered to IP Suspension were eligible in their own right to PCC and further processing is to be carried out under that procedure, declaring the goods to PCC can discharge IP Suspension. A Customs declaration using the appropriate CPC will be required - see the Tariff, Volume 3 Appendix E.

An example of when it might be useful to dispose of IP Suspension compensating products by placing them under PCC is if your IP secondary compensating products (by-products) contain valuable parts or components that would be worth recovering.

If the recovery operation is carried out under PCC, you will pay import duty and VAT only on the recovered parts or components actually put onto the EU market. For further information see Notice 237 'Processing under Customs Control'.

IP Drawback goods cannot be declared to PCC.

## 9.6 Moving goods to Export Shops in the UK

This method of discharge may be used if the Export Shop is authorised as a Customs Warehouse. If the Export Shop is not approved as a Customs Warehouse or approved for IP you will not be able to claim relief.

**Not to be used as a method of discharge if the goods are intended for passengers travelling to other EU countries.**

## 9.7 Moving goods to armed forces

This can apply to sales to:

- armed forces of non- EU countries based in the EU
- armed forces of another Member State stationed in the UK
- UK forces stationed in another Member State

It does not apply to supplies to UK forces stationed in the UK or to supplies to individual service personnel. You will need to get a stamped receipt from the armed forces base and keep the receipt with your IP records as evidence of discharge.

## 9.8 Moving goods to NAAFI

Goods may be moved under the Transit procedure to a NAAFI in another Member State to discharge IP. Goods may then be entered to the applicable visiting forces relief in the receiving Member State.

## 9.9 Sales to Embassies and Consulates

Only to be used for people entitled to diplomatic privilege including:

- diplomats from countries outside the EU who are based in the EU
- supplies to EU embassies outside the EU

For supplies made to non EU Embassies within the EU, a receipt on embassy headed paper should be obtained and kept as evidence of discharge. For UK embassies outside the EU obtain a receipt from the Foreign and Commonwealth office.

## 9.10 Goods used as stores or bunkers on ships or aircraft travelling outside the EU

An example of this type of discharge would be food for passengers. Instead of using Form C88 (SAD), the owner, master, commander or duly authorised agent of the ship or aircraft must write on the order for the goods that the vessel is entitled to receive duty free stores. You must get a stamped receipt for the goods showing this entitlement and keep it with your records.

## 9.11 Goods used as commissary stores

In order to use this simplified discharge method, you must be either:

- a civil airline

- cross channel ferry/hovercraft operator
- a supplier of commissary stores provided you actually load the commissary stores for first use

Commissary stores include cutlery, napkins, impregnated tissues, slippers, head-sets and give away packs containing toilet articles. Goods for sale on board and foodstuffs are not included, with the exception of condiments such as salt, pepper etc usually contained in small sachets. Discharge is made when the goods are used as commissary stores on journeys with a destination outside the UK ie intra- EU flights or cross channel ferries.

Discharge will normally take place by the use of commercial documentation and simplifications are available for through-put periods and Bills of Discharge. For further information contact your authorising office.

## **9.12 Goods for use in tray type meals**

An example of this would be tray type meals delivered direct for export from the UK for intra EU flights, cross channel ferries but not cross channel trains.

Your authorisation should state how the discharge should be made and what evidence of disposal will be required. This will usually be a commercial document with a stamped receipt from the aircraft.

## **9.13 Aviation fuel used on third country and intra-EU flights (but not UK flights)**

Your authorisation should state how the discharge should be made and what evidence of disposal will be required. This will usually be a commercial document with a stamped receipt from the aircraft noting the flight number.

## **9.14 Temporary export outside the EU (IP and OPR)**

Although temporary export does not discharge IP, if the temporary export is for processing and return, you can use Outward Processing Relief (OPR) in conjunction with IP. When you apply for IP authorisation you should make sure that any time under OPR is included in the throughput period you require.

Provided you are authorised for OPR before you export the goods for processing, you can re-enter them to IP and claim OPR when the goods are re-imported. You may want to do this so that if the products are not re-exported you will be able to pay less duty, see Notice 235 'Outward Processing Relief'.

There are specific CPCs which must be used when IP goods are temporarily exported under OPR and subsequently declared to IP on their return. See the Tariff, Volume 3 Appendix E for details of the CPCs that should be used.

When the goods are re-imported to IP, additional duty will be due as a result of processing carried out under OPR. At re-importation the additional duty will be suspended if returned to IP Suspension or must be paid if returned to IP Drawback. The IP duty liability remains until the goods are discharged by an eligible method of disposal.

If you decide not to re-import the goods you will need to apply to have the OPR entry invalidated and replace it with an IP re-export/export declaration under the appropriate IP CPC.

Your authorisation should state how the discharge should be made and what evidence of disposal will be required.

## 9.15 Declaring goods to End-Use

IP suspension and drawback may be discharged if you declare the goods to End-Use provided that:

- you do not regularly divert goods
- the goods originally declared to IP were eligible for End-Use
- the person receiving the goods holds an End-Use authorisation

Unless the goods are declared to End-Use under an Integrated Authorisation the Declaration method (including the appropriate CPC) described in Sections 7.8 - 7.9 must be used.

See Section 10.14 for information on diverting goods to free circulation at an End Use duty rate.

## 9.16 Diverting IP goods to free circulation

Section 10 explains the conditions and processes that must be followed when diverting IP goods to free circulation and at what rate the customs duty should be charged.

## 9.17 Destruction under Customs supervision

**You should always contact your Supervising Office for permission before you destroy goods. If you fail to do so, you may incur a customs debt.**

You should allow the Supervising Office 5 days to grant permission for destruction of goods. This allows them time to arrange for someone to be in attendance to witness the destruction if this is deemed necessary.

**IP Suspension goods** - If goods are found on or after entry to IP, to be defective, contaminated, obsolete or otherwise unusable or you have processed goods which you wish to destroy, you may do so without payment of the duty provided you have the prior agreement of your Supervising Office.



If waste and scrap resulting from destruction has a commercial value, Customs duties and import VAT will be charged on the value and at the rate applicable to the waste and scrap.

**IP Drawback goods** - no relief is available for IP Drawback goods destroyed. However, if they are defective or do not comply with the terms of contract you may be able to obtain relief. See Notice 266 Rejected Imports: 'repayment or remission of duty and VAT'.

## 9.18 Destruction of secondary compensating products

If you have to destroy secondary compensating products, you should treat them in accordance with Section 9.17.

However, if their destruction is prohibited on environmental grounds, you may treat their safe, approved disposal as equivalent to export/re-export. To find out if your secondary compensating products can be destroyed or not and how they can be safely disposed of contact DEFRA at: [waste.policy@defra.gsi.gov.uk](mailto:waste.policy@defra.gsi.gov.uk)

## 9.19 Re-export of goods to Turkey

Provided that no ATR preference document has been raised, you can discharge IP by sending the goods to Turkey as to any other non-EU country.

An ATR document can be raised on former IP goods only after they have been properly diverted to free circulation with full payment of customs duties and import VAT. This is because an ATR can only be issued for goods that originate or are in free-circulation in either the EU or Turkey.

Notice 812 'European Community Preferences: trade with Turkey' provides further information on ATR certificates.

## 10 Diverting IP goods to free circulation in the EU

This section explains how to discharge your liability for the customs duties and Import VAT suspended on entry to Inward Processing by diverting the IP goods to free circulation with full payment of customs duties (including Anti Dumping duty and others), import VAT and Compensatory Interest (if due).

## **10.1 Diversion to free circulation**

Diversion to free circulation should not be considered a usual method of disposal of IP goods, there should always be an intention to re-export the goods when they are declared to IP. Diversions to free circulation must be authorised by your Supervising Office and, as diversion to free circulation is a customs procedure, a Customs declaration (a Diversion declaration) is required to be submitted to CHIEF.

The UK Tariff provides all the information you need to complete Customs declarations (including codes required). Your Supervising Office will be able to provide an aide memoire to help with the completion of a Diversion declaration.

## **10.2 Are there any circumstances when I can divert goods to free circulation without prior authorisation from the Supervising Office?**

You may request authorisation for 'general release to free circulation'. If you are authorised for this, you will not have to seek prior authorisation for each diversion. You may also be authorised to submit a periodic Diversion schedule (submitted with the Bill of Discharge), for all the goods diverted to free circulation within the accounting period. For further information on general release for free circulation please see Section 10.5.

## **10.3 Will I have to pay the customs duties and import VAT suspended when the goods were declared to IP?**

If you divert IP Suspension goods, including any products you make from them (main and secondary compensating products) you must pay all the customs duties suspended on entry to IP (at the rate they were first entered to IP) and the import VAT due which is calculated on the value of the goods, plus Compensatory Interest (chargeable on the customs debt element only). If only a proportion of the compensating products are diverted to free circulation, you will pay a corresponding proportion of the duties suspended.

Details of how to calculate Compensatory Interest is explained in Section 11.

## **10.4 Is there a limit to the amount of goods I can divert to free circulation?**

UK Customs policy limits diversions to free circulation to a maximum of twenty per cent of all goods (per commodity code) entered to IP in 1 year. You will need to keep detailed records of the amounts you enter to free circulation and produce any evidence if you are audited in the form of authorisation letters/emails from your Supervising Office, Diversion declarations and CHIEF reference numbers and receipts of payment.

If you find you are consistently diverting a proportion of your goods to free circulation, you should consider adjusting the amount you enter to IP.

## **10.5 How do I apply for general release for free circulation?**

You should indicate on the IP authorisation application form (C&E810 - Box 18) if you wish to apply for this simplification. If you are a new IP trader, you may be asked to wait for a period of time so your Supervising Office can assess your compliance record before this simplification is granted.

The simplification will only be approved if you have a proven compliance record and can show that you are able to keep the required records (including accurately recording the percentage of your IP goods being released to free circulation in each accounting period). You will also be required to accurately complete Diversion declarations including submitting accurate calculations of the amount of customs duties, import VAT and Compensatory Interest due on the goods diverted.

It should be noted that goods released to free circulation with a periodic submission of a Diversion declaration may incur additional Compensatory Interest as the calculation period will be longer if the submission of the Diversion declaration has been delayed to the end of the throughput period.

## **10.6 Are there any restrictions on the use of this simplification?**

Goods liable to licensing or tariff restrictions are not eligible for this simplification and you cannot use it for declaring goods to an End-Use duty rate (see Section 10.14) Processing under Customs Control (see Section 10.15), or where a quota is being used (see Section 10.8). Prior authorisation from your Supervising Office must always be sought in these cases and the Diversion declaration submitted as soon as permission is granted.

## 10.7 Diverting goods subject to import licensing restrictions to free circulation

**You must always get approval from your Supervising Office before you divert licensed goods to free circulation.**

If you intend to divert IP suspension goods or compensating products that are subject to license restrictions, you must first obtain a licence from the BIS Import Licensing Unit and present it with the Diversion declaration. Licensing requirements apply to the description by commodity code of the goods as first imported into the EU, that is, the imported goods, not their classification following processing (compensating product). See Section 18.12 for contact details for BIS.

## 10.8 Diverting goods subject to tariff quotas or ceilings

You must check if quantitative restrictions apply in respect of goods identical to those you declared to IP at the time of diversion (see Notice 375 'Tariff Quotas' and Notice 826 'Tariff Preferences - Imports') before seeking permission from your Supervising Office to divert the goods.

## 10.9 Duty due on IP goods diverted to free circulation

The duty due is determined on the basis of how much 'import goods' are in the goods you are diverting to free circulation. You may be able to pay less duty if the imported goods qualified for 'preferential tariff treatment' when they were imported provided the same treatment is available for identical goods at the time you divert them to free circulation. If the goods qualify you will need to make a tariff quota claim see Notice 375 'For further information contact you Supervising Office'.

## 10.10 Methods of calculating duty

There are 3 methods of calculating the duty due:

- **quantity method (compensating products)** - this is used where only one kind of product is produced under IP. The amount of duty is determined by the amount of import goods used to produce the amount of compensating product diverted
- **quantity method (import goods)** - this applies where more than 1 compensating product is produced and all elements of the import goods are found in each compensating product

- **value method** - this is used where neither of above applies, for example, where import goods are broken down during processing. The quantity of import goods used to produce each compensating product is determined by the ratio of the value of each product to the total value of all products produced. The value of each product to be used for applying the value method should be
- the recent ex-works price in the Union, or
  - the recent selling price in the Union of identical or similar products and not be influenced by any relationship between the buyer and seller

If you want to use the quantity method (import goods) you must submit an example of both methods to your Supervising Office for consideration, with an explanation why you need to use it. If either method gives similar results your application will be considered.

Working examples of these methods can be found in Official Journal OJ C 269 24 September 2001.

In addition to these methods, you may be able to use the End-Use rate (see Section 10.14) or at the rate applicable to the compensating products (see Section 10.15).

## **10.11 Diverting IP goods received from another Authorisation holder in the UK**

If you divert IP goods you have received by transfer from another IP authorisation holder in the UK, you should request details of the imported goods from your supplier or ask your Supervising Office to raise a Form INF1 (see Section 11.7) to obtain the information from your suppliers Supervising Office.

## **10.12 Diverting IP goods received from an authorisation holder in another Member State**

If you divert IP goods received from another Member State, ask your supplier to send you Form INF1 (see Section 11.7). This will show the amount of duty due and the date the goods were entered to IP. Use this to calculate the Compensatory Interest due.

You will have to pay VAT at the UK rate on the date of the diversion based on the value of the goods when they were first entered to IP in the EU (also on the INF1) and inclusive of duty (but not Compensatory Interest ). You may be able to reclaim the import VAT as input tax.

Compensatory interest charges are not included in the value for VAT purposes.

## 10.13 Calculations of VAT on IP goods received from another Member State

### Examples:

If you are diverting a single item or several items received from another Member State with the same duty rate, you can calculate the VAT due as follows:

Duty rate (at time goods entered to IP) = 10%

Duty Suspended on entry to IP in the EU (as shown on Form INF 1) = £400

Value for duty is £400 x 10 = £4,000

Total = £4,400

VAT due is £4,400 x [current UK VAT rate] 20% = £880

If you are diverting several items with **different duty rates**, ask your EU supplier to confirm the 'value for VAT' of the diverted goods at import to that country.

If you are diverting goods because you are transferring them to a taxable person in another Member State, you may be eligible for the import VAT to be relieved under Onward Supply Relief. For further information see Notice 702 'Imports' and Notice 702/7 'Import VAT relief for goods supplied onwards to another country in the EU'.

## 10.14 Diverting goods to free circulation at an End-Use duty rate

You must contact your Supervising Office before any goods are released at the End-Use rate to make sure that your goods are eligible.

If you put IP Suspension goods to an eligible End-Use, you may use the End-Use duty rate without declaring the goods to End-Use relief provided that:

- this is not a regular method of disposal
- the IP Suspension goods being diverted are being put to an eligible End-Use

A Customs declaration is required using the appropriate CPC. The End-Use authorisation Code EU/9999/999/99 should be inserted in box 44.

In the case of IP Drawback, your claim will be limited to the difference between the full rate of duty and the End-Use rate being claimed provided that this is not a regular method of disposal and the goods are being put to an eligible End-Use.

If you release IP goods to free circulation and then discover that you were eligible to use the End-Use rate, you may still be able to get the benefit of any reduced rate. You should write to your Supervising Office giving full details of the circumstances.

## **10.15 Diverting goods to free circulation at the rate applicable to the compensating product**

You must contact your Supervising Office before any goods are released at the rate applicable to the compensating product to make sure that your goods are eligible.

Where the import goods were eligible for PCC and the processing carried out under IP could have been carried out under PCC, the compensating products can be diverted to free circulation using the duty rate applicable to the compensating product. If the duty advantage gained from claiming the lower rate is in excess of €50,000 per year, the compensating product will need to undergo a PCC economic test. You will need to provide certain information to BIS (see Notice 237 'Processing under Customs Control for full details').

If you release the goods to free circulation and then discover that you were eligible to the rate applicable to the compensating product, you may still be able to get the benefit of any reduced rate. You should write to your Supervising Office giving full details of the circumstances.

## **10.16 Temporary duty suspensions**

Temporary duty suspensions allow the duty free importation of raw materials, components and semi-finished products that cannot be supplied (or supplied in sufficient quantities) from EU sources. Suspensions allow unlimited quantities to be imported.

If the goods that were originally declared to IP are eligible for a duty suspension, the duty free rate can be used if the goods are subsequently released to free circulation, even if the goods have been processed and another commodity code now applies. However, if the duty suspension applies only to the commodity code of goods that are produced under IP (either your main or secondary compensating products) the duty suspension cannot be used. Please refer to the BIS website for full details.

## **10.17 Community System of Duty Reliefs**

In very limited circumstances, your compensating products may be entitled to duty relief because they are eligible under other customs relief to duty free admission. These reliefs come under the general heading of 'Community System of Duty Reliefs'. If you think you are eligible, you should contact your Supervising Office before you release the goods to free circulation.

## **11 Compensatory interest**

This section explains compensatory interest (CI) which is charged when IP Suspension (IP(S)) goods are diverted to free circulation and also in other circumstances such as IP (S) goods being transferred to IP Drawback (IP(D)).

## **11.1 Why is Compensatory interest charged?**

Compensatory interest is charged on IP(S) goods to prevent operators who later divert IP goods to free circulation in the EU gaining a financial advantage over operators who import directly to the EU market with full payment of Customs duties and import VAT.

Compensatory interest is also due on goods released to free circulation which were previously entered to IP(D) and are re-entered to a suspensive customs procedure (for example IP Suspension, Customs Warehousing or Temporary Admission).

## **11.2 Calculation of Compensatory interest - IP(S) goods**

Compensatory interest is calculated from the first day of the month following the date of first entry to IP(S) in the EU, to the last day of the month in which the goods are diverted and the customs debt is incurred. If goods are not put to an eligible disposal (see Sections 8 and 9) by the end of the agreed throughput period and no extension has been requested, the debt will be incurred on the day the throughput period expires.

## **11.3 Calculation of Compensatory interest - ex IP(D) goods**

If you have IP(S) goods that were previously entered to IP(D) the charging period starts from the first day of the month following the month in which the repayment claim under IP(D) was actually repaid.

## **11.4 Calculation of Compensatory interest - Customs Freight Simplified Procedures (CFSP)**

If you use CFSP to enter goods to IP(S) the charging period for interest commences either:

- on the first day of the month following the date of acceptance of your simplified declaration
- if you use local clearance procedures (CFSP (LCP)) the first day of the month following the date on which the goods left temporary storage

## **11.5 Charging periods**

There is a minimum charging period of one month, so no compensatory interest is due for periods of less than 1 month.



Where IP(S) goods are transferred/discharged to another suspensive procedure (such as Transit, Customs Warehousing, Temporary Admission or Outward Processing Relief) before being released to free circulation, any time spent in the other suspensive procedure will be included in the compensatory interest charging period.

Some examples of interest calculations can be found in Section 11.12.

## 11.6 IP(S) goods received from/sent to other Member States for diversion to free circulation

If you receive IP(S) goods from another Member State (or send to) which are later released to free circulation, Form INF1 (see Section 11.7) will be used to establish:

- the date when the goods first entered IP(S) in the EU
- the amount of duties and other charges that were suspended on first entry
- the value of the goods (used for the calculation of import VAT due - see Section 10.13)

## 11.7 Form INF1

Information Sheet 1 is a document used when IP Suspension goods travel between Member States. Form INF1 (C&E 1143) provides details of the goods at the time of their first entry to IP in the EU including confirmation of the amount of duty and other charges that were suspended on first entry to IP (S). It is used when goods are diverted to free circulation in a Member State other than where they were first declared to IP.

The INF1 can be raised and sent with the goods at the time of transfer or later when the goods are diverted to free circulation. They should be stamped by the Supervising Office of issue and notes for completion are included on the form. [The form is available to view](#) for information purposes only. Please do not complete downloaded copies.

