

Inward processing under the Union Customs Code

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Introduction

- This presentation aims to give an insight into character of an inward processing as a special procedure and changes in this respect in the light of the Union Customs Code.
- As the inward processing will be modified, this presentation aims to, on the one hand, outline permanency of fundamental provisions applied for several years in international turnover of goods, and on the other hand, illustrate changes occurred in legal environment.
- This presentation is also a helpful tool for professionals to become aware of forthcoming changes.

Relation between Community Customs Code and Union Customs Code

- Annulled Community Customs Code, laid down by the Council Regulation No 2913/92 of 12 October 1992, was based upon integration of the customs procedures applied separately in the respective Member States during the 1980s. This has been repeatedly and substantially amended in order to address the protection of good faith or the taking into account of security requirements.
- UCC reflects the new economic reality and the new role and mission of customs authorities. This amendment is caused by:
 - i. the completion of the internal market,
 - ii. the reduction of barriers to international trade and investment,
 - iii. leading role of customs authorities within the supply chain.

Objective of the Union Customs Code

The UCC was formally adopted by the European Parliament and Council on 9 October 2013 as Regulation (EU) No 952/2013, and its provisions will start coming into effect on 1 May 2016.

UCC is part of the modernisation of Customs worldwide and will serve as the new framework regulation on the rules and procedures for Customs procedures and activities throughout the European Union. Implementation of the UCC will:

- Streamline customs legislation and procedures;
- Provide greater legal certainty and uniformity to businesses;
- Increase clarity for Customs officials throughout the EU;
- Simplify customs rules and procedures and facilitate more efficient customs transactions in line with modern-day needs;
- Complete the move by EU Customs to a paperless and fully electronic environment;
- Reinforce more rapid, streamlined and efficient Customs procedures for compliant and trustworthy economic operators involved in both import and export activities.

Inward processing

- Inward processing procedure enables to use non-Union goods in the customs territory of the Union in one or more processing operations without such goods being subject to any import duties; other charges as provided for under other relevant provisions in force; commercial policy measures, insofar as they do not prohibit the entry or exit of goods into or from the customs territory of the Union.
- The nature of this procedure covers transferring goods originating from non-EU states to each customs territory and submitting them to processing, and finally exporting processed goods out their territories.

Application of the inward processing

The inward processing can be covered by:

- the working of goods, including erecting or assembling them or fitting them to other goods;
- the processing of goods;
- the destruction of goods;
- the repair of goods, including restoring them and putting them in order;
- the use of goods which are not to be found in the processed products, but which allow or facilitate the production of those products, even if they are entirely or partially used up in the process, with the exception of e.g. fuels.

Fusion of procedures within the framework of the inward processing

- In accordance with UCC an inward processing suspension procedure should be merged with a processing under customs control and an inward processing drawback procedure abandoned.
- Customs authorities decided to merge mentioned procedures to the inward processing in order to simplify procedures and make them more attractive for entrepreneurs.
- The change was caused by the fact that a suspension of charge of import or export duty was more economically advantageous than recover of collected import duty after export of processed goods.

Rules concerning authorizations granted before 1 May 2016

- if the goods, which were placed by the inward processing suspension procedure or the processing under customs control, are not discharged by 1 May 2016, they will be discharged under new relevant provisions of an Union law.
- if the goods, which were placed by the inward processing drawback procedure, are not discharged by 1 May 2016, they will be discharged under CCC.

Provision of an guarantee

- As of the entry into force of UCC provision of an guarantee will be compulsory.
- Guarantee will be calculated based on whole potential customs debt.

Period for discharge

Inward processing, as a special procedure, will be discharged when the processed goods:

- are placed under another procedure,
- exit from the customs territory of the Union,
- are destroyed without any waste remains,
- are abandoned to the State.

Conclusion

- Currently the inward processing is frequently used by productive companies which import non-Union components and sell final goods outside the Union. It is likely that they still will not pay any import duties, but it is also possible that costs of this procedure will violently raise. So inward processing up to now enabled to accumulate savings, so the obligation of an provision of the guarantee might considerably reduce its scale.
- All entities are advised to review their customs valuation processes and verify whether adjustments may be required on the basis of the new legislation.



Thank you for your attention.

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