If you need a copy of this form please contact the [our Helpline](#) on telephone: **0300 200 3700**

## 11.8 Compensatory interest rates

The UK and Euro Zone Member States' interest rates are available to view on our website at [Compensatory interest rates](#) or by contacting the Helpline on telephone: **0300 200 3700**.

The rate applied will be the rate shown on our website for the month in which a customs debt is incurred and applies to the whole period for which interest is due. If goods were first entered to IP suspension in another Member State, the rate for that country will apply.

Form INF1 is an information document used to confirm the amount of duty and other charges that were suspended on first entry to IP (S) when goods are diverted to free circulation in a Member State other than where they were first entered to IP.

## **11.9 Other ways of calculating compensatory interest**

If the methods described in Sections 11.2 - 11.4 (and examples in Section 11.12) are a problem to you in terms of administrative costs or your processing operations involve other Member States, you may make your own proposals for a simplified method of calculation suited to your systems. Contact your Supervising Office for further information.

## **11.10 Process for the payment of debt and compensatory interest**

Unless your authorisation allows otherwise (see Section 10.2), you must submit a Diversion declaration (C88 SAD) to your Supervising Office for approval before the goods are released to free circulation. The calculations for the amount of duties, import VAT and compensatory interest due should be included in Box 47 of the declaration. Once approved you will need to arrange for the Diversion declaration to be submitted to CHIEF and the debt paid. Compensatory interest can be keyed to Box 47 using tax code 876.

An aide memoire for the completion of a Diversion declaration can be provided by your Supervising Office.

## **11.11 Circumstances when compensatory interest will not be due**

No compensatory interest is due if:

- the period for interest is less than 1 month
- the interest due on a diversion entry is less than €20

- you release the goods to free circulation to obtain a preference certificate (EUR1 invoice declaration or suppliers declaration) for export to a preference-giving country. The rules relating to preference are explained in Notice 827 'European Community preferences: export procedures', Notice 828 'Tariff preferences: Rules of origin for various countries' and Notice 829 'Tariff preferences: Rules of origin for Syria')
- you destroy goods under Customs supervision and the resultant scrap and waste is released to free circulation (see Section 9.17)
- you divert secondary compensating products which are eligible to be charged at their 'own rate' due to export of your main compensating products (see Section 11.13)
- you paid cash security at least equal to the amount of duty due;
- goods are placed under Temporary Admission with partial relief from import duties (see Notice 200 'Temporary Admission')
- IP Drawback goods placed under another suspensive procedure (such as Transit, Customs Warehousing, TA or IP Suspension) with a view to subsequent re-export from the EU are released to free circulation where no IP (D) repayment has yet been made
- you can prove that a firm export order has been lost due to circumstances beyond your control. You must forward to your Supervising Office written evidence to support your claim. Please note: If you wish to divert goods whilst your claim is being considered by the Supervising Office, you must provide security to cover the full amount of potential interest

## 11.12 Examples of compensatory interest calculations

### Example 1

Electric motors imported under IP suspension for assembly of washing machines.  
Rate of yield = 1:1

8/4/99: 1000 motors imported

Duty suspended = £1000

19/8/99: 510 washing machines (containing 510 motors) diverted to the union market.

Diversion declaration should be presented for 510 motors:  
CPC 40 51 000

Duty £510

VAT 17.5% £89.25

Interest @ 10% per annum from 1/5/99 to 31/8/99 (4 months):  
 $£510 \times 10/100 \times 4/12 = £17$

## Example 2

Integrated circuits (ICs) and resistors imported under IP suspension for TV assembly.  
Rates of yield = ICs 10:1, resistors 20:1

1/8/99: 1000 ICs imported, Duty suspended = £1000

15/9/99: 5000 resistors imported, Duty suspended = £250

28/9/99: 48 TVs (containing 480 ICs and 960 resistors) transferred to an IP drawback trader - declaration to CHIEF under CPC 41 51 000

**Duty on ICs = £480**

Interest @ 10% per annum chargeable from 1/9/99 to 30/9/99  
(1 month) =  $£480 \times 10/100 \times 1/12 = £4.00$

No compensatory interest is chargeable on this diversion as the total interest due is below the de minimis of €20 (see Section 11.11).

**Duty on resistors = £48.**

No compensatory interest is chargeable on this diversion of resistors as the charging period is less than one month.

## 11.13 Charges for Secondary Compensating Products (SCP 'own rates')

If your processing operations result in SCPs which you wish to release to free circulation in the EU, you may be able to pay a reduced or nil rate of customs duty, that is, the rate applicable to the SCP if it, itself, had been imported. This rate is referred to as the 'own rate' but can only be considered in proportion to the quantity of Main Compensating Products (MCPs) exported from the EU.

For example, if you export 90% of your MCPs you can use the own rate, if applicable, for up to 90% of the SCP that you release for free circulation. However, you will not be entitled to claim relief on SCPs in respect of any quantities of MCPs you release to free circulation even if the SCPs are exported from the EU or destroyed under Customs supervision.

The calculation of own rate charges will be based on the difference between the duty rate of the goods originally imported to IP and the duty rate of the SCP calculated on the value of the SCP.

Your authorisation will state whether any SCPs you produce may be eligible to an own rate. To find the duty rate you can look in the Tariff under the CN code for the SCP.

## **12 Discharging Inward Processing Suspension - the Bill of Discharge**

This section explains how to discharge goods from the Inward Processing (Suspension) by completing the Bill of Discharge (Form C&E812 for full IP authorisation holders and Form C99 for IP with a Simplified Authorisation).

### **12.1 How do I discharge my liability for the customs duties and import VAT that is suspended under IP?**

To discharge your liability for the duties and import VAT suspended you must submit a Bill of Discharge (BoD) providing details of how the goods were discharged - either by re-export or by another eligible method of disposal.

It is the responsibility of the IP Authorisation holder (not your agent) to make sure the BoD is completed and submitted to HMRC within the time limit set in EU law.

NB Bills of Discharge are not completed for IP Drawback. Please see Section 17 on how to reclaim the Customs duties and import VAT paid on your IP (D) goods using form C&E813.

### **12.2 What is a Bill of Discharge?**

The BoD discharges your liability for Customs duties and Import VAT suspended at import and provides HMRC with the information we require for any assurance or audit checks that need to be carried out to make sure the conditions of IP procedure (which are laid down in EU law) have been met throughout the end to end process.

Periodic assurance checks or audits are undertaken on all Customs Procedures with Economic Impact. This is to make sure that IP traders are not obtaining an advantage over others without fully complying with the conditions of the procedure. The BoD should provide all the information required to trace the IP goods from the moment of entry to the moment of discharge from the procedure.

It should include references to all the relevant documentation used to enter and dispose of the goods such as CHIEF import and export declaration reference numbers etc. If an assurance check is then undertaken we are able to trace the movement of the IP goods using the declaration reference numbers.

### **12.3 Legal responsibility of the IP Authorisation holder**

**Please make sure that you understand the implications of the 'Declaration' on the BoD before signing.**

When you sign the Declaration section of the BoD you are making a legal declaration as to the accuracy and completeness of the Bill of Discharge. The Declaration must be signed by the IP authorisation holder or someone who has the legal authority to sign documents for him, for example, the company director, financial director or a legal representative or agent.

Anyone who gives false information about goods declared under the IP arrangements may be liable to penalties under the Finance Act 2003.

## **12.4 When is the Bill of discharge due?**

The BoD must be received by HMRC within 30 days of the end of the agreed throughput period. The time limits set for the submission of the BoD are absolute, you should make sure that it is submitted to Customs in time for them to be received on or before the final deadline set. You should not wait for the final date to submit your BoD. It is recommended that you submit them as soon as you have the information available on the period/goods to be reported.

For traders with a full IP authorisation: your authorisation letter will specify whether you are to submit monthly or quarterly aggregated BoDs. Your Supervising Office will not send reminder letters. The frequency of submission of BoDs and dates they are due will be clearly set out in your authorisation letter and you will be expected to meet these as part of the conditions of your authorisation to use the Inward Processing procedure.

Some examples of when BoDs would be due for monthly and quarterly aggregation are outlined in Section 12.8.

For traders using IP with a Simplified Authorisation: the through-put period is set at a standard 6 months (except for UFH see Section 21) so the last day the BoD can be received by HMRC is thirty days after that period ends. However, you do not have to wait for that deadline the BoD should be submitted as soon as the goods are properly re-exported/disposed of.

Traders using IP with a Simplified Authorisation will receive a “reminder” letter when the throughput period ends (thirty days before the BoD is due). These should be actioned as soon as possible (if you have not already submitted the BoD) to make sure you meet the legal deadline for submission.

## **12.5 Where should I send my Bill of Discharge?**

BoD forms C&E 812 (or C99 for Simplified Authorisation holders) should be completed and sent to your Supervising Office who may ask you to produce evidence to support the discharge as part of their assurance processes.

For fully authorised traders the contact details will be included in your authorisation. Further information on the completion of the BoD form [C&E812](#) can be found in Section 13.

For traders using IP with a Simplified Authorisation the Supervising Office is NIRU (see Section 3.29). Traders using IP with a Simplified Authorisation should use the i-form **C99** . Further information on the BoD process for IP with a Simplified Authorisation (and completion of [Form C99](#)) can be found in Section 16.

## **12.6 What are the consequences of not submitting a BoD on time?**

If you fail to submit a BoD by the time limit(s) specified, a debt under Article 204 of the Customs Code is incurred and the Customs duty, import VAT plus compensatory interest (if applicable) will become due. The submission of a BoD is one of the conditions/requirements of HMRC allowing the duties and import VAT to be suspended and all conditions relating to a customs procedure with economic impact must be met to retain the benefit of that procedure.

If a C18 debt demand is issued for the non submission of a Bill of Discharge, Customs duties, import VAT and compensatory interest will become due on ALL items that should have been reported on the missed BoD (even if you can prove subsequently that these were indeed re-exported) This precedent was set in the European Court of Justice Case C-262/10 - Döhler Neuenkirchen GmbH - 6 September 2012.

## **12.7 Is it possible to obtain an extension if I forget to submit a BoD?**

The requirement to submit a Bill of Discharge is clearly set out in your IP authorisation and in the 'Welcome' and 'Reminder' letters which IP with Simplified Authorisation traders receive. You are expected to meet the deadlines set. If this requirement is not met, then the authorisation to use IP may be withdrawn.

If you have failed to submit a BoD within the required time limit you should contact your Supervising Office immediately to explain the circumstances that led to the late submission. They may agree to grant an extension to the throughput period so that you can then complete and submit a late BoD for the goods.

Approvals for extensions are not automatic and you will need to show that there are exceptional circumstances which warrant such an extension before it is granted.

You are unlikely to be granted more than one extension for failure to submit a BoD as this is a standard condition of using IP procedure which is clearly set out in IP Authorisations and in the 'Reminder' letters received by traders using the Simplified Authorisation process. If it is agreed that, in exceptional circumstances, the debt may be remitted, the remittance letter will make clear that any further occurrences will be regarded as obvious negligence as the conditions relating to the use of IP will have been fully explained again.

## 12.8 When is the BoD due for authorised IP traders?

Fully authorised IP traders will be informed in their authorisation letter of whether they should submit their BoDs monthly or quarterly. It is a condition of all authorisations that 'nil' return BoDs are also submitted (See Section 12.9).

Some examples of when BoDs would be due for monthly and quarterly scenarios are as follows (the examples assume an agreed through-put period of 5 months):

### (a) Monthly aggregation

Goods entered on....	Through-put period starts on ....	Through-put period ends on ....	Suspension returns due by ....
3 January	}	}	}
12 January	}	}	}
14 January	} 31 January 2013	} 30 June 2013	} 30 July 2013
15 January	}	}	}
20 January	}	}	}

### (b) Quarterly aggregation

Goods entered in.....	Through-put period starts on ...	Through-put period ends on ...	Suspension return due on ...
January – 5 entries	}	}	}
February – 20 entries	}	}	}
March – 14 entries	} 31 March 2013	} 31 August 2013	} 30 September 2013
	}	}	}

Instructions for the completion of the BoD can be found in Section 13.

## 12.9 What if there has been no IP activity in a particular period?

BoDs are required to be submitted at monthly or quarterly intervals throughout the whole of the IP Authorisation term (usually 3 years). 'Nil' returns on form C&E812 are required even when there has been no IP activity in a particular period.



## 12.10 Are there any alternatives to completing the C&E812 BoD form?

You can apply to submit a schedule printed from your own systems but you must be able to show that it will contain all the information that is required by law (Article 521(2) of the Customs Code Implementing Regulations 2454/93) for the completion of a BoD.

When submitting a schedule you should submit it with a signed C&E812, completing Section 1 (information about the authorisation holder) and Section 2 (information about the accounting period) each time a BoD is submitted (unless specifically instructed by your Supervising Office).

This simplification is not available for traders using IP with a Simplified Authorisation.

## 12.11 Simplified IP Suspension BoDs

You can also apply to submit a simplified BoD that omits certain details from form C&E812 provided they are readily identified in your records.

Your Supervising Office must be satisfied that your records are sufficient to support the use of any simplification granted and will need to check your systems and records before it can be approved. In addition, you must be a regular user of IP with a good compliance record.

**Applications for this simplification will not be approved unless you have previously submitted at least three full BoDs by the dates due that:**

- **contain all the information required**
- **have no errors**

If you are approved for this simplification but fail to or prove unable to provide the information required, the facility will be withdrawn and you will be required to complete form C&E 812 in full.

This simplification is not available for traders using IP with a Simplified Authorisation.

## 13 Completion of form C&E812 (BoD)

This section provides information on the data to be provided in the Bill of Discharge (Form C&E812). Traders using IP with a Simplified Authorisation should refer to Section 16 and 27 for information on the completion of their equivalent BoD (i-Form C99).

## 13.1 General information about form C&E 812

[Form C&E812](#) is available on the HMRC website for printing. This section of the Notice provides guidance for its completion.

Work is taking place to update this form to i-form status, when this is completed help text will be provided within the electronic form but the guidance in this notice should be followed until that update has been completed.

You must account for **all goods entered to IP within the accounting period**. The Bill of Discharge should include details of all re-exports (or other methods of disposal) and you should also account for goods brought forward from a previous accounting period and those that will be carried forward to the next accounting period. Goods carried forward need specific authorisation from your Supervising Office.

**No goods entered to IP in the accounting period that the BoD covers should be left unaccounted for.**

If you are approved to provide a schedule of information printed from your own systems you should make sure that it covers all the requirements of a BoD as set out in Article 521(2) of the Customs Code Implementing Regulations 2454/93.

## 13.2 C&E812 - first section About you

**All fields in this section should be completed:**

- IP Authorisation number
- Authorisation holder's name
- Authorisation holder's Economic Operator Registration and Identification (EORI) number. Please note the EORI number replaced the old 'Trader Unique Reference Number (TURN)' in 2009
- Authorisation holder's postcode

## 13.3 C&E812 - second section - Accounting period

Depending on whether monthly or quarterly aggregation is authorised, you should complete all the relevant fields in this section. Using the example in Section 12.8 your BoD should show:

**For monthly aggregated BoD due on 30 July 2013:**

- month in which goods entered = 01 2013

- through put period = 5
- date suspension return (BoD) due = 30 07 2013

**For quarterly aggregated BoD due on 30 September 2013:**

Your January declarations will be rolled up with those for February and March and your BoD will show:

- Quarter in which goods entered = 01 2013 to 03 2013
- Through put period = 5
- Date suspension return (BoD) due = 30 09 2013

## **13.4 C&E812 - third section Goods entered into IP**

In this section, you should provide details of all goods you have declared to IP Suspension during this accounting period. You should include all:

- third country imports to IP
- goods declared to IP from other customs procedures (for example Customs Warehousing)
- transfers from other IP traders

You will also need to indicate whether goods have been 'brought forward' from a previous accounting period.

Where there is more than one Customs Import Declaration bringing goods into IP in the accounting period, you will need to complete a separate column on the C&E812 for each Customs Declaration. Additionally, where a Customs Import Declaration covers more than one Commodity Code (CN Code) you will need to complete a separate column for each CN Code on each declaration.

### **Box 1 (2 part field)**

In the first field '**Customs** Entry declaration reference' - enter the appropriate reference number of the document/declaration which brought the goods into IP:

- for a Customs Import Declaration (C88 SAD) this will be the two part reference number issued by CHIEF
  - 3 digit Entry Processing Unit (EPU) number, followed by
  - the Customs Import Declaration number (which is six numbers followed by a letter, for example 120/123456A)

- for transfers made using paper 3-copy SAD, 2-copy SAD or commercial documents this reference number may be that of the receipt you issued to the supplier of the goods

In the second field 'Date of Customs Entry declaration' - enter the date of the document/declaration which brought the goods into IP:

- for a Customs Import Declaration (C88 SAD) this field is equally important as it forms the third part of a CHIEF reference number. Without it, the Customs declaration cannot later be traced on the CHIEF system for assurance or audit checks
- for transfers made using paper 3-copy SAD, 2-copy SAD or commercial documents this will be the date the goods were declared into your records under LCP (Receipt of goods) approval

### **Box 2 Brought forward**

Enter 'B/F' if the goods have been brought forward from a previous accounting period. Leave field blank if the goods in this column have not been brought forward.

This field is used to indicate that IP goods, which should have been discharged on a previous BoD, were granted approval for an extension to the Throughput Period (TPP) by the Supervising Office. Requests for TPP extensions should be made in writing to your Supervising Office. You must have permission from your Supervising Office for all 'brought forward' IP goods.

### **Box 3 (2 part field)**

In the first field 'Commodity Code or description' - it is helpful if you include both the Commodity Code and a commercial description of the goods. These should match those you are approved for in your IP Authorisation. Importing goods to IP without a valid authorisation for those commodity codes will result in suspended duties becoming due.

If the document/declaration in Box 1 covers multiple Commodity Codes, you should use a separate column in the C&E812 for each code.

Commodity Codes (sometimes referred to as CN codes) are available in [Tariff Volume 2](#) which is available free on line.

In the second field 'Rate of Duty' - enter the rate of duty applicable to the goods described above (these are also available in Volume 2 of the UK Tariff). Do not give the rate of duty for the compensating products produced from your processing operation, It is the duty rate of the goods at the time they were imported that should be specified here.

### **Box 4 Quantity of goods**

Enter the amount of goods declared to IP in the document/declaration in Box 1. The quantity should be expressed in the unit appropriate to the goods (for example - kilos, tonnes, litres etc).

### **Box 5 Customs value**

Enter the amount shown in Box 47(b) of the Customs import declaration (or the equivalent on commercial documentation).

It is mandatory to complete this field if your authorisation is for economic codes limited by the value of the goods (that is - economic codes 30(7), 10, 11 or 12 - see Section 24). However it is helpful if the value field is always completed in a BoD.

### **Box 6 Customs charges applicable**

Enter the amounts shown in Box 47 of the Customs Import declaration. (or the equivalent on commercial documentation) Customs duty, Import VAT and other duties such as Anti Dumping Duty) which you wish to be suspended should all have been included in this field of the declaration.

### **Total**

Enter the total of the duties suspended (and listed under section 6).

## **13.5 C&E812 - 4th section - Disposal of goods entered into IP**

In this section, you must show how the duty liability on all goods declared to IP in the accounting period (ie all those declared in the 'Goods entered into IP' section) has been discharged. All goods declared to IP in this BoD accounting period must be accounted for. The IP duty liability is discharged when the goods are re-exported or another approved method of disposal is used (see Section 9). You will need to provide full details in this section of each disposal including references to the documentation that will evidence that disposal and (in a later section) information on goods which have been granted an extension to the throughput period and so are authorised to be carried forward to another BoD accounting period.

Where goods are disposed of by means of a CHIEF Customs declaration - for example when they are declared for re-export, declared to another Customs procedure in the UK (such as Customs Warehousing, Processing under Customs Control, Temporary Admission, End Use) or declared to another IP authorisation holder in the UK, CHIEF will allocate a Customs declaration reference number which is made up of the 3 digit Entry Processing Unit (EPU) number followed by the Declaration entry number and the date.

If there is more than one method of disposal for IP goods entered in Box 1 (for example some were re-exported and others discharged to Customs Warehousing) then a separate column should be completed for each aspect of the disposal.

### **Box 7 (2 part field)**

In the first field 'Disposal reference number' - enter the appropriate reference number depending on the type of disposal:

- for goods declared for re-export - enter the Customs Export Declaration reference number which is:
  - the 3 digit Entry Processing Unit number, followed by
  - the Export Declaration entry number (which is a letter followed by 5 numbers then a letter, for example 111/A12345B)
- for goods transferred to another IP authorisation holder (without a new customs declaration) enter the original Customs Import Declaration reference number
- for goods declared to another Customs procedure (such as Customs Warehousing, Processing under Customs Control, Temporary Admission, End Use) enter the appropriate declaration reference
- for goods discharged to Transit enter the Transit Movement Reference Number (MRN)
- for goods transferred to another IP authorisation holder using the paper 2/3-copy SAD or commercial documents - enter the reference number of the receipt you received for the goods
- for goods already approved for release to free circulation by means of a Customs declaration - enter the 'Diversion declaration' number if this has already been submitted to CHIEF

If you are authorised to make periodic declarations to free circulation without obtaining prior permission from your Supervising Office (see Section 10 on 'General release to free circulation') and you are submitting a diversion declaration with the BoD, no Diversion declaration number will have been allocated so you should enter in this box 'See Diversion Declaration attached'.

In the second field 'Date of Disposal' - enter the appropriate date of the document/declaration supporting the disposal (or the date it was entered into your records.

### **Box 8 Method of disposal**

Enter the appropriate code applicable to your method of disposal. These are listed in the Completion notes on the back of the current C&E812. If you are releasing the goods to free circulation, you must make sure you choose the code appropriate to the duty charging rules applied. Section 10 on diverting goods to free circulation explains these options including diverting at an End Use duty rate.

### **Box 9 Commodity Code and goods description**

Enter the Commodity Code and a brief description of the goods of the goods being discharged. The codes should be current (available in the UK Tariff) and you should have authorisation to dispose of the Commodity Codes declared on the BoD. Your IP processing may mean that the Commodity Code for the goods entered to IP does not match those being disposed of (as the processing changes the Commodity Code of the compensating product) but all of the Commodity codes of compensating products will be listed in your authorisation. Your BoD should not show the disposal of any goods with a Commodity Code different to that for which you are authorised.

### **Box 10 Quantity of goods**

Enter the amount of processed products (described in the last field) being discharged (re-exported/transferred etc). If your compensating products are the imported goods in the unaltered state and they are all being discharged at once then the details should match the goods declared on the original import declaration.

### **Box 11 Rate of yield**

The rate of yield should be shown as a ratio (for example 1:1 or 1:0.80). It is usually set in your authorisation. The rate of yield is the relationship between the quantity of the goods declared as entering IP (in Box 4) and the goods declared as being discharged (in Box 10). You should not state 'see processing records' or similar wording.

### **Box 12 Customs charges on which relief is claimed**

This is the amount of duty liability you are requesting be discharged on this BoD. Enter the amount of Customs duty, Import VAT and other duties (such as anti-dumping duty (but not excise duty)) that would be due but that has been suspended on the goods entered into Box 6.

You should not enter details of any goods you are releasing to free circulation (including those at a reduced or nil rate of duty using preferential rate (Section 18.2), End Use (Section 10.14) or PCC charging rules (Section 10.15)). These must be included as separate disposals in Box 8 and, as the duty and other charges on these are due (even where the amount due is nil), details of these goods should be included in Box 13.

### **Box 13 Customs charges due**

Some methods of disposal (for example, goods being released to free circulation and goods discharged to IP Drawback) require you to repay the Customs duties and Import VAT suspended when the goods were entered to IP Suspension. You should record the amount of charges due to be paid in this box.

If you release goods to free circulation at a reduced rate of duty using a preference document, End Use, PCC charging rules or a temporary duty suspension applied to the imported goods these should also be included here even if the liability is nil.

If you have already submitted a Diversion declaration and the payment of duties/Import VAT due has already been made the Declaration reference should be noted in Box 1. No further payment in respect of the declaration will be required unless compensatory interest is due.

Payments should only be included with this BoD if:

- you are authorised to make periodic declarations to free circulation
- the Diversion declaration accompanies this return

## **13.6 C&E812 - fifth section - Goods carried forward to the next accounting period**

Enter details of goods approved to be carried forward to the next accounting period. Goods may only be carried forward where an extension to the throughput period has been approved by the authorisation holder's Supervising Office.

You should include the following details:

- the reference number and date of the document/declaration which originally brought the goods into IP
- the amount being carried forward - either the amount declared on the original declaration OR the balance of un-discharged goods it has been agreed can be carried forward. The quantity should be expressed in the unit appropriate to the goods (kilos, tonnes, litres etc)
- the period of the extension agreed by your Supervising Office (number of months throughput extension agreed). Please include the date of the approval letter

## **13.7 C&E812 - sixth section - Declaration**

When you sign this section you are making a legal declaration as to the accuracy and completeness of the Bill of Discharge. The 'Declaration' must be signed by the **IP** authorisation holder or someone who has the legal authority to sign documents for him, for example, the company director, financial director or a legal representative or agent.

Please make sure that you understand the legal implications of the declaration before signing (see Section 12.3).



## 14 Equivalence

When you apply for an Inward Processing authorisation, you may also apply to use equivalence and/or prior export equivalence. This section also explains 'triangular traffic' and the use of Forms INF5 and INF9.

### 14.1 What is equivalence?

Equivalence can allow you to use identical free circulation goods in place of the goods you are authorised to enter to IP for processing and export. It must not be used to offset exports of free circulation goods in order to reduce import bills on non-EU imports for use on the EU market.

You must obtain prior authorisation to use any form of equivalence (so it cannot be used in conjunction with a simplified IP authorisation). Your authorisation may also restrict use of equivalence to a specified source only. You can apply for equivalence by completing Sections 16 and 17 of the C&E810 and attach any additional information on the processes and products as applicable.

### 14.2 Are there any limitations on the use of equivalence?

If you apply for IP because the goods you need are not available in the EU you cannot claim equivalence on EU produced goods. Similarly, if you apply for IP because your customer specified import goods rather than EU goods, you can only claim equivalence on goods from the same source.

Additionally, equivalence in any form described in this section is not permitted where the authorised process is either:

- 'usual forms of handling' - economic code 30(3) - See Section 21
- any goods that would attract excise duty if released to free circulation

You should also note that, if the goods you export would have been subject to export duties had you not been exporting under IP, security will be required in lieu of those charges. This will be repaid provided the replacement third country goods are imported within the time limits set in the IP authorisation. Section 20 explains how to obtain a guarantee.

Prior export equivalence (explained below) cannot be used with IP Drawback.

### 14.3 When would I use Equivalence?

You may be authorised to use equivalence in the following ways:

- common stocking - if you are authorised for this, you do not have to keep imported IP goods separate from equivalent, free circulation goods. They can be stored together and it does not matter if you cannot immediately physically differentiate between them. However, your stock records must clearly show which goods are in free circulation and which were declared to IP. They should also show drawdown against the appropriate records - for example, any goods sent for export should be drawn down from the IP stock record and those sent for EU market orders drawn from the free circulation stock. If the free circulation stock is exhausted and you obtain an EU market order, IP stock must first be released to free circulation before it can be used to cover the order
- replacement parts - if you import goods for repair or renovation, you can export/re-export a part that was previously repaired by you. If the imported part is under warranty or guarantee, you can export/re-export a new replacement part
- prior export equivalence (PEE) - This is a variant of equivalence (explained in Sections 14.7 - 14.11 below) that, if authorised, allows the export of goods or products made from equivalent free circulation goods to take place before the import of the third country IP goods. PEE cannot be used for goods held under IP Drawback procedure

## 14.4 What conditions apply to the use of equivalence?

When you consider applying to use equivalence, you need to make sure that the following conditions will be met:

- you will need to provide evidence in your application that clearly demonstrates that the free circulation equivalent goods are exactly the same as the third country IP goods. Only in certain situations can goods differ, any difference must not itself be a characteristic or factor that changes its use or affects its acceptability to your customer. For example - where colour is a factor - as it is in clothing etc, any difference would not be acceptable
- your records and systems must be able to provide a full audit trail for all PEE goods and should identify at all times balances of each type of stock and be able to record credits for third country goods not yet brought in to support free circulation goods already exported. Your records must also be able to show that the replacement goods were imported within the time limit set in the authorisation; your non-EU and EU customers should not be able to differentiate between the finished goods for any reason

## 14.5 How do I demonstrate that goods meet the criteria for equivalence?

To be equivalent, goods must be exactly the same as the goods you are authorised to import to IP. They must be of the same commercial quality, technical characteristics and Tariff sub-heading (that is, they share the same first 8 digits of the commodity code). The goods that you substitute for the imported IP goods can be:

- goods obtained from EU sources which are already in free circulation
- imported goods from the same source (as the IP goods) which you have entered to free circulation
- goods imported from other sources, which you have entered to free circulation

Your authorisation will set out any conditions relating to the sourcing of the goods including whether the use of equivalence is restricted to one source only.

To help you decide whether product A is equivalent to product B, you will need to answer the following questions:

- are A and B mutually interchangeable?
- would an EU and non-EU customers ordering A (or a compensating product containing A) accept B (or a compensating product containing B) instead and vice versa?
- do you differentiate between A and B for any reason?

If you do not export any of your imports it must not be because your non- EU or EU customer differentiate between the goods, for any reason.

If your answer to the first two questions is "yes" and to the third "no", then assuming that A and B share the same first 8 digits of the commodity code, they will usually be equivalent for IP purposes.

## 14.6 Is it possible to use goods at a more advanced stage of processing than the imported goods?

This may be allowed provided you carry out the essential part of the processing on the equivalent goods or it is carried out on your behalf by an operator named in your authorisation. You will need to demonstrate to the Authorising/Supervising office that:

- the more advanced stage goods were manufactured from goods which would qualify as equivalent as the goods you are authorised to import
- you or an operator named on your authorisation carry out the same processing on the goods as the processing you are approved to do under IP
- the compensating products you obtain from the goods at a more advanced stage are the same as those you are authorised to produce under your authorisation
- the process takes place at your premises or at an operator's premises named on your authorisation

## 14.7 When would I use Prior Export Equivalence (PEE)?

PEE can be of use to you in a number of ways:

**(i) urgent orders** when you may not have IP goods on hand but do have identical free circulation stock available. If you receive an order but you do not have any IP goods in stock, you can (provided you are authorised to do so) export immediately, using equivalent goods drawn from your duty paid stock. You can then import replacement goods to IP later (within the time limit set) and use them as you wish without payment of duty

**(ii) occasional exports** - if you only occasionally have export sales, or export sales are only a small proportion of your total sales, it may not be practicable to apportion imports in advance to either IP or free circulation. You can initially import goods to free circulation, wait until you have exported products and then import goods to IP to replace the goods exported from your duty paid stock

**(iii) apportioning of imports** - if you are entering goods to IP based on a reasonable estimate of your export requirements and you find that you have underestimated your IP needs, you can simply supply your export markets with products made from free circulation materials. When you next import, you can enter a higher proportion to IP, as you already have a 'credit' of prior exports

## 14.8 What are the time limits for replacing PEE stock?

The time limit within which you will be expected to replace exports made under PEE will be set out in your IP authorisation letter.

For goods subject to a common market organisation (primarily agricultural goods in Chapters 1 to 24 of the Tariff), you must import within three months of export. The time period for these goods cannot be extended in any circumstances.

For most other goods, you must import replacement goods within six months of the export of the equivalent free circulation goods.

If for any reason you are experiencing difficulties, meeting the time limit set in your authorisation you should contact your Supervising Office immediately to request an extension. You will need to explain fully the reasons why you cannot meet the time limit and requests for extensions will be considered on a case by case basis.

If an extension is granted it is restricted by law to a maximum total period of twelve months.

## **14.9 PEE - export orders**

If PEE is authorised, and you have no IP stocks available at the time you receive an export order, you may use free circulation (FC) goods to fill export orders and later 'replace' them with imported third country IP goods.

The EU free circulation goods, which are exported take on the customs status of IP compensating products when the export declaration is accepted (and cleared) by Customs. Any Transit documents raised must therefore show the status of the exported goods as T1. The export of EU equivalent goods allows you to build up a 'credit' of PEE, which can later be written off as the credit is replaced by the import of third country goods. The imported replacement goods take on the status of free circulation goods when the import declaration is accepted (and cleared) by Customs, without payment of Customs duties and Import VAT.

The equivalent EU goods must be replaced by the import of third country IP goods within the time limit set in your IP authorisation. If you do not replace the equivalent goods within the time limit the PEE 'credit' is lost. You cannot (later than the time limit set) allocate imported stock to offset the prior export of EU goods.

## **14.10 PEE - EU market orders**

You cannot use IP goods to fill EU market orders without full payment of Customs duties and import VAT unless:

- a) you have no free circulation goods in stock records
- b) you have a credit on your PEE 'account'

If free circulation goods are available these should be used first to fill EU market orders (and the duty paid stock records suitably drawn down), if no FC stock balance is available but you have a PEE 'credit' you may use IP goods for these orders (up to the maximum of that credit). However, if the EU order is more than the PEE credit available then you will need to release goods to free circulation in the usual way (with full payment of Customs duties and import VAT) before using these goods to fulfil your EU market order.

When operating with PEE authorisation you should note your records in the following order:

- 1st if there is IP stock available - exports should be drawn down from that stock record
- 2nd if no IP stock is available the export can be made from free circulation goods creating a 'credit' of PEE in your records

When the free circulation goods are later replaced by import goods (within the time limit set in your authorisation), the equivalent PEE balance should be 'written off' in your records.

The imported, replacement goods take on the status of EU goods when the import declaration is accepted and cleared by customs and they are released to free circulation without payment of customs duties and import VAT.

## **14.11 What is the Customs status of equivalent goods under PEE?**

Under prior export equivalence, although in free circulation, the equivalent goods (when exported) assume the customs status of IP goods when the export declaration is accepted. The imported replacement goods change status on entry and become EU goods when the import declaration is accepted and they are released to free circulation.

The use of equivalence or prior export equivalence does not change the origin of the exported goods, which retain their true origin.

## **14.12 Are there any goods for which I cannot use equivalence?**

The following agricultural goods have special equivalence rules, under Annex 74 of the Customs Code Implementing Regulations (2454/93):

Rice, wheat, sugar, live animals and meat, maize, olive oil, milk, and milk products. For further information on the rules relating to these products see Section 29.

## **14.13 Triangular traffic and Forms INF 5 and INF9**

Triangular traffic is defined in the Customs Code Implementing Regulations as '...traffic where the office of discharge is not the same as the office of entry'.

Office of entry means the customs office or offices indicated in the authorisation as empowered to accept declarations entering goods to the arrangements.

Arrangements means a customs procedure with economic impact (such as Inward Processing).

Office of Discharge means the customs office or offices indicated in the authorisation as empowered to accept declarations assigning.

entry for the arrangements, to a new permitted customs approved treatment or use.

INF 5 - 'INF 5 may be used when compensating products obtained from equivalent goods are exported under triangular traffic with prior exportation (EX/IM).

INF 9 - 'INF 9 may be used where compensating products are assigned another permitted customs approved treatment or use under triangular traffic (IM/EX).'

## **14.14 Authorisation to use triangular traffic with PEE**

If you wish to use prior export equivalence (PEE) with triangular traffic (this is where the person exporting compensating products obtained from equivalent EU goods is different to the person authorised to enter the replacement third country goods to the arrangements) you will need to request specific authorisation in your application for IP and you may need to use Form INF5 for transactions.

To obtain authorisation to use PEE with triangular traffic you should include (in Box 9 of the C&E810 form (Details of planned activities)) details of the proposed transactions and of the person (including their EORI number) who will enter the replacement goods to the arrangements.

## **14.15 Transfer of rights and obligations (TORO)**

If another trader is authorised to enter the replacement goods this involves a 'transfer of rights and obligations' (TORO) from the holder of the IP authorisation to the importer (transferee). The details about the transferee should be included in Box 9 of the C&E810 IP application form. If the details of the transferee are not known at the time of the IP application, it is possible to provide these details at a later stage by requesting an amendment or modification to the authorisation. The transferee must be a company established in the EU.

Section 14.18 below describes some scenarios where an INF5 would be used and this transfer of obligations occurs.

## **14.16 INF5 process**

Form INF5 is completed by the exporter authorised for PEE, the original and copies 1, 2 and 3 must be completed. The quantity of import goods to be entered to the arrangements at a later date (identified in box 6 of the INF5) should correspond to the quantity of compensating products obtained from equivalent goods exported under PEE arrangements.

The quantity on each INF5 raised builds up a 'credit' for PEE which may then be discharged/run down by others authorised to enter the replacement goods. These persons must be named on the IP authorisation. There may be a number of traders authorised for this and named in the IP authorisation but, when the INF5 is completed, only one trader should be named in Box 2.

## 14.17 Completion of an INF 5

**Boxes 1 and 2** - In addition to the name and contact details of the holder of the authorisation and the importer, their respective EORI numbers should also be entered.

**Box 2** - this should be completed by the IP authorisation holder at the latest when the processed products are declared for export. Only one trader can be named in this box, a list of all traders named on the authorisation is not acceptable

**Box 8** - only one customs office of entry should be indicated

### Export leg

The customs office accepting the export declaration should endorse Box 9 of the INF5 and return the original and three copies to the declarant. The customs office of exit (which may be the same as the customs office accepting the export declaration) should endorse box 10 and send copy 3 to the Supervising Office. The original INF5 and copies 1 and 2 should be returned to the declarant.

### Import leg

The declaration for entry of the replacement goods for the arrangements must be accompanied by the original and copies 1 and 2 of INF5.

The customs office where the declaration for entry to the arrangements is presented should note on the original and on copies 1 and 2, the quantity of replacement import goods entered for the arrangements and the date the declaration was accepted (this should be within the time period set on the INF5). The customs office of entry should retain copy 1, send copy 2 to the Supervising Office (that is the Supervising Office of the IP exporter who raised the INF 5 originally (named in Box 7)) and return the original to the declarant (that is the importing declarant).

If these instructions are followed, both the exporter's IP Supervising Office and the importer authorised to use the transferred rights of the INF5 will have an endorsed copy of the INF 5 for their records]

## 14.18 PEE, triangular traffic and use of INF5 - example scenarios

**Scenario 1** - PEE no triangular traffic - no INF5 required



Company A processes EU sugar (as equivalent goods) into jam and caramel within its IP authorisation. Products are exported under IP EX/IM. Company A subsequently imports third country sugar under the equivalence system.

No INF5 is required as the same company is exporting Union sugar and importing non-union sugar to replace it.

**Scenario 2** - PEE and triangular traffic - INF5 required

Company A processes EU sugar (as equivalent goods) into jam and caramel within its IP authorisation. Products are exported under IP EX/IM.

Company A subsequently imports non-union sugar under the equivalence system (or may transfer the rights and obligations to another company named on its IP authorisation (see below)).

Company B (a sugar dealer) is named on Company A's IP authorisation. He wishes to import third country sugar under the equivalence system and sell the imported sugar with exemption from duties under EX/IM on the EU market. Company B does no processing for Company A but he lodges the customs import declaration so , if an INF 5 was raised naming him, then he can operate by importing the replacement third country goods and then sell them on the EU market with no duties payable as an equivalent amount of EU goods has already been exported by Company A.

INF5 is required to transfer the rights and obligations from Company A to Company B.

Each IP authorisation holder may be restricted in the amount of sugar it can import to IP. However, it is possible for a number of IP authorised companies to transfer the rights and obligations for their quota of the replacement sugar to one sugar dealer, so long as he is named on all the authorisations and is specifically named in Box 2 of each INF5.

**Scenario 3** - this scenario looks at which company should be authorised for PEE and triangular traffic when 3 companies performing different tasks are involved/linked.

Company A holds an IP authorisation with the use of standard equivalence only granted. Prior Export equivalence is not authorised.

Company A imports raw cane sugar (CN Code 1701 13 90) under IP.

Company B on behalf of Company A processes the raw cane sugar into white sugar (CN Code 1701 99 10).

Company C in another Member State is also linked to Company A. Company C exports refined, white sugar (CN Code 1701 99 10) via another MS which has been manufactured from EU sugar beet (ie not from the imported raw cane sugar).

Rules on sugar equivalence:

Raw cane sugar (CN 1701 13 09 and 1701 14 90) can be equivalent to sugar beet (CN 1212 91 80) so long as the processed product produced is CN1701 99 10 (ie the goods that are exported by Company C in this scenario).

In the scenario above where Company A holds the authorisation in the first Member State - the white sugar in the first Member State is not 'assigned a customs approved treatment or use' so IP is not discharged correctly and a customs debt incurred. The operations are not in line with Annex 74 CCIP and A 115(4) CC.

However, an alternative would be that an IP authorisation with prior export equivalence could be granted in the Member State where the refined sugar (CN 1701 99 10) made from EU sugar beet is exported. Company C could then export the white sugar under Inward Processing (EX/IM) and Company A could import replacement duty free cane sugar. Company A would need to be named in Box 2 of the INF5 raised in the other Member State.

## **14.19 Triangular traffic with standard equivalence (not PEE) - Form INF 9 (IM/EX)**

Where you use equivalence but the IP goods or compensating products will be discharged (assigned another approved customs treatment or use, for example re-export) by another person you must obtain authorisation by indicating on the C&E810 application form your intention and giving details of the person who will make the (export/discharge) declaration. If that person is situated in another Member State, you will need to use form INF9.

Form INF9 is completed at the office of entry when the goods are imported and entered to IP procedure. The office of entry should send copy 3 to the Supervising Office and return the original and other and copies to the declarant. The declaration discharging the arrangements (made in the other Member State by another person named on the IP authorisation) will need to be accompanied by the original INF9 and copies 1 and 2.

The office of discharge indicates on the INF9 the quantity of compensating products exported/discharged and retains copy 1. Copy 2 should be sent to the Supervising Office named in Box 9 of the INF9.

## **14.20 Scenario for standard equivalence and use of INF9**

Company A (Biscuit company) in UK has IP authorisation. Co A imports sugar to manufacture caramel for biscuits. This is then sent to Company B in France (named on the IP authorisation) for incorporation into biscuits. Company B completes the biscuit product and then re-exports the finished product (which includes the element of IP goods). In this scenario the goods are entered to the arrangements by one person and discharged by another. INF9 is raised by the importer of the sugar and sent with the caramel to Company B who discharges the IP when the finished products are exported.

## 15 Simplifications within an IP Authorisation

This section provides information on the simplifications which may be authorised for traders who hold a full IP Authorisation.

Please note, unless otherwise indicated, the simplifications listed below are **not** for use by traders using IP with a Simplified Authorisation.

### 15.1 Simplifications available for UK, Integrated and Single Union authorisation holders

When you apply for your IP authorisation you may also apply to use one or some of the simplifications available. Use of some of the simplifications listed below will only be granted to traders who have held an IP authorisation for at least 6 months and have a proven compliance record.

The simplifications available are as follows:

- inventory system (15.2)
- discharge using FIFO (First in/First out) (15.3)
- reduced information on or quarterly aggregation of IP Suspension Bills of Discharge or IP Drawback claims (see Sections 12.11 and 17.13)
- alternative methods of calculating compensatory interest (see Section 11.9)
- A544 discharges - civil aircraft and spacecraft (see Sections 15.5 – 15.7)
- A544c - Simplified discharge of civil aircraft and aircraft parts destined for civil aircraft and Simplified Discharge by Anticipation (see Sections 15.8 and 15.12)
- tax free shopping scheme (15.15)

### 15.2 Inventory System

Allows the through-put period to be extended for all goods that remain in stock at the end of the agreed period (except those goods listed in Section 23.2 which are restricted by law to a through-put limit)

## **15.3 Discharge using FIFO**

If you have entered goods to IP under several import declarations and you are unable to determine which compensating product has been produced from which imported goods you can discharge your duty liability (or make a repayment claim for IP Drawback) on a First in/First out basis.

## **15.4 Aircraft parts with airworthiness certificates**

As an alternative to Inward Processing, importers of aircraft parts may use the airworthiness certificate scheme.

With the introduction of Council Regulation 1147/2002 which came into force on 1 July 2002, it is now possible for parts, components and other goods falling within chapters 25 -97 of the Tariff imported for civil aircraft with a certificate of airworthiness issued by a party authorised by aviation authorities within the community or aviation authorities of a third country, do not need to be entered to IP to obtain relief from duty provided they are imported with a certificate of airworthiness.

Further information on the use of certificates of airworthiness can be found in the UK Tariff - Volume 1 Part 9 and also in the CPC notes in Volume 3 on the CPCs 40 00 001 and 40 00 002.

## **15.5 Simplified discharge under A544**

This article explains what can be regarded as (re)exportation or 'discharge' of the IP goods under this simplification. The 'delivery' of an aircraft or spacecraft discharges the goods without the necessity for a customs declaration for release for free circulation or payment of import duties.

The articles also allow that the IP goods can be discharged when they have been 'used for the first time' on condition that the records of the IP authorisation holder make it possible to verify that the arrangements of IP have been correctly applied and operated.

## **15.6 Goods and processes that may benefit from simplified discharge under A544**

Authorised IP traders involved in the following may wish to be authorised to use the simplified discharge methods available under Article 544:

- the manufacture of civil aircraft for delivery to civil airline companies (including EU airlines)
- the repair, modification or conversion of civil aircraft

- the manufacture, repair or modification of parts for civil aircraft
- the manufacture, repair, modification or conversion of spacecraft and related equipment (such as satellites), their launch vehicles and ground station equipment and parts which are an integral part of those systems, including those destined for launching sites in the EU

Please note 'ground station equipment' is - systems or equipment inherent to the post launch control of the satellite. This equipment has a certain degree of control over the data transmission including the ability to re-programme and re-configure the orbiting satellite so as to alter its operating parameters, software and, in certain circumstances, its orbital trajectory. Any facility only capable of transmitting or receiving data from an orbiting satellite would not be considered ground station equipment.

A large range of goods may be discharged in this way - from nuts and bolts to wings and engines but please note the exceptions below which cannot use simplified discharge.

## **15.7 Goods and processes excluded from A544 simplified discharge procedures**

Items excluded from simplified discharge under A544 include:

- commissary stores (see Section 9.11)
- in-flight meals and other disposable items (see Section 9.12)
- any goods used in the construction, repair, modification or manufacture of parts for non-civil aircraft (eg military aircraft)
- equipment destined for divorced tracking stations situated within the EU
- dual purpose goods are not covered by the simplified discharge arrangements until a specified destination has been established (see Section 15.10 for further information on dual purpose goods)
- ground station equipment remaining after the launch must also not be counted as (re)exported

## **15.8 A 544(c) - Aircraft and aircraft parts - new concept of Simplified Discharge by Anticipation (SDBA)**

Following discussion in the EU Special Procedures committee a new concept of SDBA may be applied to aircraft and aircraft parts from 20 December 2012 (the date the guidance paper [TAXUD/A2/SPE/2012/047/REV1-EN](#) was published). The committee recognised that the 'discharge' can occur at a much earlier stage than 'delivery' of an aircraft. The discharge occurs once the final manufacturer (or any of its suppliers in the supply chain) have used the import goods for the first time (and that their records can show a full audit trail to the SDBA).

The concept of SDBA (explained in Section 15.12) below may only be applied to article 544(c) - aircraft and aircraft parts discharges. You will need to request specific authorisation to use SDBA and will need to evidence that your records will be adequate to support this method of simplified discharge. It should be noted that there has, to date, been no similar discussion in the EU committee about applying the SDBA method to discharges under 544(d) - spacecraft. Therefore, until all the goods are incorporated into the final spacecraft build, the discharge for these cannot be made (ie not as goods are passed from one supplier to the next for incorporation into the final product).

## **15.9 Definition of civil aircraft and aircraft parts**

A civil aircraft is any aircraft that carries a civil registration (UK, EU or non EU). The term includes:

- an airline operating for reward chiefly on international routes (see Notice 744c 'Ships aircraft and associated services')
- aircraft imported from outside the EU which do not carry military or non-civil registrations
- aircraft designed or adapted for recreation or pleasure
- aircraft leased by a civil airline or other outlet which continue to be maintained to Civil Aviation Authority (CAA) or equivalent standard

A civil aircraft part is a part that has been issued with a certificate of conformity or an airworthiness certificate in accordance with air worthiness standards administered by internationally recognised aviation authorities which is intended to be fitted to an aircraft described above. It can also include raw materials such as sheet metal or other base products and bulk goods such as fuel, paint, glue, fabric etc which are used to make or repair the part but may not have their own number in accordance with airworthiness standards.

## 15.10 Dual purpose goods

Dual-purpose parts are parts for which there is alternative use to the fitment to a civil aircraft. Unless a specific use is determined for these parts, they are not eligible for discharge upon manufacture.

## 15.11 IP and End Use

If you have End Use stocks on hand you will have the option, on a one off basis, of transferring that stock to IP when the authorisation is first granted. You may however wish to retain your current End Use authorisation or apply for an integrated IP and End Use authorisation if you will continue to be involved with other End Use authorisation holders.

## 15.12 A544(c) Simplified Discharge by Anticipation - for aircraft and aircraft parts

You must request authorisation to use SDBA in your application for IP. The Customs Code Committee (in working paper TAXUD/A" SPE/2012/047) concluded the following:

1. no customs declaration is required for goods discharged under A544c
2. although delivery of civil aircraft is regarded as re-exportation, in practice the discharge takes place at an earlier stage by either the manufacturer or any of its suppliers irrespective of whether they are in the aeronautic industry. Discharge occurs once import goods have been used for the first time for the manufacture, repair, modification or conversion of civil aircraft or of part for civil aircraft. This is called the 'simplified discharge by anticipation' (SDBA)
3. the phrase 'import goods used for the first time' covers the supply of parts to the final manufacturer or to a company which produces intermediate products
4. the records of the authorisation holder must be detailed to verify the arrangements are being correctly applied and operated. They must contain information to identify goods or products through their part numbers, internal company codification, serial numbers etc depending on the stage of manufacture and their allocation to civil usage by reference to program number, purchase order, civil aircraft reference or airworthiness certificate reference etc. The records should also indicate the date on which the SDBA took place such as the date the parts were used by the final manufacturer for the first time for the manufacture of a part of civil aircraft under Inward Processing
5. once goods have been discharged under A 544c the goods have Community status and are not subject to any customs supervision. The aircraft the goods have been used on also has Community status. If the aircraft or parts are subsequently exported then Customs Procedure Code 10 00 must be used not 31 51

6. the application of A 544(c) discharge does not require necessarily that an airworthiness certificate has to be issued for the compensating products. The SDBA may take place for goods for which an airworthiness certificate cannot be issued, for example, titanium or aluminium sheets to manufacture aircraft parts

7. if goods have been imported for repair A 544c discharge cannot be applied. However parts may be imported for repair under standard IP and subsequently used for the manufacture, repair, modification or conversion of civil aircraft and benefit from simplified discharge. An authorisation for IP may be issued to cover both types of activity as long as records contain details of the repair, date the goods were repaired and the SDBA date. The term repair also includes maintenance

8. both new and used parts may benefit from A 544c discharge

9. ATR movement certificates may be used for aircraft obtained after SDBA without payment of import duty as the aircraft is in free circulation.

10. when SDBA is authorised, Secondary Compensating Products (SCPs) such as waste and scrap do not incur a customs debt. You should include details of how much waste or scrap you expect to be produced from each unit of imported IP goods and submit this information with the IP application for authorisation for SDBA (or with any request for amendment of an existing authorisation). Any waste or scrap not originally identified as an SCP on the existing IP Authorisation may incur a duty liability if not directly authorised as an SCP

## 15.13 How to apply to use A544(c) simplification

Complete the IP application form (C&E810) with as much information as possible about your intended process, whether you wish to use SDBA and what MCPs and SCPs (including waste and scrap) are likely to be produced by the processing operation. In particular you should provide the relevant information in the following fields:

**Box 14b** - Simplifications within IP: select the simplification you wish to apply for.

If applying for A544c simplifications you should insert in:

**Box 9** – Details of planned activities: indicate the appropriate process you plan to undertake for example:

- building civil aircraft for delivery to airline companies
- carrying out the repair, conversion or modification of civil aircraft or aircraft parts
- carrying out the manufacture, repair or modification of parts for civil aircraft

You should also provide details of all the sites where the processing will take place.



**Box 10** - Economic Code: Choose the correct economic code to make your IP application under, for example either:

- 30(8) - Building, modification or conversion of civil aircraft, satellites or parts of them
- 30(4) - Goods for repair, overhaul or adjustment

**Box 19** - Additional information: If you are transferring End Use stock (see Section 15.11) attach a schedule showing any End Use goods currently held in stock which are to be transferred to IP and your proposed imports/receipts to IP. The CN code numbers can be shown to the first four digits. However, if equivalence applies, 8 digits must be shown.

## 15.14 Goods returned to stock

IP is discharged when goods are first put to an authorised use. Goods subsequently returned to stock (for example rotables for repair) are regarded as in free circulation and should not be entered in your IP records.

However, if such goods are removed from non-EU aircraft or are imported from outside the EU, they will need to be entered to IP.

## 15.15 Tax free shopping

The UK, in common with other Member States, has procedures that allow VAT zero rating of goods sold by retail for personal export. In the UK the procedure is known as the VAT Retail Export Scheme (RES).

VAT can be refunded under RES to overseas visitors going to a final destination outside the EU so long as the goods are exported by the last day of the third month following that in which the goods were purchased. The time limit for export cannot be extended past 3 months from the date of purchase.

At the time of sale a VAT refund document (Form VAT 407 (or equivalent)) is completed providing details of the retailer, entitled customer, export destination and a description of the goods. This must be signed by both the retailer and the customer at the time of the sale.

The document you send to HMRC to evidence the export and request for VAT to be refunded must be the original signed by you or your representative and by your customer - photocopies will not be accepted by Customs at export.

For further information please see Notice 704 'VAT Retail Exports'.

Eligible retailers can also apply for duty relief under IP for goods sold to overseas visitors exported to non-EU destinations.

For full details of this scheme, please contact your Supervising Office.

## **16 IP with a Simplified Authorisation**

This section provides information on the conditions of use of IP (Suspension) with a Simplified Authorisation which have not been covered elsewhere in this notice.

### **16.1 General conditions relating to the use of IP with a Simplified Authorisation**

IP with a Simplified Authorisation should only be used occasionally (a maximum of 10 times per year) and there are strict conditions attached to its use which, if not complied with, will lead to the Customs duties and import VAT becoming due. This type of authorisation is supervised by National Import Reliefs Unit (NIRU).

The information in this notice replaces that which was previously included in PN 221 - Inward Processing and PN 221A - Inward Processing using a simplified authorisation.

It should be noted that the Simplified Authorisation may only be used for IP Suspension not for IP Drawback.

Traders using Inward Processing with a Simplified Authorisation should make sure they have read and understood the following sections of this notice before declaring goods to the procedure:

- section 1 Foreword and Introduction
- section 2 - Inward Processing General
- section 3 - Inward Processing Authorisation (not Sections 3.9 – 3.16 and 3.18 - 3.26)
- section 4 - Information required for IP authorisations
- section 6 - on the general principles of entering goods to Inward Processing Procedure (importation)
- section 8 - on the general principles of re-exporting IP goods or discharging them to Community Transit procedure (see also Section 16.6 below on the methods of disposal allowed for IP with a Simplified Authorisation)
- sections 10 and 11 on release to free circulation and Compensatory Interest
- section 12 - on the importance of the Bill of Discharge (C99) in accounting for how the IP debt liability (and the IP Customs procedure) has been discharged

## 16.2 Specific conditions relating to IP with a Simplified Authorisation

All traders using Inward Processing must obtain an authorisation from Customs. For traders using IP with a Simplified Authorisation the authorisation is granted when the customs import declaration (using the correct IP Customs Procedure Code (CPC)) is accepted by Customs.

The main conditions of using IP with a simplified Authorisation are as follows:

- you must be established in the EU (see Section 2.8)
- there must be an intention to re-export the goods when the processing is completed
- you must use the correct Simplified Authorisation CPCs, Economic Codes (see Section 24), Commodity and other codes on all Customs declarations relating to the goods
- goods must be processed and re-exported within the through-put period allowed (for most goods this is within six months but for Usual Forms of Handling (UFH - see Section 21) this is three months)
- Traders using IP with a Simplified Authorisation will receive a 'Reminder' letter when the throughput period ends (thirty days before the BoD is due). These should be actioned as soon as possible (if you have not already submitted the BoD) to make sure you meet the legal deadline for submission.
- you must maintain meticulous records to make sure the requirements of the procedure can be verified if Customs undertake assurance or audit checks (see Section 4.11). The records should allow a full audit trail tracking the goods from import through processing to re-export
- Customs officers must be allowed access to your records and/or goods at any reasonable time as IP Suspension goods remain under Customs Supervision at all times
- you must submit Bills of Discharge (Form C99) as soon as possible after the goods have been disposed of or, at the **very** latest, within 30 days of the end of the allocated throughput period. The BoD should be received by the Customs Supervising Office (NIRU) before the deadline set expires (see Section 4.12). See Section 27 for guidance on the completion of Form C99

## 16.3 Restrictions on the use of IP with a Simplified Authorisation

IP with a Simplified Authorisation cannot be used for (or with):

- IP Drawback
- Economic Codes 01, 10, 11, 12 and 99 (see Section 24)
- import and processing of:
  - chapter 93 goods (Arms and ammunition);
  - chapter 97 goods (Works of art, collectors pieces and antiques)
  - any goods (regardless of Tariff Chapter heading) which are over the value of £500,000
  - goods requiring a guarantee (as listed in Annex 44c of Regulation 2454/93 (see Section 20.7)
  - excisable goods
  - meat for airline meals (including cutting, slicing or cooking)
  - catalysts, agents or production accessories (see Section 19) to assist in the manufacture or processing of EU goods for export
  - ozone depleting substances or drug precursor chemicals (see Section 18)
  - where the Rural Payments Agency (RPA) has issued a document permitting entry to IP within the limits determined on the basis of a supply balance under Article 11 Council Regulation (EC) 3448/93 (see Section 22.4 for further information on RPA)
- equivalence, prior export equivalence or triangular traffic (see Section 14)
- other simplifications such as:
  - any simplified import or export procedure (including CFSP and, for export LCP and SDP)
  - any simplified transfer procedures described in Section 7 (including 'moving under the arrangements' (both within the UK and involving another Member State)
  - any simplified discharge procedures (described in Section 15) for aircraft (including Simplified Discharge by Anticipation) and spacecraft/satellites

- simplified procedures to process IP Suspension goods in a Customs Warehouse
- simplified procedures for commissary stores

It is also not allowable for goods processed by one IP Simplified Authorisation holder to be transferred to another IP Simplified Authorisation holder. They must be discharged to a full IP authorisation holder to be an accepted eligible method of disposal.

You should not issue preference certificates for the goods unless the preference rules allow you to. Further information can be found in Notice 827 'European Community Preferences - export procedures'.

## **16.4 End-to-end process for using IP with a Simplified Authorisation**

### **Entering goods to IP**

The goods must be entered correctly to IP using the import declaration process (Customs declaration (C88 SAD) to CHIEF) quoting the correct Customs Procedure Code, Economic Code, Commodity Codes and goods description on the import declaration;

The first time you enter goods to IP with a Simplified authorisation you will receive a 'Welcome' letter from the NIRU system. This sets out the requirements of using the procedure. You should read this carefully as you will be responsible (not your agent) for making sure all the conditions of using the procedure are adhered to and for any debt that arises in relation to the goods as you will have been declared as the 'declarant' on the import declaration (consignee field - Box 8).

### **Through-put period**

For most goods and processes a standard six month throughput period will be granted (the except for UFH which is three months - see above). The goods must be re-exported (or disposed of by some other eligible method of disposal) before the through-put period ends.

If there are exceptional circumstances why you cannot complete the processing or re-export the goods within this time limit you should contact NIRU immediately (and before the original through-put period ends) to explain the circumstances and request an extension. These are not granted automatically you will need to provide valid, evidenced, reasons for the extension request.

The maximum throughput period allowed (including extensions) under IP with a Simplified Authorisation is twelve months. If your goods are likely to take longer to process you should apply for a full IP authorisation.

### **Re-export of goods**

The goods must be re-exported (or disposed of) correctly using the export procedure (Customs declaration submitted electronically to CHIEF) quoting the correct re-export Customs Procedure Code and other codes required on the export declaration (see information on other eligible methods of disposal below).

### **Bill of Discharge**

At the end of the throughput period the NIRU system will send a 'Reminder' letter to the named declarant (Consignee in Box 8 of the original import declaration) stating that you now have 30 days to submit the Bill of Discharge (if you have not already done so)

Please do not ignore this letter as the debt will become due if the Bill of discharge is not received by the specified date

If you have not completed the processing and re-export of the goods you should contact NIRU immediately to explain why.

## **16.5 Specific details to be included in the Customs declaration bringing the goods into IP**

If you use an agent to submit Customs declarations to CHIEF for you, you are responsible for providing the correct details for the IP declarations and also for providing authorisation for them to submit declarations on your behalf as a Direct Representative (ie in your name with the debt liability falling to you - see Sections 2.16 - 2.22).

The following information will need to be provided/retained and where necessary included on the Customs import and re-export declarations:

- shipment details including purchase invoices
- correct Customs Procedure Codes for use with IP with a Simplified Authorisation (see Section 16.9 below)
- the economic reason for the application (Economic code) quoted as an Additional Information code (ECO) in Box 44 – see Section 24
- the type of processing to be carried out quoted as an Additional Information code (PRO) in Box 44 as follows:
  - PRO01 - alcoholic goods
  - PRO02 - tobacco goods
  - PRO03 - chemicals and pharmaceuticals
  - PRO04 - motor vehicles and parts
  - PRO05 - maritime vessels and parts

- PRO06 - aircraft, satellites and parts
- PRO07 - other industrial goods
- PRO08 - milk and milk products
- PRO09 - sugar and sugar products
- PRO10 - other agricultural goods
- whether the 'main compensating products' (see Section 4.2) produced by the processing operation change the Commodity Code (CN) of the goods originally imported to IP (indicated by an Additional Information (AI) code (MCP) in Box 44 as follows:
  - MCP01 – same as import goods
  - MCP02 - change of 8 digit CN code (input the new 8 digit CN code immediately after the AI statement identifier)
- the Rate of Yield (see Sections 4.3 and 4.4) should be indicated by an Additional Information code (ROY) in Box 44 as follows:
  - ROY01 – rate of yield = 1:1
  - ROY02 – rate of yield to be established through processing records.

## 16.6 Eligible methods of disposal

The eligible methods of disposal for IP with a Simplified Authorisation are as follows:

- re-export from the EU
- transfer to another IP trader who holds full IP authorisation in the UK. Please note, if the IP Suspension goods are discharged to an authorised IP Drawback trader, all suspended Customs duties, import VAT and interest must be paid prior to the transfer
- declare the goods to another customs procedure (such as Customs warehousing - CPC 71 51 000)
- transfer the goods to another full IP authorisation holder in another EU Member State – the goods should be entered to the Transit procedure to make the transfer
- IP goods under a Simplified Authorisation being moved under the Transit procedure should always show the status of the goods as T1. Do not declare them as T2 (free circulation goods)

## 16.7 Releasing goods to free circulation

In exceptional circumstances you may apply to NIRU for permission to release the goods to free circulation (see Section 10). If approved, you will be required to submit a Diversion declaration to CHIEF and repay the Customs duties and import VAT (and Compensatory Interest if applicable (see Section 11)) suspended on entry to IP. The Diversion declaration should be sent to NIRU for authorisation along with an explanation of the reasons you wish to divert the goods to free circulation and the payment or your deferment account details.

## 16.8 Destruction of goods

You may apply to NIRU for permission to destroy goods found on or after entry to IP, to be faulty, defective, contaminated, obsolete or otherwise unusable or which, after processing you wish to destroy (see Sections 9.17 and 9.18 for further information on the destruction of goods). You must allow 5 days for the request to be considered as we may require a Customs officer to inspect the goods before destruction or to be present at the time of destruction.

## 16.9 Customs Procedure Codes for IP with a Simplified Authorisation

All the information you need on CPCs and other codes used for import and export declarations can be found in the UK Tariff. Volume 2 (Commodity Codes) is available free on line at the following link: [Tariff Volume 2](#). Further information on how to obtain a UK Tariff can be found on the HMRC website.

It is your responsibility (as IP authorisation holder) to make sure the correct CPCs are used at import and re-export. The use of a CPC represents a declaration to customs that the IP procedure is being used. You (or your agent) should consult the Tariff if you have any doubt about the correct CPC to use.

The list below is for information only and was correct at the time of publication. The CPC should be included in Box 37 of the customs declaration.

### **IP with Simplified Authorisation – import CPCs:**

51 00 001: Customs duties and import VAT suspended

51 00 003: import VAT only suspended (where there is no Custom duty due on the goods);

51 54 001: goods previously entered to IP Suspension in another Member State now being entered to IP with a Simplified Authorisation in the UK

51 71 001: goods with Customs duties and import VAT suspended, previously held under the Customs Warehouse procedure, being entered for processing under IP with a Simplified Authorisation



51 71 004: goods with import VAT suspended, previously held under the Customs Warehouse procedure, being entered for processing under IP (VAT only IP) with a Simplified Authorisation.

### **IP with Simplified Authorisation – re-export CPC**

31 51 000: re-export of goods entered to IP Suspension

### **Release to free circulation CPC (authorisation from NIRU required for use)**

40 51 100: Goods entered to IP Suspension being diverted to free circulation with payment of duties and import VAT.

## **16.10 Completion of the Bill of Discharge (C99)**

Notes for the completion of the C99 i-form can be found in Section 27.

## **17 Inward Processing Drawback**

This section explains the specific conditions relating to the use of IP Drawback. It should be noted that, upon implementation of the Union Customs Code on 1 May 2016, IP Drawback will no longer be available.

### **17.1 What is IP Drawback?**

Under IP Drawback (IP(D)), Customs duties, Excise duty and import VAT are paid at import when the goods are entered to the procedure (using the correct IP (D) Customs Procedure Code). When the goods are later exported, transferred to an IP Suspension holder or disposed of by some other eligible method the Customs import duties may be claimed back. You may also be able to reclaim the import VAT as input tax. You will not be able to reclaim duty on goods you destroy under Customs supervision or on any waste and scrap which results from that destruction.

Although Customs duties are paid on import, goods entered to this procedure remain under Customs supervision at all times and you must allow our Customs officers access to examine your records and/or goods at any reasonable time. You must make sure the goods are imported and exported using the correct IP (D) CPCs and that IP(D) goods are clearly identifiable on export declarations. Bulking CPCs should not be used.

When IP(D) goods are moved through or to other Member States they must be moved under the full Transit procedure showing the status of 'T1' (third country) goods. If you issue transit or status documents that show the status of the goods as 'T2' (free circulation) you must not make any claim for repayment of Customs duties.

## 17.2 How do I enter goods to IP (D)?

The correct Customs Procedure Code should be used to enter goods to IP (D). The codes are listed in the UK Tariff Part 3 Appendix E2, in the '41' series - Home use with simultaneous entry for free circulation for Inward Processing (Drawback).

## 17.3 Conditions relating to IP Drawback

Failure to comply with the conditions relating to IP(D) will mean that your claims for repayment of Customs duties will be refused and may result in prosecution, seizure of goods and/or withdrawal of your authorisation.

The main conditions relating to IP Drawback are as follows:

- you must hold a full IP Drawback authorisation, you cannot use IP (D) under a simplified authorisation (Applications should be made to the relevant authorising office on form C&E 810 (see Section 25))
- you must comply with all the requirements set out in your authorisation, including using the correct IP (D) CPCs
- at the time of entry to the procedure there must be an intention to re-export the goods from the EU
- a 'throughput period' will be set in the authorisation, by the end of which time the processing of the goods should be completed and the goods re-exported (or disposed of using another eligible method of disposal) if you wish to make a claim for repayment. Late claims will be rejected by the authorising office, if you need longer to complete your processing you should contact your Supervising Office to request an extension to the throughput period before the agreed throughput period ends
- claims for the repayment of Customs duties and import VAT should be submitted to your Supervising Office on Form C&E 813 and must be received within 6 months of the date the throughput period ends
- if you issue preference certificates for the goods you must not make any claim for repayment of Customs duties unless the preference rules allow you to. Most preference agreements do not allow you to claim both IP and preference. See Notice 827 'European Community Preferences: export procedures' for further information on preference rules
- standard equivalence (for example Common stocking) may be used with IP(D) if this is included in your IP(D) authorisation

- prior export equivalence and triangulation are not allowed to be used with IP(D)
- IP(D) goods cannot be declared to Processing under Customs Control (PCC)
- Excise duty must be paid on IP(D) goods at import

## **17.4 Goods excluded from IP(D)**

Goods excluded from being entered to IP (D) are those:

- subject to quantitative import restrictions (see Section 18.3)
- subject to tariff measures within quotas
- subject to the presentation of a CAP import/export licence or a certificate within the framework of the common agricultural policy (see Section 18.4)
- where an export refund or tax has been set for the proposed compensating product
- for export under prior export equivalence
- for import under triangulation
- ozone depleting substances (see Section 18.10)

If you wish to use Inward Processing for any of the goods listed above you should apply to use IP Suspension.

Additionally, you cannot submit an IP Drawback claim for destroyed goods.

## **17.5 Compensating products on which IP(D) claims will not be paid**

Drawback will not be repaid on compensating products which, at the time the declaration for discharge/export is presented:

- are subject to an import or export licence
- are subject to presentation of a certificate within the framework of the common agricultural policy
- are eligible for export refunds or tax has been set for them

## 17.6 Destroyed goods

No repayments will be made if IP(D) goods destroyed. However, if they are defective or do not comply with the terms of the contract you may be able to claim repayment for rejected imports see **Notice 266 Rejected Imports: repayment or remission of duty and VAT**

## 17.7 Claiming repayment of duty on IP Drawback goods

Claims for repayment of duties relating to IP (D) goods should be made on Form C&E 813. Your authorisation will tell you where to send the form. Repayment claims must be received by your Supervising Office within 6 months of the end of the agreed through-put period.

It is your responsibility to submit your repayment claims in time. No reminders will be sent.

## 17.8 When to make a claim

Unless you have been authorised for quarterly aggregation, you will need to submit monthly aggregated claims.

Examples of when monthly and quarterly aggregated claims are due (with an agreed through-put period of 5 months) are as follows:

Monthly aggregated claim

Goods entered on	Through-put period starts on	Through-put period ends on	The last date the repayment claim can be made is
3 January	}	}	}
12 January	}	}	}
14 January	}31 January 2013	}30 June 2013	}31 December 2013
15 January	}	}	}
20 January	}	}	}

Quarterly aggregated claim

Goods entered in	Through-put period starts on	Through-put period ends on	The last date the repayment claim can be
------------------	------------------------------	----------------------------	--

			made is
February – 10 entries	}	}	}
March – 20 entries	}	}	}
April – 14 entries	} 30 April 2013	} 30 September 2013	} 31 March 2013
	}	}	}

## 17.9 What happens if I am late submitting a claim?

If you fail to submit a claim within the required timescale you should contact your Supervising Office immediately it becomes apparent to apply for an extension. You will need to provide them with evidence of the special circumstances that led to the claim being made late. You should not expect approval of late claims to be automatic as the conditions relating to the time limit on the submission of claims are clearly set out in your IP authorisation. Each case will be considered by the Supervising Office on the merits of the evidence provided and with regard to the general compliance record in relation to the conditions of the authorisation.

## 17.10 Completing a C&E 813

On each C&E813 claim form you must provide the general information required including full details of the authorisation holder and the accounting period the claim form covers. In Boxes 1 - 5 you must show, on an entry-by-entry basis, details of the goods you declared to IP Drawback during the month/quarter of the claim period that are entitled to a repayment. This should include all third country imports, goods received from other customs procedures such as customs warehouses and all transfers in from other IP traders. In Boxes 6 –11, you must show details of how the goods on which you are reclaiming duty were disposed of.

When submitting a claim on Form C&E 813, you must exclude all references and details to goods discharged under the duty inclusive method detailed in Section 17.12 below.

Further information on the completion of a C&E 813 is included in Section 17.16 below.

## 17.11 Compensatory interest

Compensatory interest is due on goods released to free circulation which were previously entered to IP(D) and are re-entered to a suspensive customs procedure (for example IP Suspension, Customs Warehousing or Temporary Admission).

## 17.12 Specific transfer rules relating to IP Drawback

- when transferring IP Suspension goods to an IP Drawback authorisation holder - the IP Suspension trader must first pay the suspended duties, import VAT and Compensatory Interest and the declaration method described in Sections 7.8 and 7.9 should be used
- when transferring IP Drawback goods to an IP Suspension authorisation holder either the declaration method or Transit procedure (see Sections 7.8 and 7.10) should be used
- there are two options when transferring IP Drawback goods to another IP Drawback authorisation holder in the UK
  - duty inclusive method - using the declaration method, you invoice your customer at a duty inclusive price and obtain your repayment from them. When your customer exports the goods (or disposes them in another eligible manner), they submit a drawback claim and are repaid accordingly
  - using transit (duty exclusive method) - you declare the goods to the Transit procedure and invoice your customer on a duty exclusive basis. This allows you to reclaim drawback. Your customer must declare the goods to IP drawback in the normal way and submit their own repayment claim following disposal of the goods
- transfers of IP drawback goods to or from other Member States with a right to repayment can only be made using the Transit procedure. The transit declaration must show the IP Drawback goods as having T1 status. This allows you to reclaim monies paid when accepting goods into IP Drawback in the UK

## 17.13 Simplified drawback claims

You may apply to your Supervising Office to use a simplified claim that omits certain details from form C&E 813 provided they are readily identified in your records. Your Supervising Office must be satisfied that your records are sufficient to support use of any simplification granted and will need to check your systems and records before it can be approved. In addition, you must be a regular user of IP with a good compliance record.

No application will be approved unless you have previously submitted at least three claims by the due date and they have contained no errors.

If you are approved but fail or are unable to provide the information required, the facility will be withdrawn and you will be required to complete form C&E 813 in full.

## 17.14 Form INF7

If you receive IP Drawback goods from an IP(D) trader in another Member State (that have not yet been subject to a repayment claim) your supplier will be unable to submit a repayment claim until you enter the goods to a customs procedure permitting repayment to be made (for example export, transit (with a view to export) or other CPEI).

To allow your supplier to claim you will need to complete an INF7 (original + 2 copies) and present it to the Customs office accepting your export (or other) declaration. The Customs office accepting the declaration will endorse the INF7 and return the original and copy 1. Return the original endorsed copy to your supplier in the other Member State to support their drawback claim.

If you wish to use the INF7 procedures, please contact your Supervising Office for details.

**It should be noted that the UK will not make repayment under the INF7 procedures where the declaration to drawback was made in another Member State.**

## 17.15 Completion of Form INF7 (C1246)

Box	Information required
1	Enter the name, address and EORI number of the IP drawback authorisation holder supplying the goods
2	Enter your name, address and EORI number
3	Enter your supervising offices address
4	Enter your IP authorisation number.  Note: if you are authorised for IP drawback you will need to be approved to enter the goods you receive to one of the customs procedures identified in Box 9
5	Enter the IP drawback authorisation number and the supervising office address for the holder named in Box 1
7	Enter the description of the goods that are to be exported
8	Enter the quantity of goods indicated in Box 7
9	Enter the customs procedure that you are placing the goods under i.e. export or placing goods with a view to export under the transit procedure, customs warehousing, IP suspension or TA relief including reference to the declaration(s)/documents used to assign them

<b>11</b>	Enter the description of the goods originally entered to drawback
<b>12</b>	Enter the quantity of goods indicated in Box 11

[Form C1246 is available to view](#) here for information purposes only. Please do not complete downloaded copies. If you need a copy of this form please contact the [Excise and Customs Helpline](#).

## 17.16 Form C&E 813 completion

[Form C&E813 Inward Processing Relief - Drawback Repayment Claim](#) is available on the HMRC website.

1st section – About you - All fields in this section should be completed:

- IP Authorisation number
- authorisation holder's name
- authorisation holder's Economic Operator Registration and Identification (EORI) number. Please note the EORI number replaced the old 'Trader Unique Reference Number (TURN)' in 2009
- authorisation holder's postcode

2nd section - Accounting period - Depending on whether monthly or quarterly aggregation is authorised, you should complete all the relevant fields in this section.

<b>Goods entered into IP section</b>	
<b>Box 1 - Import (entry) declaration reference number and date</b>	Details of the Customs declaration placing the goods under your authorisation.
<b>Box 2 - (brought forward)</b>	Only to be used if you have authorisation from your Supervising Office for an extension to the throughput period.  Insert 'B/F' if the goods have been brought forward from a previous reporting period. Otherwise, leave blank.
<b>Box 3 - Commodity Code/description of goods</b>	These should match those included in your authorisation.



<b>Box 4 - Quantity of goods entered</b>	Insert the amount of goods originally declared to IP(D) on the declaration in Box 1 or, in the case of a brought forward declaration, the balance on which an extension to the through-put period was approved by the Supervising Office. The quantity should be expressed in the unit appropriate to the goods (kilos, tonnes, litres etc).
<b>Box 5 - Rate of duty (%)</b>	Insert the rate of duty applicable to the goods described in Box 3.  Do not give the rate of duty for the compensating products.
<b>Box 6 - Customs value</b>	This should be the amount shown in Box 47(b) of the declaration placing the goods under IP or on the equivalent commercial documentation.
<b>Box 7 - Customs charges paid</b>	You should insert the amount of customs duty, anti-dumping duty, import VAT and any other charges (but not excise duty) that you paid in respect of the declaration in Box 1
<b>Disposal of goods section</b>	
<b>Box 8 - Discharge declaration reference and date</b>	Insert details of the declaration disposing of the goods (by export, transit, transfer to another IP trader (either by declaration or transit methods) or other eligible method of disposal. Where commercial documents have been used for transfer or discharge, reference to those should be included here together with the date the goods were removed from your records
<b>Box 9 - Commodity code and description of the goods being discharged</b>	The description of the goods should be that included in your authorisation.
<b>Box 10 – Quantity of goods described in Box 9</b>	This will be the amount of processed products being disposed of and the subject of the claim. If your compensating products are the imported goods in the unaltered state, insert details of the imported goods.
<b>Box 11 - Quantity of goods identified in Box 4 contained in the goods in Box 9</b>	Insert the amount of import goods in the processed products being disposed of and that are the subject of this claim. The quantity should be expressed in the unit appropriate to the goods (kilos, tonnes, litres etc). If the compensating products are the import goods in the unaltered state, leave this box blank.

<b>Box 12 - Method of disposal</b>	Insert the code applicable to your method of disposal. If you have more than one method, you should detail each disposal in separate columns.
<b>Box 13 - Rate of yield</b>	Insert the rate of yield achieved in your processing operation. You must not state 'see processing records' or use any similar wording.
<b>Box 14 - Repayment claimed</b>	Insert the amounts of customs duty, anti-dumping duty, compensatory interest and any other customs charges (but not excise duty) being reclaimed. Do not reclaim any import VAT paid in respect of these goods. This should be done via your VAT return.

Declaration section - please make sure you have read and understand the declaration and that you complete and sign this section of the C&E813.

## **18 Goods subject to import restrictions, licensing and preference**

This section provides information on the conditions relating to certain restricted or licensed goods and those subject to 'preference' agreements.

### **18.1 Prohibited and restricted goods**

Using IP does not remove any obligations to comply with licensing controls or other requirements for restricted or prohibited goods. Information regarding prohibited and restricted goods in the UK can be found in the Tariff, Volume 1, Parts 3 and 4.

The importation and exportation of drugs, firearms and certain other goods is subject to licensing by other government departments. The appropriate department can provide further information.

### **18.2 Goods subject to preferential treatment ('preference goods')**

When preference is available at importation it cannot be claimed when goods are entered to IP Suspension. You should note the details of the preference certificate in your commercial records. Any preferential rate of duty applicable to the imported goods may, however, be claimed if the goods are in the unaltered state when they are diverted to free circulation.

Under IP Drawback, preferential import rates can be claimed but you can only reclaim the reduced rate when the goods are exported, not the full rate.

Further information on preference can be found in Notice 827 'European Community Preferences - export procedures'.

## **18.3 Preference goods with quantitative restrictions**

If the import goods qualify for preferential treatment within tariff quotas or ceilings, the goods must be declared to IP Suspension only, the preferential rate can only be claimed on diversion where:

- the reduced rate was available for the goods that were entered to suspension at the time the declaration was made
- preferential tariff treatment is available for identical goods (those initially declared to suspension) when the declaration to free circulation is made

Goods that are subject to quantitative import restrictions cannot be entered to IP Drawback.

## **18.4 Goods subject to a CAP licence or certificate within the framework of common agricultural policy**

Any goods that require a certificate within the framework of the common agricultural policy may only be declared to IP Suspension not IP Drawback. In addition, IP Drawback cannot be used where an export refund has been set for the compensating products.

If you import goods that require a CAP licence and you release the unprocessed goods to free circulation, you will need to present your licence when the goods are diverted to free circulation.

If you import non-licensable goods for processing into licensable goods which are subsequently released to free circulation, a licence must be presented on release to free circulation.

If you import milk or milk products you should contact the VAT and Customs Helpline on 0300 200 3700 as certain restrictions may apply.

## **18.5 Goods subject to BIS import licences**

If you are importing goods such as textiles, clothing or iron and steel that usually require an import licence from Business Innovation and Skills (BIS), you can enter them to IP Suspension without presentation of a licence. However, if you divert licensable goods to free circulation you will need to obtain a BIS licence (see Section 18.12 for contact details).

## 18.6 Firearms and ammunition

These can be entered to IP Suspension only. Registered Firearms Dealers importing firearms to IP Suspension must present the following licences at the time the declaration to IP is made:

(a) section 1 and 2 firearms either:

- an Open Individual Import Licence
- a Specific Import Licence

(b) section 5 firearms: a Specific Import Licence

See [www.homeoffice.gov.uk](http://www.homeoffice.gov.uk) for further details.

## 18.7 Nuclear materials

These goods can be entered to IP suspension only but you must first obtain a valid import licence from BIS. See [www.bis.gov.uk](http://www.bis.gov.uk) for further details.

If you intend to import any of the following or similar goods, speak to our VAT Helpline on **0300 200 3700**:

- uranium ore concentrates
- plutonium
- uranium 233
- uranium enriched in the isotopes 233 or 235
- natural uranium and mixtures, compounds and alloys containing any of the above, including spent or irradiated nuclear reactor fuel elements (cartridges) covered by commodity codes 26 12 and 28 44

## 18.8 Drug precursor chemicals

If you intend to import 'Category 1' chemicals (those that can be used for the manufacture of synthetic drugs such as ecstasy), you must hold a Home Office licence for each importation and this must be presented with the import declaration.

See [www.homeoffice.gov.uk](http://www.homeoffice.gov.uk) for further details.

## 18.9 Non-quantitative import restrictions (surveillance licences)

Goods can be entered to either IP Suspension or IP Drawback. If IP Drawback is used, a valid licence must be presented and endorsed when the goods are entered. If entered under IP Suspension the licence will not be required unless the goods are diverted to free circulation or are transferred to IP Drawback.

## 18.10 Ozone depleting substances

If you intend to import ozone depleting substances you should contact the VAT Helpline on **0300 200 3700** as some substances cannot be entered to IP and others will require an EU Commission licence before they can be imported. No ozone depleting substances can be declared to IP Drawback, regardless of the licensing requirements.

## 18.11 Restrictions on animals and animal products

If you intend to import certain animals or products of animal origin, they can only be imported at approved Border Inspection Posts to allow checks to be carried out by health officials. These and other goods subject to prohibitions and restrictions are identified in the Tariff, Volume 1, Parts 2 and 3.

## 18.12 Other government departments' contact details for licenses

For information on Import and Export Licensing, please contact:

Licensing	Contact
Import licensing	Dept for Business, Innovation & Skills (BIS) Import Licensing Unit Queensway House West Precinct Billingham TS23 2NF  Phone: <b>(01642) 364 333</b> Fax: <b>01642 364269</b> Email: <a href="mailto:enquiries.ilb@bis.gsi.gov.uk">enquiries.ilb@bis.gsi.gov.uk</a> Website: <a href="#">Dept for Business, Innovation &amp; Skills (BIS)</a>

Export licensing	Dept for Business, Innovation & Skills (BIS) Export Control Organisation 3rd Floor 1 Victoria Street London SW1H 0ET  Phone: <b>020 7215 4594</b> Fax: 020 7215 2635 Website: <a href="http://www.businesslink.gov.uk/exportcontrol">www.businesslink.gov.uk/exportcontrol</a> Email: <a href="mailto:eco.help@bis.gsi.gov.uk">eco.help@bis.gsi.gov.uk</a>
Export of Cultural goods, antiques and works of art, or vehicles over 50 years old	Export Licensing Unit Arts Council Great Peter Street London SW1P 3NQ  Phone: <b>0207 973 5139/5194/5241/5387</b> Email: <a href="mailto:elu@artscouncil.org.uk">elu@artscouncil.org.uk</a> Website: <a href="http://www.artscouncil.org.uk">http://www.artscouncil.org.uk</a>

## 19 Production accessories, catalysts and agents

This section explains what production accessories are and the conditions relating to their use under IP.

### 19.1 What are production accessories?

Production accessories are goods which are not found in (re)exported products but which allow or facilitate their production. They may be partially or entirely used up in the production process but you can still obtain relief from the duty due on them.

### 19.2 Discharging duty liability

To make sure that no advantage is gained through using IP production accessories over UK or other EU producers of similar goods, liability on production accessories will be discharged if either:

- a) used on IP goods - when all the main compensating products are exported and any secondary compensating products are exported (unless an own rate applies (see Section 10.15
- b) used in processing free circulation goods - when all the products are exported

In addition to the above if the production accessory is not used up in the production process it must itself be re-exported or transferred to another customs procedure unless an extended through-put period is agreed by the Supervising Office.

## 19.3 Authorisation

You can apply for authorisation to use a production accessory on goods you enter to IP or on free circulation goods provided they will be (re)exported from the EU. If you are processing IP goods you should include details of the production accessories in Boxes 7 and 9 of the IP application form (C&E810).

If you will be using the production accessories to process free circulation goods you will be restricted to using IP Suspension and security will be required (see Section 19.10).

You will need to provide details of the free circulation goods being used for processing and all products to be made from them together with details of the intended destination of the final product.

## 19.4 Which goods can be considered production accessories?

Examples of production accessories, agents and catalysts are:

- filter media, activated clays and other substances for the filtration of products or goods, such as chemical and petrochemical products, beers, wines, oils and additives
- goods required for the protection of products or goods before, during or after processing, such as special oils, rust preventatives, plastic films and similar wrappings. This does not include items that are not essential to prevent deterioration of goods or products such as standard packing materials that may be supplied with processed goods to the customer
- goods required for the creation of a physical or chemical environment necessary for certain processing operations such as: inhibitors, stabilisers, anti-foaming agents, foam preparations, wetting agents, antioxidant preparations, helium, argon, and carbon dioxide, electrostatic preparations for collecting dust and other particles, paraffin wax and other substances serving as binders for non-agglomerated mixtures of metallic carbides prior to sintering, preparations for the shaping of parts by drawing, dye stamping, punching, extrusion and similar techniques

- surface treatment preparations such as textile lubricants, oils, gasses and special preparations for tempering and case-hardening of articles of steel or other materials, powders, pastes, emulsions and other abrasive or polishing preparations, fluxes, stain removers, detergents and the like
- preparations or substances designed to facilitate the assembling of products or goods such as glycerol, soap and talc
- fuels used either for testing engines constructed under IP or for the detection of faults in engines entered to IP for repair

## **19.5 Which goods cannot be considered production accessories?**

Production accessories, agents and catalysts may NOT include the use of:

- fuels or energy sources other than those needed for the testing of compensating products or for the detection of faults in import goods needing repair
- lubricants other than those needed for the testing of compensating products, their adjustments or withdrawal
- equipment and tools

## **19.6 Setting the rate of yield for production accessories**

While production accessories will not normally be found in the compensating products, a rate of yield should be set for the quantity of production accessory deemed to be present in the compensating products.

An example for the method for setting the rate of yield is as follows:

100 kg of production accessory is declared to IP with a duty liability of £100 and is used in the production of 900 kg of main compensating product and 100 kg of secondary compensating product:

- if production accessory is completely used up - £90 of the duty liability on the production accessory will be deemed to be present in the main compensating product and £10 in the secondary compensating product
- if 50% of the catalyst is used up - £50 of the duty liability remains un-discharged and remains with the production accessory. £45 is deemed to be present in the compensating product and £5 in the secondary compensating product



Sections 19.7 and 19.8 explain the options if any used production accessory remains.

## 19.7 Repeated use

If production accessories remain unchanged after use in your processing operation and can be used repeatedly, they may remain under IP until they are re-exported or transferred to another customs procedure.

If the agreed throughput for the production accessories has ended and you wish to continue to use them to process further IP or free circulation goods for (re)export, you must apply to your Supervising Office to have your throughput period extended.

## 19.8 Residue

If, after processing, you are left with a catalyst residue that cannot be used in further processing operations, it should be treated as a secondary compensating product. If the residue is to remain in the EU, own rates may be available (see Section 11.13).

## 19.9 IP goods diverted to free circulation

**Main Compensating Products (MCPs)** - If you only export a proportion of your MCPs for which the production accessory is used, relief will be determined on the basis of the amount of production accessory used to facilitate the production of the quantity of MCPs exported.

**Secondary Compensating Products (SCPs)** - If an own rate does not apply to any SCPs, the duty will be charged (or for IP Drawback, you will not be entitled to reclaim):

- duty and import VAT at the rate appropriate to the imported goods
- duty and import VAT on the proportion of production accessory deemed to have been used to produce the quantity of SCPs
- compensatory interest (IP(S) goods only)

## 19.10 Security/guarantees

If you enter a production accessory to IP with the intention of using it in the processing of free circulation goods, you will need to provide security for the goods declared to IP. This will be repaid once the production accessory has been re-exported or your liability has been otherwise discharged. Section 20 explains how to obtain a guarantee.

## **20 Security and guarantees**

This section provides information on the options for providing security/guarantee and lists the goods from Regulation 2454/93 Annex 44c which require a guarantee when moved.

It should be noted that this section does not provide information on Transit guarantees. Further information on transit guarantees is available in the Transit Manual or by contacting the Central Community Transit Office (CCTO), Custom House, Harwich, Essex, CO12 3PG.

### **20.1 Why would I need to provide security for customs debt?**

Sections 3.21 and 7.3 explain the circumstances when you may be required to provide security to cover any potential customs debt that may arise.

### **20.2 What about security for import VAT?**

Where security for import VAT is required, you cannot reclaim the VAT on your next VAT return. It can only be reclaimed if the guarantee is called on.

### **20.3 How do I indicate on a customs declaration that a guarantee exists?**

When you complete a declaration, you will need to indicate in Box 47e the method of payment (MOP) for providing security using by using the 'MOP' codes listed in the UK Tariff Volume 3 Part 3 (Box 47e notes).

### **20.4 Options for providing security/guarantee**

Security can be provided by cash deposit or guarantee depending on the circumstances (see table in 20.5 below).

Cash deposits should be provided with the declaration to IP and will be repaid when the compensating products or unaltered goods have been re-exported from the EU or have been put to another eligible method of disposal.

If you are a regular importer/exporter and you are required to give security as a part of your authorisation, you may wish to lodge a single guarantee which will be adjusted accordingly as you declare goods to IP (or any other procedure requiring security) and when you dispose of them.

## 20.5 Type of security required

Type of security applicable by circumstance
<p>In any of the circumstances listed below, security can be provided by either a single guarantee or cash deposit at the point of entry.</p> <ul style="list-style-type: none"> <li>• authorisation holder is established outside the EU</li> <li>• where prior export equivalence is used and the goods being exported would be liable to export duties if the goods had not been declared to IP</li> <li>• where a production accessory is used in the processing of free circulation goods</li> <li>• if you do not fulfil the obligations set out in your IP authorisation, or</li> <li>• HMRC has concerns about your financial solvency</li> </ul>
<p>Goods listed in Annex 44c (see table in 20.7 below) which are considered to bear increased risk of fraud when being transferred require a formal guarantee. When your application for IP authorisation has been accepted you should complete <a href="#">Form C&amp;E250 Deed of guarantee for payment due to Commissioners from HM Revenue and Customs</a> and send it to your Authorising Office (see Section 3.29).</p> <p>Cash deposits cannot be accepted for the guarantee of these movements.</p>

## 20.6 Where can I obtain a single guarantee?

A single guarantee can be obtained from:

NITAS (National Temporary Admission Seat )  
HM Revenue and Customs  
Ralli Quays  
3 Stanley Street  
Salford  
Manchester  
M60 9LA

Telephone: **03000 579055**

## 20.7 Annex 44c - goods involving greater risk of fraud

This table is correct at the time of publication of this notice.

1	2	3	4	5
HS code	Description of goods	Minimum quantity*	Sensitive goods code**	Minimum rate of individual guarantee

1	2	3	4	5
HS code	Description of goods	Minimum quantity*	Sensitive goods code**	Minimum rate of individual guarantee
0207 12 0207 14	Meat and edible offal of the poultry heading 0105, of fowls of the species Gallus Domesticus, frozen	3,000 kg		-
1701 11 1701 12 1701 91 1701 99	Cane or beet sugar and chemically pure sucrose, in solid form	7,000 kg		-
2208 20 2208 30 2208 40 2208 50 2208 60 2208 70 Ex 2208 90	Spirits, liquors and other spirituous beverages	5 hl	1	2,500 EUR/hl pure alcohol
2402 20	Cigarettes containing tobacco	35,000 pieces		120 EUR/1,000 pieces
2403 10	Smoking tobacco, whether or not containing tobacco substitutes in any proportion	35 kg		-

\*Guarantee required only when the quantity exceeds the minimum quantity shown.

\*\*Where the transit data are exchanged using electronic data-processing techniques and the HS code is not enough to identify without ambiguity the goods listed in column 2, both the sensitive goods code given in column 4 and the HS code given in column 1 must be used.

## **21 Usual forms of handling (UFH)**

This section explains UFH and the conditions relating to it.

### **21.1 UFH throughput period**

Usual Forms of Handling (UFH) are considered to be simple operations therefore any applications for UFH will be given up to a maximum throughput period of 3 months.

Once processing is finalised the IP goods should be re-exported as soon as possible and, for traders using IP with a Simplified Authorisation, the Bill of Discharge (C99) should be submitted as soon as possible after completion of the IP end-to-end process. If you need to store goods before and/or after processing you should use the customs warehousing arrangements.

### **21.2 UFH as listed in Annex 72 of Reg 2454/93 law**

If your sole method(s) of processing are contained in this list, you cannot use equivalence in any form.

Unless otherwise specified, none of the following forms of handling may give rise to a different eight-digit CN Code. Usual forms of handling listed below shall not be granted if, in the opinion of the Customs authorities, the operation is likely to increase the risk of fraud:

- (1) ventilation, spreading-out, drying, removal of dust, simple cleaning operations, repair of packing, elementary repairs of damage incurred during transport or storage insofar as it concerns simple operations, application and removal of protective coating for transport
- (2) reconstruction of the goods after transport
- (3) stocktaking, sampling, sorting, sifting, mechanical filtering and weighing of the goods
- (4) removal of damaged or contaminated components
- (5) conservation, by means of pasteurisation, sterilisation, irradiation or the addition of preservatives
- (6) treatment against parasites
- (7) anti-rust treatment
- (8) treatment: by simple raising of the temperature, without further treatment or distillation process, or by simple lowering of the temperature; even if this results in a different eight-digit CN code

- (9) electrostatic treatment, uncreasing or ironing of textiles
- (10) treatment consisting of: stemming and/or pitting of fruits, cutting up and breaking down of dried fruits or vegetables, rehydration of fruits, or dehydration of fruits even if this results in a different eight digit CN code
- (11) desalination, cleaning and butting of hides
- (12) addition of goods or addition or replacement of accessory components as long as this addition or replacement is relatively limited or is intended to make sure compliance with technical standards and does not change the nature or improve the performances of the original goods, even if this results in a different eight digit CN code for the added or replacement goods
- (13) dilution or concentration of fluids, without further treatment or distillation process even if this results in a different eight-digit CN code
- (14) mixing between them of the same kind of goods, with a different quality, in order to obtain a constant quality or a quality which is requested by the customer, without changing the nature of the goods
  - a mixing of gas or fuel oils not containing biodiesel with gas or fuel oils containing biodiesel, classified in Chapter 27 of the CN, in order to obtain a constant quality or a quality which is requested by the customer, without changing the nature of the goods even if this results in a different eight-digit CN code
  - b mixing of gas or fuel with biodiesel so that the mixture obtained contains less than 0.5%, by volume, of biodiesel, and mixing of biodiesel with gas or fuel oils so that the mixture obtained contains less than 0.5%, by volume, of gas or fuel oils
- (15) dividing or size cutting out of goods if only simple operations are involved
- (16) packing, unpacking, change of packing, decanting and simple transfer into containers even if this results in a different eight-digit CN-code; affixing, removal and altering of marks, seals, labels, price tags or other similar distinguishing signs
- (17) testing, adjusting, regulating and putting into working order of machines, apparatus and vehicles, in particular in order to control the compliance with technical standards, if only simple operations are involved
- (18) dulling of pipe fittings to prepare the goods for certain markets

(19) any usual form of handling, other than the above mentioned, intended to improve the appearance or marketable quality of the import goods or to prepare them for distribution or resale, provided that these operations do not change or improve the performance of the original goods. Where costs for usual forms of handling have been incurred, such costs or the increase in value shall not be taken into account for the calculation of the import duty where satisfactory proof of these costs is provided by the declarant. However, the customs value, nature and origin of non-Community goods used in the operations shall be taken into account for the calculation of import duties.

## 22 Miscellaneous

This section contains further information on standard rates of yield and other details not covered elsewhere in the notice.

### 22.1 Standard rates of yield

For certain processing operations concerning agricultural goods, Union law sets standard rates of yield that must be used, these are based on information obtained from all Member States and lay down the quantities of compensating products deemed to be obtained from a given quantity of imported goods. They apply only to goods of sound, genuine and merchantable quality. Using a standard rate of yield:

- puts you on the same footing as other processors in the Union
- gives you firm figures on which to account for your products, regardless of minor fluctuations in actual yields
- simplifies your IP planning and administration
- allows you, when you exceed the standard rate of yield for the main product, to dispose of the excess on the Union market without paying import charges

At the end of each IP accounting period, calculate the quantity of each compensating product. Whatever the quantity of products you actually produce, you must account for the quantities deemed to be produced from the standard rates of yield.

For example, if you process cocoa beans to produce cocoa paste and during the accounting period you process 200 tonnes of cocoa beans, you would account for the compensating products as follows:

Compensating product	Quantity of IP goods (tonnes)		Standard rate %		Quantity of products produced (tonnes)
Cocoa paste	200	x	76.3%	=	152.6
Cocoa shells, husks,	200	x	16.7%	=	33.4

skins and waste					
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You must enter these quantities on the Bill of Discharge you send to your Supervising Office.

The list of standard rates of yield is set out in Annex 69 of Commission Regulation (EEC) No 2454/93. The Annex identifies in column 5 the rates of yield to be applied to a fixed quantity of goods identified in column 1.

Where processing under IP is identical with those carried out to obtain "export refunds", column 5 of the Annex will be noted with an asterisk. In these cases the standard rate of yield is calculated by converting the corresponding export refund coefficient contained in Commission Regulation 1520/2000 Annex E. To obtain the standard rate of yield the following conversion is applied:

$1/\text{Export refund co-efficient} \times 100$

If a standard rate of yield applies to the goods you process, the rates of yield will be stated in your authorisation. If you cannot produce the quantity of products specified for your particular process or intend to produce from any of the import goods, products not identified in the standard rate of yield, write to your supervising office giving details of the import goods, the processes, your rates of yield and any other relevant information.

## 22.2 Rates of yield for multiple imports

If you receive many different IP goods to make a single product, then the rate of yield is expressed as so many of each IP item to one product you export or dispose of. For example, 3 metres of cloth, 4 metres of cotton and 6 buttons to each shirt produced.

If you receive one IP item and split it up into many different products, the rate of yield is expressed as the quantity of IP item that produces so much of each product (main compensating product (MCP)) and what is left as a result of producing those products (secondary compensating products (SCP)). For example, 1000 kg of timber produces - 14 tables, 12 chairs and 2 bookcases (MCPs) and 50 kg of wood/waste/cuttings/sawdust (SCP).

## 22.3 Rates of yield for beef fillets

If you import or receive beef fillets for processing, the rate of yield must accurately reflect the amounts used to produce your main compensating product(s) and the amount of secondary compensating products that includes what you might consider to be waste. The SCP may qualify for a nil rate of duty provided it is unfit for human consumption.



## 22.4 Supply balance certificates

If export refunds for Annex 73(a) goods (see Section 23) are no longer available, you may apply to the Rural Payments Agency (RPA) for a supply balance certificate that is issued on the basis of a specific quantity of goods. Enquiries and applications should be made to the [www.rpa.gov.uk](http://www.rpa.gov.uk).

With the certificate, you can apply to use IP under economic code 31 without the need for an economic test to be carried out. You can also apply for an IP authorisation in the UK using a certificate issued in another Member State. The original copy 1 of the certificate must be submitted with your IP application on form C&E 810 by the end of the third month following the month of issue of the certificate. Contact our VAT, Excise and Customs Duties Advice Line for details of where to send your completed application.

Applications outside this time limit or requests for retrospective authorisation back beyond the date of application cannot be considered under this economic code.

IP authorisation will only be considered where:

- the goods to be entered will be processed by the person named on the supply balance certificate or where that person arranges for the goods to be processed on their behalf
- the goods stated on the supply balance certificate are to be manufactured into the goods listed in Annex B of Commission Regulation (EEC) No. 1520/2000 available on Commission website at [europa.eu/](http://europa.eu/)

The IP authorisation can be issued from a future date but the start date must be before the expiry date of the certificate and will only be issued for the quantity stated on the certificate. You may also be able to apply to enter up to another €150,000 of the same goods before an economic test is required. If you apply, you will need to state whether the additional amount will be entered before or after the original certificated quantity.

## 22.5 Export refunds and IP

An export refund is a payment to exporters to cover the difference between prices in the EU and those on the world market. If you claim export refunds, you cannot claim IP and vice versa. However, if your compensating products incorporate free circulation goods on which export refunds could be claimed, you can claim a refund on that proportion of the goods. See Notice 800 'Common Agricultural Policy export procedures'.

## 22.6 Export refunds for processed cheese

If you export processed cheese under CN code 0406 30, export refunds are available on the basis of its components. To be eligible one of the ingredients in the exported product must have been imported from outside the EU to IP.

Applications on Form C&E 810 should be forwarded to your authorising office and be clearly marked:

'Applied for in accordance with EU Regulation 174/99'.

Further details can be found in RPA leaflet [E10](#) Section E available from [www.rpa.gov.uk](http://www.rpa.gov.uk).

## 22.7 Intrastat

The Intrastat treatment of the movement of IP goods depends on whether or not the movement has been reported on a Customs declaration already.

If the Intra-EU movements have been reported on a Customs declaration, you must **not** include these movements on your Intrastat declarations. For statistical purposes, The Trade Statistics unit obtain the intra-EU movement data from the Customs information already available from CHIEF.

Any movements of IP goods that are not reported on Customs declarations must be reported on your Intrastat declarations.

IP diversions declared on a Customs Declaration should **not** be included on an Intrastat declaration.

For more information see Notice 60 Intrastat General Guide.

## 22.8 Lost or stolen goods

If your IP goods are lost or stolen, you will still have to pay the suspended duty and compensatory interest on IP Suspension goods and will not be able to reclaim duty paid under IP Drawback unless the goods are recovered and returned to customs control.

## 22.9 Excise goods (alcohol and tobacco processing under IP)

If you import any of the following third country goods for re-export/export:

- alcohol for processing (bulk wine and spirits for bottling or repacking or incorporating into other products)
- raw products for the manufacture of alcohol

- manufactured tobacco for re-packing or further processing
- raw tobacco for manufacture

you can declare the goods to IP or, if only a usual form of handling is to be carried out (see Section 21), Customs Warehousing procedure - see Notice 232 'Customs Warehousing'. Alternatively, you can pay customs duty and import VAT on entry and declare the goods to an excise duty relief or declare the goods to free circulation with all charges paid.

When applying for your IP authorisation to process these goods, you must provide the following additional documentation:

<b>Process</b>	<b>You need to provide with your application...</b>
Distillation	<ul style="list-style-type: none"> <li>• HMRC approval of the plant you intend to use</li> <li>• a distillers licence</li> <li>• 'make entry of your premises'</li> </ul> See Notice 39 'Spirits production in the UK'
Brewing beer	<ul style="list-style-type: none"> <li>• evidence that you are a registered brewer</li> <li>• evidence that the premises you intend to use are registered as a brewery. See Notice '226 Beer Duty'</li> </ul>
Wine production	an excise licence for each premises where you intend to produce wine; See Notice 163 'Wine Production'
Cider production	evidence that each of the premises on which you intend to produce cider is registered See Notice 162 'Cider Production'
Manufactured tobacco	evidence that each of the premises on which you intend to manufacture tobacco products is a Registered Tobacco Premises (RTP). Tobacco products are: <ul style="list-style-type: none"> <li>• cigarettes</li> <li>• cigars</li> <li>• hand-rolling tobacco</li> <li>• other smoking tobacco (pipe tobacco)</li> <li>• chewing tobacco</li> </ul> See Notice 476 'Tobacco products duty'

## 22.10 Guarantees and security for excise goods

Financial guarantees or security will not normally be required unless you transfer or move any of the excisable goods listed in Section 20.7.

## 22.11 Excise goods and equivalence

Equivalence in any form is not permitted for excisable goods in the UK.

## 22.12 Transfer of Excise goods to another IP authorisation holder

Transfers between different authorisation holders in the UK can only take place under either the declaration procedure (see Section 7.8) or Transit procedure (see Section 7.10). No simplified transfer methods (such as the 2 or 3-copy SAD methods described in Section 7) are permitted.

If IP excise goods are transferred to an IP authorisation holder in another Member State or are declared to IP Drawback, the Transit procedure must be used to move the goods.

## 22.13 Discharge of Excise goods to another customs procedure

If you wish to move your goods to another customs procedure (such as customs warehousing) in the UK, you must use either the declaration or Transit procedure. If you hold an integrated authorisation you cannot use any of the simplified procedures to discharge IP, the declaration method must be used.

Movement of excise to another customs procedure in another Member State, must always be conducted under the Transit procedure.

## 23 Goods requiring an economic test and restricted through-put periods

The following lists are included for information only and are correct at the time of publication.

### 23.1 Goods listed in Annex 73 of Regulation 2454/93

#### Part A of Annex 73 - Agricultural goods covered by Annex I to the Treaty

Sector	Products referred to in ...
Cereals	Article 1(1) of Council Regulation (EEC) No. 1766/1992
Rice	Article 1(1) of Council Regulation (EEC) No. 3072/1995
Sugar	Article 1(1) of Council Regulation (EEC) No. 2038/1999

Olive oil	Article 1(2)(c) of Council Regulation (EEC) No. 136/1966
Milk and milk products	Article 1 of Council Regulation (EEC) No. 1255/1999
Wine	Article 1(2) of Council Regulation (EEC) No. 1493/1999 and falling under CN sub-headings: 0806 10 90 2009 60 2204 21 (quality wine excepted) 2204 29 (quality wine excepted) 2204 30
Products falling under CN subheadings	0204 10 to 0204 43 2207 10 and 2207 20 2208 90 91 and 2208 90 99
Products other than those above for which agricultural export refunds (see Section 22.5) equal to or higher than zero are fixed.	

**Part B of Annex 73 - Goods not covered by Annex I to the Treaty resulting from the processing of agricultural products**

Goods resulting from the processing of agricultural products and listed in the following annexes to Regulations on the common organisation of markets in the agricultural sector or concerning production refunds:

<b>Sector</b>	<b>Products referred to in ...</b>
Cereals	Annex B to Council Regulation (EEC) No. 1766/1992
Rice	Annex B to Council Regulation (EEC) No. 3072/1995
Sugar	Annex I to Council Regulation (EEC) No. 2038/1999
Milk and milk products	Annex II to Council Regulation (EEC) No. 1255/1999
Eggs	Annex I to Council Regulation (EEC) No. 2771/1975
Sugar products used in the chemical industry	Annex to Council Regulation (EEC) No. 1010/1986
Cereals and rice attracting production refunds	Annex I to Council Regulation (EEC) No. 1722/1993

**Part C of Annex 73 - Fishery products**

The following fishery goods are subject to an economic test:

- fishery products listed in Annexes I, II, V of Council Regulation (EU) No 104/2000 on the common organisation of the markets in fishery and aquaculture products and products listed in Annex VI to this Regulation subject to a partial autonomous suspension
- all fishery products subject to an autonomous quota

## 23.2 Annex 73 Through-put period restrictions

Some agricultural goods have the through-put period restricted under Article 542 Reg 2454/93 as follows:

<b>Goods</b>	<b>Through-put period</b>
Milk and milk products referred to in Article 1 of Regulation (EC) 1255/99	4 months
Animals referred to in Chapter 1 of the Tariff being slaughtered without fattening	2 months
Animals falling under CN codes 0104 and 0105 being fattened (and slaughtered where relevant)	3 months
Other animals referred to in Chapter 1 of the Tariff being fattened (and slaughtered where relevant)	6 months
Meat for processing	6 months
Other agricultural products of a kind eligible for advance payment of export refunds referred to in Article 1 of Council Regulation (EEC) No. 565/80 and processed into products or goods referred to in Article 2(b) or 2(c) of the same Regulation	6 months

NB Where successive processing operations are carried out (on the above) or where exceptional circumstances can be demonstrated, the Authorising Office may agree, on written request, for the through-put period to be extended exceptionally. If an extension is agreed, the total period from entry to IP to disposal must not exceed 12 months.

## 24 Guidance notes on economic codes

### 24.1 Economic codes

Economic codes are listed in Annex 70 of the Customs Code Implementing Regulations 2454/93. They are used to identify the reasons for the application to use third country goods for processing under IP. Some codes have financial limits and others have limits on what operations can be carried out under them. For codes 10, 11 and 12 you will need to apply for an economic test (see Section 23). Some economic codes cannot be used by traders using IP with a Simplified Authorisation.

The table below is for information only and was correct at the time of publication.

### 24.2 Economic codes and detailed criteria for economic conditions applicable to the Inward Processing arrangements

**Code 01** - Goods not listed in Annex 73 (see Section 23) **and** where the value of goods to be entered per 8 digit commodity code, per calendar year will be in excess of **€500,000** and other economic codes in the 30 series do not apply.

**Code 10 (unavailability) - needs an economic test**

Goods covered	Conditions
Goods listed in Annex 73 only	<p>Unavailability (either in the required quantity or at the time the operation takes places) of goods produced in the Union falling within the same 8 digit CN code, being of the same commercial quality and having the same technical characteristics (comparable goods) as the import goods referred to in the application.</p> <p>The value of goods to be entered is in excess of €150,000 and, in addition to code 30(7), codes 30(1), 30(2), 30(5), 30(6) and 31 do not apply.</p> <p>When applying for an economic test, DEFRA will require up to date documentary evidence of approaches made (specifically for your export business) to UK and other EU producers for the same goods as your import goods, with copies of replies showing your requirements could not be met in sufficient quantity or could not be supplied in the time required.</p>

**Code 11 (price) - needs an economic test**

Goods covered	Conditions

Goods listed in Annex 73 only	<p>EU goods of the same kind are produced in the EU but cannot be used because their price makes the proposed operation economically unviable.</p> <p>The value of goods to be entered is in excess of €150,000 and, in addition to code 30(7), codes 30(1), 30(2), 30(5), 30(6) and 31 do not apply.</p> <p>DEFRA will consider the impact using EU goods would make to the cost of your product(s) and the price obtainable for your products(s) in the non EU market.</p> <p>Although IP is intended to improve competitiveness in the non-EU export market, it is not sufficient to show that imported goods are merely cheaper.</p> <p>To help DEFRA to consider an application on these grounds, the following details are required:</p> <ul style="list-style-type: none"><li>• copies of quotes from possible UK and European Union producers and a copy of the quote from the non- Union producer. <b>The quotes from EU producers should relate to goods actually produced in the EU.</b> Evidence of sourcing attempts from three EU producers is normally sufficient</li><li>• simple costing details for representative examples of your exported products. These may be returned to you if not set out in the format below</li></ul>
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Costing calculations:

Costing

**A Based on non-EU material\***

**B Based on cheapest EU alternative**

Cost of materials A and B:

Cost of other materials or components

Other costs for example labour, fuel and overheads

Total cost of production (ex-works price)

Your market selling price

Profit (ie %)

Average market selling price of competing goods

\*The price before duty of the goods for processing and the price of comparable goods produced in the Union less domestic taxes refunded or refundable on export, including any refunds or other amounts applying under the common

**Code 12 (contractual obligations) - needs an economic test**



Goods covered	Conditions
Goods listed in Annex 73 only	<p>EU goods do not conform to the expressly stated requirements of the non EU customer or cannot be used in order to comply with provisions concerning industrial or commercial property rights. The value of goods to be entered is in excess of €150,000 and, in addition to code 30(7), codes 30(1), 30(2), 30(5), 30(6) and 31 do not apply.</p> <p>DEFRA will require documentary evidence, such as a contract or a statement from the overseas customer, showing that the customer insists upon non EU goods. This should not be dated later than the IP application.</p>

### Code 30

Code	Goods covered	CHIEF identifier (Eco) code
30(1)	Any goods undergoing any process in an operation of a non-commercial nature i.e. goods which are privately owned and for personal use.	ECO31
30(2)	<p>Any goods that are to be processed according to your customer's specification under a job-processing contract.</p> <p><b>You will need to provide a copy of the contract with your application.</b></p>	ECO32
30(3)	Goods subject to a usual form of handling (see Section 21)	ECO33
30(4)	Goods for repair, overhaul or adjustment.	ECO34
30(5)	<p>This code covers goods listed in Annex 73 only</p> <p><b>Any processing of any goods obtained under an authorisation already issued for which an economic test has been carried out ie successive processing.</b></p> <p>Evidence that an economic test has been carried out in the UK or another Member State will be required.</p>	ECO35

30(6)	Processing of durum wheat falling within CN codes 1001 10 00 to produce pasta falling within CN codes 1902 11 00 and 1902 19.	ECO36
30(7)	Operations in which the value of:  <b>Goods listed in Annex 73</b> - per 8 digit code, per applicant, per calendar year <b>does not exceed €150,000; and</b> codes 30(1), 30(2), 30(3), 30(5), 30(6) and 31 do not apply.  <b>OR</b>  <b>Goods not listed in Annex 73</b> - per 8 digit code, per applicant, per calendar year <b>does not exceed €500,000</b> and economic codes 30(1), 30(2), 30(3), 30(4), 30(5) and 30(8) do not apply	ECO37
30(8)	Building, modification or conversion of civil aircraft, satellites or parts of them	ECO38

**Code 31 (supply balance)**

<b>Goods covered</b>	<b>Conditions</b>
Goods referred to in Annex 73	Where the Rural Payments Agency has issued a document allowing goods to be entered to inward processing within limits determined on the basis of a supply balance under Council Regulation (EU) No. 3448/93 Article 11. See Section 22.4 on Supply Balance Certificates.

**Code 99**

<b>Goods covered</b>	<b>Conditions</b>
Goods listed in Annex 73 only	If you consider the economic conditions are fulfilled for reasons other than those corresponding to the other codes above, you will need to explain this in Box 19 of your application and provide sufficient information to support your application.

## 25 Completion of form C&E 810

### Application form for Inward Processing authorisations

**All traders wishing to use inward processing should read notice 221 before completing the application form.**

This Section provides guidance on the completion of form C&E 810. Traders applying to use IP should make sure they understand the conditions of use and requirements which are set out in Notice 221.

**Applications received with insufficient information will be returned to the applicant. The thirty day decision period will not commence until the full information required has been submitted to the Authorising Office.**

### **Box 1 – Applicants name and address**

The information provided in Box 1 should relate to the person who will be the authorisation holder and will be responsible for duty and other associated charges on all goods entered under the authorisation, whether or not they own the goods. If other processors are named in the application, the authorisation holder remains responsible for any goods declared by them and processing carried out by them.

Please also provide your 12 character EORI number in this section. All companies involved in international trade are required to register and obtain an Economic Operator Registration and Identification (EORI) number. Please do not use your VAT number.

### **Box 1(a) - Other processors**

Provide details of any operators you will allow to declare, process or dispose of IP goods/compensating products on your behalf. Do not enter details of any agents who represent you in either a direct or indirect capacity.

### **Box 2 - Application to use**

Please indicate:

- the type of IP you wish to use - IP Suspension or IP Drawback (the method chosen may depend on the goods you intend to process)
- whether the goods require an 'economic test'

### **Box 3 - Type of authorisation applied for**

Please indicate whether the application is for a new authorisation or the renewal of an existing authorisation.

If you are applying for an amendment to or renewal of an existing authorisation that is about to expire, you should include the details of the current authorisation number in Box 20 of the application form.

Complete the whole form for a renewal and only the relevant sections for an amendment.

If you are applying for a retrospective authorisation you will need (in the additional sheets attached to the application) to provide evidence of the exceptional circumstances which led to IP being used without a valid authorisation.

#### **Box 4 - Additional sheets**

Please indicate the number of additional sheets of information you are providing in support of your application. Additional information (for example, if you have several sub-processors) can be provided on further copies of the C&E 810 or on your commercial headed notepaper. You should show clearly the boxes to which the additional information refers.

#### **Box 5 - Records and accounts**

Please state where your main accounts are held (if different from the authorisation holder's premises in Box 1). If you have a computerised accounting system, you must tell us which software package you use. If you use sub-processors, you will need to include details of their records as well. If you are applying to use equivalence in any form your records must contain all the necessary technical details to determine/establish equivalence. Details of how you can demonstrate that the goods are equivalent should be included in Box 16.

Please refer to Section 4.11 for full details of what you will need to demonstrate in your application for IP that your records will contain.

#### **Box 6 - Period of authorisation**

The period of authorisation will not normally exceed three years from the date the authorisation takes effect. Some agricultural goods have restricted periods of authorisation, 6 months for Annex 73 agricultural goods and 3 months for some dairy products. See Section 23 for further information on these restrictions.

#### **Box 7 - Details of goods to be imported under Inward Processing (IP) arrangements**

It is important that the Tariff classification of the goods is correct as the information you provide in this box will form the basis of your IP authorisation. These are the goods that you will be entitled to import, process and re-export/export with Customs duties suspended (or in the case of IP Drawback - later repaid). You should provide details of both the commodity code (to 8 digits) and a description of the goods. Goods descriptions should be complete and accurate (the common trade description not just the Tariff classification heading). Terms such as 'various' will not be accepted and any application showing this will be rejected unless supplementary documentation with the required information is provided. Commodity codes can be found in Part 2 of the UK Tariff.

You should also include in this field any production accessories, catalysts and/or agents which you will use to aid the processing of the IP goods and include in Box 9 precise details of the role of the production accessory in the processing.

If you are declaring production accessories to IP to assist in the processing of free circulation goods, only the production accessory should be included in Box 7, in Box 9 - details of the free circulation goods that are to be exported following processing should be included. Where production accessory entered to IP is used for the processing of free circulation goods for export, security will be taken until such time as the goods are exported.

Include in Box 7 estimates of the quantity and value you propose to process over a given period (for example 12 months).

### **Box 7(a) - Method of receipt**

Please indicate how you are to receive the goods you intend to process under IP. If you are to receive goods that have been discharged from another customs procedure, you must state in the additional notes attached to the application which procedure(s) they are coming from (for example, customs warehousing procedure, temporary admission etc).

### **Box 8 - Details of main compensating products (MCP) and secondary compensating products (SCP)**

Please provide information on **all** the compensating products resulting from processing operations under IP. You will need to set the rate of yield expected including that for production accessories or catalysts not found in the compensating product.

Indicate in this section which of those products are your main compensating products (MCPs) and which are secondary compensating products (SCPs) or necessary by-products.

SCPs are not to be treated as waste or scrap they are not the same as production losses. For IP purposes the term 'waste and scrap' only applies to goods destroyed under Customs supervision.

You will need to state in Box 12 how the IP goods will be identified in the processed product(s).

For further information on main and secondary compensating products see Section 4.2.

### **Rate of yield**

The rate of yield is the quantity of processed products (compensating products) made from a unit quantity of goods entered to IP. You must explain in the additional notes to the application how you will be able to determine the rate of yield for the processing you carry out and identify what records you will use for this purpose. For certain goods, a standard rate of yield may apply (see Section 22.1). For further information on setting the rate of yield see Sections 4.3 and 4.4.

### **Box 8(a) - Production losses**

Explain in this section any losses that arise during processing.

Production losses are those parts of the imported goods that are lost during the manufacturing process due to evaporation, desiccation, venting as gas or leaching. While the quantity of goods declared to IP and processed can be adjusted to take account of production losses, the duty liability remains constant.

### **Box 8(b) - Excisable goods**

Identify in this section any imported goods (Box 7) and produced goods (Box 8) which, if declared to free circulation, would attract excise duty. Also confirm that you have all the necessary licences/approvals required to process such goods and that these additional documents are attached to the application. See Section 22 for further information on the additional requirements for excise goods.

### **Box 9 - Details of processing to be carried out**

Explain in detail in this section the intended process(es) including where the manufacturing/processing is to take place. You should include the activities of all named processors or subcontractors and their role in the production process. Precise details of the role of **production accessories** in the process should also be explained. Where necessary, detailed diagrams and flow charts outlining all stages of processing and time spent on each stage should be submitted with the application form.

### **Box 10 - Economic codes**

The economic code indicates the reason why the IP application is being submitted and some codes require an economic test to be performed. Others have financial limits and limit what operations can be carried out under them. You must make sure that you select the correct economic code to apply under. Section 24 provides further information on economic codes which will help you to select the correct one.

### **Box 11 - Customs offices**

Unless you are authorised to use one of the following, you do not need to stipulate a specific office of entry or discharge:

- standard equivalence with triangulation
- prior export equivalence with triangulation

### **Box 12 - Identification of goods**

Provide full details of how the import goods can be identified in the compensating products. Where several compensating products are produced or complex processing is authorised, you must provide bills of materials, recipes, codes or similar information to allow the proper identification of the import goods in the final product.

### **Box 13 - Period required to enter and process the goods**

You need to specify on your application the **through-put period** you require to complete the processing of the goods. Storage is not permitted under IP so if there are excessive delays between the goods being delivered to you and processing or between processing and disposal/re-export the goods should be placed under the customs warehousing procedure for the 'storage' period while they await process/disposal. For further information on through-put period please see Sections 4.6 - 4.8.

### **Box 14(a) - Simplified procedures**

If you (or your agent) wish to use import or (re)export simplifications you should indicate in this section. All import and export simplifications must be authorised separately. For details see PN 501 - A brief guide to import procedures, PN 760 - Customs Freight Simplified Procedures (CFSP) and PN 275 Export procedures.

If you are using an agent to declare goods on your behalf, you should include their details (including their EORI number) in the additional information pages.

#### **Box 14(b) - Simplifications within IP**

A number of simplifications exist within IP to assist you in your day-to-day operations. You should read PN 221 and indicate which ones you would like to be authorised to use on the application.

Some simplifications will not be granted until you have at least six months experience of IP and/or you have a proven compliance record. See Section 15 for further information on the simplifications available.

#### **Box 15(a) - Transfer procedures**

In this box, you should indicate the form of transfer you wish to use if you are receiving goods from another IP authorisation holder or you are transferring goods to another IP authorisation holder.

All traders intending to receive goods under 2-3 copy SAD or commercial documentation processes must also indicate that they wish to be authorised for LCP (receipt of goods). Please note this is different from the import and export simplifications - CFSP LCP and Export LCP which must be authorised separately.

#### **Box 15(b) - Discharge procedures**

This section lists the eligible methods of disposal for IP. You should indicate all the methods of disposal you intend to use.

Most IP goods are expected to be re-exported within the throughput period set. However, if you indicate that the goods are to be disposed of by being placed under another customs procedure, you may be asked to provide evidence that the intention is to export/re-export the goods later from the EU. This may be in the form of orders from or contracts with third country customers.

#### **Box 16(a) - Application to use equivalence**

If you wish to use equivalence, you must insert details of the free circulation goods (including commodity codes and goods descriptions etc) that you will process under IP in place of the imported third country goods.

#### **Box 16(b) - Equivalence with triangular traffic**

Where you use equivalence but the IP goods or compensating products will be discharged (assigned another approved treatment or use) by another person you should indicate your intention here together with details of the person who will make the (export/discharge) declaration. If that person is situated in another Member State, you will need to use form INF9. (See Section 14 for further information on the use of an INF9).

### **Box 17(a) - Prior export equivalence**

This can allow you to export identical free circulation goods before the import of third country IP goods for processing. For example where you receive an urgent order and have no IP goods on hand.

If you wish to use prior export equivalence (PEE) with triangular traffic (this is where the person exporting the goods under PEE is different to the person authorised to enter the replacement goods to the arrangements) you should indicate your intention here and give details of the person who will enter the replacement goods to the arrangements. See Section 14 for further information on PEE, triangular traffic and the use of form INF5.

Please also indicate the period required to import the replacement goods. The maximum period allowed is 6 months but some goods are limited to shorter time limits.

### **Box 17(b) - Equivalence/Prior export equivalence**

When using prior export equivalence (or equivalence), the equivalent (EU) goods will normally be either equivalent to the goods detailed in Box 7 (in the unaltered state) or equivalent to the main compensating products in Box 8. However, you may use equivalent goods that, although processed, have not been processed to the level of the goods in Box 8. Include full details in this box to allow the identification of the equivalent goods in the partially processed product.

### **Box 18 – General release for free circulation**

Not to be used for licensable goods or if you intend to claim the End Use rate or rate applicable to the compensating product when goods are released to free circulation.

If approved, this permits you to release IP goods to free circulation (without prior permission) at any time during the through-put period and account for all diversions in the accounting period with the Bill of Discharge when that becomes due.

Any diversion declarations submitted will need to include all diversions made during the accounting period and should be accompanied by the payment of the customs duties and import VAT due plus compensatory interest.

This facility will not be granted until you have least 6 months experience of IP (or have submitted 2 suspension returns) and you have a proven compliance record.

### **Box 19 - Additional information**



This box should be used to insert information for qualification and clarification purposes. If there is insufficient space, you should use your own headed commercial paper for continuation sheets.

### **Box 20 - Authorisation previously approved**

Please include details of any previous IP authorisation.

### **Declaration**

Please make sure you understand the conditions relating to IP before signing the declaration.

## **26 Import VAT and VAT only IP**

### **26.1 What is Import VAT?**

Import VAT is the transaction tax levied on imported goods. Goods are treated as imported when:

- they arrive in the UK directly from outside the EU and are entered to free circulation in the UK or customs duty otherwise becomes chargeable on them
- they have been placed under one of the customs suspensive arrangements (such as Inward Processing) in the EU and the goods are being diverted to free circulation in the UK or customs duty otherwise becomes chargeable

### **26.2 What is VAT only IP?**

If you import goods upon which there is no duty liability 'VAT only' Inward Processing may be authorised. Under IP Drawback you must pay the import VAT at the time of entry to the EU, however, under IP Suspension, the payment of import VAT is suspended and only becomes due if you subsequently divert the goods to free circulation.

While your goods are held under customs suspensive procedures the import VAT remains suspended. All relevant Customs legislation, including EU Regulations, apply for import VAT purposes. This includes any authorisation, transfer, discharge, or security requirements as detailed in your authorisation for the procedure concerned.

### **26.3 Goods imported from the Special Territories including the Channel Islands**

The Channel Islands and Special Territories listed below are part of the EU for customs duty purposes but are not part of the VAT territory.

If you import goods from the Channel Islands or other Special Territories you will be liable for import VAT in the same way as you would for imports explained in Section 26.1.

<b>Special territories</b>
Aland Islands
Andorra (only tariff Chapters 25 onwards)
Canary Islands
Channel Islands
French Guyana
Guadeloupe
Martinique
Mount Athos (Agion Poros)
Reunion

## **27 Completion of the Bill of Discharge (C99)**

### **27.1 Notes to aide completion of the C99**

The [C99](#) form should be launched and completed electronically. However, on completion you will need to print and sign the form before sending to NIRU (the address is on the form). Please retain a copy for your records. Some tips on completion are included for information below.

1) Reveal the field numbers before you begin to complete the electronic form:

Select 'How to fill in this form' at the top of the page

Select 'Turn on'

Select 'Close'

When you print the form the field numbers will show which will help if NIRU has any queries on information included in specific fields.

2) Reveal the 'Help text' for each field as you go along, by clicking on the question marks '?'.

3) The fields that are mandatory are indicated by a red star \*. The electronic form will not allow you to move to the next page until the required information is provided.

4) Have your import and re-export declarations available when you complete the form. All the information you need will be on the original import declaration bringing the goods into IP and on the re-export or disposal declaration. If it isn't then it may indicate that they were not properly entered to or discharged from the IP procedure.

Please note - You can only account for one import declaration bringing goods into IP on each Bill of Discharge. However there may be a number of disposal declarations accounting for the amount brought into IP on that one import declaration ie 80% of goods were re-exported on one declaration and the last 20% later (or the last 20% may have been discharged to Transit procedure (or granted permission to be released for free circulation in which case there will be a 'Diversion declaration' reference).

#### 5) Navigation

Select 'Next' to move through each page and use your mouse to select each field.

Non mouse users should reveal the instructions at the top of the page.

#### **1<sup>st</sup> page – introductory text**

**2nd page 'About your business'** - complete the fields name, address, EORI number etc - these should all match the detail that was provided on the original import declaration (consignee/declarant field Box 8),

**3rd page 'About your import'** - provide the details including the CHIEF reference number date of you import declaration and make sure you select 'IP' in the last field (field 11). This make sure that the fields relevant to an IP Bill of Discharge will be revealed in the later pages.

**4th page 'IP Disposal'** - select the method of disposal from the dropdown box (you can only select one at a time). This should most usually be the 're-export' option. Insert all the information required (taken from the re-export declaration). If there is more than one declaration for the disposal of the goods select 'Add another item' and include details of each declaration in turn.

If the goods have been discharged to the Transit procedure, selecting the 'Entered to Community Transit' option in the dropdown box will reveal different fields, in particular, the reference number field will be in a different format as you will need the Transit Movement Reference Number (MRN) from the TAD (Transit Accompanying Document) not a CHIEF reference number which is EPU/Entry No/Date.

You should only select release to free circulation options if you have obtained permission from NIRU to divert the goods to free circulation and have a Diversion Declaration reference number issued by CHIEF.

**5th page 'What to do now'**, whoever is signing the Bill of Discharge should make sure they understand the 'Declaration' and that they are eligible to singe on behalf of the IP authorisation holder named in the original import declaration.

Print and sign the form and send to NIRU. Make sure you retain a copy for your records.

## 28 Applications for Single Union Authorisation

Applications for Single Union authorisation should be made on the model form in Annex 67 of the Customs Code Implementing Regulations 2454/93. The application should be made in the **Member State where your main accounts are held and at least part of the processing will be carried out.**

Further information on other Member States that handle Single Union authorisations is available on the EU website at: [Single authorisation European Commission](#).

Usually Member States will accept applications in English but we may need to ask you for a translation of your application, or parts of it, in the language of the other Member State(s) involved.

**Please mark all applications 'SINGLE AUTHORISATION' in red.**

**You must make sure you provide the following details on the application:**

- the names and addresses of all operators, both in the UK and in other Member States
- the goods to be entered\* and what processing operations will take place in each Member State, including the sequence and the locations
- the address of the Customs Office\*\* for each location
- the rate of yield for each processing operation and means of identification
- where goods will be sent after processing for example export
- any simplified procedures for entry, transfer or discharge you wish to use
- records that will be available covering all operations in the UK and other Member States and how they may be verified
- how goods will be transferred between operators
- if you are applying to use equivalence how you can demonstrate goods are equivalent, for example samples, illustrations, technical specifications and so on
- confirmation that all operators named in your application are aware of their involvement

\* If you import or receive goods which require an economic test, the application will be referred to DEFRA.

\*\* We are not able to provide a list of Customs offices in other Member States these can be accessed on the EUROPA website Customs Office List (COL). You may need to obtain this information from your operator or agent in that Member State.

## **29 Special Equivalence rules**

This Section explains the special rules set out in Annex 74 of Reg 2454/93 for certain agricultural goods.

Use of equivalence is not permitted for these goods where processing consists of usual forms of handling (see Section 21).

### **Rice**

Rice classified under CN code 1006 shall not be deemed equivalent unless it falls within the same eight-digit commodity code. However for rice with a length not exceeding 6.0mm and a length/width ratio equal to, or more than 3, and for rice with a length equal to or less than 5.2mm and a length/width ratio equal to or more than 2, equivalence shall be established by determination of the length/width ratio only. The measurement of grains shall be done in accordance with Annex A(2)d to Reg (EC) 3072/95 on the common organisation of the market in rice.

Different consignments of rice may have the same eight-digit CN code but can have considerable variations in the make up of each consignment. To make sure no unfair financial gain is made, stock records and IP Bills of Discharge must show the split of product quality - for example the amount of whole grain and broken grain exported. Records and BoDs for subsequent imports must also show equivalent quantities and qualities of whole grain and broken grain rice.

### **Wheat**

Equivalent goods may be used only between wheat harvested in a third country and already released for free circulation and non-community wheat of the same 8 digit code having commercial quality and technical characteristics.

Exceptions to this are subject to approval from the European Commission. Contact our VAT, Excise and Customs Duties Advice Line for details of where to send your completed application. Equivalence may also be allowed for EU durum wheat and non EU origin durum wheat provided it is for the production of pasta falling within CN codes 1902 11 00 or 1902 19.

### **Sugar**

Equivalence can be allowed between raw cane sugar falling within CN code 1701 13 90 and 1701 14 90 and sugar beet falling within CN code 1212 91 80 providing it is used to produce the compensating product white sugar falling within CN code 1701 99 10. The time limit for importing replacement goods is limited to the period of validity of the import licence.

### **Live animals and meat products**

The use of equivalence for live animals and meat is prohibited. The ban on equivalence for meat can be lifted on an individual basis, providing you are able to prove that equivalence is economically necessary and that procedures to monitor the operation are available. Contact our VAT, Excise and Customs Duties Advice Line for details of where to send your completed application together with supporting evidence and details of your proposed procedures to verify the operation. All applications must to be forwarded to the European Commission, via, DEFRA for consideration.

**Equivalence will not be allowed in advance of a decision by the Commission.**

### **Milk and milk products**

The use of equivalence is only permitted on equivalent goods on condition that the weight content in:

- milk dry matter
- milk fat matter
- milk protein

is not lower than the weight content of those matters in the imported goods.

However, where the economic value of the import goods is determined by only one or two of the components listed above, the content by weight of these components alone may be used to determine the eligibility to equivalence.

For example; 10,000 kgs of equivalent product 'Y' is exported containing:

- 1000 kgs of milk fat matter
- 800 kgs of milk protein
- 800 kgs of milk dry matter

In product 'Y', the factor for determining economic value is the milk fat matter.

Within the 10,000 kgs of the imported goods, although the 8-digit commodity code remains the same as the equivalent goods, the make up of the product is slightly different:

- milk fat matter = 980 kgs
- milk protein = 1025 kgs
- milk dry matter = 860 kgs

Although 2 of the components are, by weight, in excess of that in the equivalent product, the milk fat matter in the imported product does not exceed that in the equivalent goods and therefore equivalence can be allowed.

Your authorisation will include details of the agreed aspect(s) of your exported goods that will be used for determining the economic value of your equivalent goods. The weight of these goods will need to be recorded on each export and import declaration made and also on any INF5 or INF9 documents raised.

## Your rights and obligations

[Your Charter](#) explains what you can expect from us and what we expect from you.

## Do you have any comments or suggestions?

If you have any comments or suggestions to make about this notice, please write to:

HM Revenue & Customs  
CPEI/CSDR  
10<sup>th</sup> Floor Alexander House  
Southend on Sea  
SS99 1AA

Please note this address is not for general enquiries.

For your general enquiries please phone our Helpline on **0300 200 3700**.

## Putting things right

If you are unhappy with our service, please contact the person or office you have been dealing with. They will try to put things right. If you are still unhappy, they will tell you how to complain.

If you want to know more about making a complaint, go to [www.hmrc.gov.uk](http://www.hmrc.gov.uk) and under quick links, select Complaints and appeals.

## How we use your information

HM Revenue & Customs is a Data Controller under the Data Protection Act 1998. We hold information for the purposes specified in our notification to the Information Commissioner, including the assessment and collection of tax and duties, the payment of benefits and the prevention and detection of crime, and may use this information for any of them.

We may get information about you from others, or we may give information to them. If we do, it will only be as the law permits to:

- check the accuracy of information
- prevent or detect crime
- protect public funds

We may check information we receive about you with what is already in our records. This can include information provided by you, as well as by others, such as other government departments or agencies and overseas tax and customs authorities. We will not give information to anyone outside HM Revenue & Customs unless the law permits us to do so.

For more information, go to [www.hmrc.gov.uk](http://www.hmrc.gov.uk) and look for Data Protection Act within the Search facility.