

OUTWARD PROCESSING

GUIDELINES FOR

TRADERS

October, 2021

Table of Contents

DEFINITIONS.....	4
I INTRODUCTION.....	6
What is Outward Processing.....	6
Who can use Outward Processing?	6
II APPLICATION FOR AUTHORISATION.....	6
Making an Application.....	6
Application for an authorisation based on a customs declaration (Simplified Authorisation)	7
Authorisation covering more than one Member State.....	7
Method of identifying export goods on re-importation	8
III ISSUE OF AUTHORISATION.....	9
Visit by Customs.....	9
Period of validity	9
Recommendation.....	9
Issue of an Authorisation.....	9
Retrospective Authorisation	10
Rate of yield.....	10
Amending an Authorisation	10
IV OPERATION OF THE PROCEDURE	10
Export Procedures.....	10
Is there a time limit for re-importation of the processed goods?	11
Re-import Procedure.....	11
Deferred Payment of Import Duties.....	11
What records must be kept?	11
V SPECIAL ARRANGEMENTS.....	12
Triangular Procedure.....	12
Standard Exchange.....	12

Standard Exchange with prior importation	13
Equivalence	13
OP for certain textile products	13
VI CALCULATING THE DUTY RELIEF	14
Calculating Duty	14
Repair under Outward Processing	14
Repairs free of charge	14
Goods sent to UK for repair	14
Goods qualifying for preferential rates	15
Inward Processing Goods	15
Further information	15

DEFINITIONS

In the context of this Manual:

- (i) “Main Processed Products”; means the processed products for which the authorisation for outward processing has been granted;
- (iii) “goods in the unaltered state” means goods in the same condition as when they were placed under the OP procedure;
- (iv) “import duties” means
 - Customs duties;
 - charges having equivalent effect to Customs duties;
 - import charges provided for under the common agricultural policy or under specific arrangements applicable to certain goods resulting from the processing of agricultural products;
- (vi) “processing operations” means any of the following:
 - (a) the working of goods, including erecting or assembling them or fitting them to other goods;
 - (b) the processing of goods;
 - (c) the destruction of goods;
 - (d) the repair of goods, including restoring them and putting them in order;
 - (e) 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 (production accessories);
- (vii) “usual forms of handling” means such handling operations as are needed to ensure preservation of goods or to improve packaging or marketable quality. A list of such handling operations is contained in annex 71-03 of the Delegated Act;
- (viii) “release for free circulation” means released on to the EU market for sale and consumption in the Union;
- (ix) “Customs approved treatment or use” means any use to which goods are put which is approved by Customs e.g. re-export, entry into warehouse, destruction, release for free circulation, entry to Inward Processing Procedure etc;
- (x) “Union Code” refers to EU Council Regulation 952/2013 establishing the Union Customs Code;
- (xi) “ IA or Implementing Act “ refers to the to EU Commission supplementing Regulation 2015/2447 laying down certain provisions for the implementation of the Union Customs Code;
- (xii) “DA or Delegated Act” refers to EU Commission supplementing Regulation 2015/2446 laying down certain provisions for the implementation of the Union Customs Code;

- (xii) "CAP" common agricultural policy.
- (xii) "Period for discharge" means the time by which goods placed under a special procedure or the processed products, must be placed under a subsequent customs procedure (eg. for outward processing the time for the processed to be re imported)

I INTRODUCTION

What is Outward Processing

Outward Processing (OP) is one of a number of procedures provided for in EU legislation which are referred to collectively as Special Procedures. It allows goods to be exported outside the EU for processing and then re-imported back into the EU. The import duty will be based on the cost of the processing operation undertaken outside the customs territory of the Union.

Outward processing may **not** be allowed for any of the following Union goods:

- Which give rise to repayment of remission of import duties when exported.
- Released for free circulation prior to export:
- Under a duty exemption, or
- At a reduced rate of duty because of their end-use. Which give rise to the granting of export refunds on export.
- In respect of which a financial advantage (other than the export refunds mentioned above) is granted under the common agricultural policy when the goods are exported.

Who can use Outward Processing?

The following can apply for an outward processing authorisation:

- Individuals
- Partnerships, or
- Corporate bodies

Who are established in the European Union.

II APPLICATION FOR AUTHORISATION

Making an Application

An application should be made to the customs authorities where:

- The main accounts are held, and
- At least part of the activities of the authorisation will take place.

To apply for outward processing you must use the Customs Decision System. You must use the trader portal to submit the application and have a valid ROS certificate. You will find information about the [Customs Decision System](#) and the Trader Portal on the Revenue website.

Application for an authorisation based on a customs declaration (Simplified Authorisation)

Traders who only occasionally enter goods to OP may opt for a Simplified Authorisation in place of the standard Authorisation. This simplified procedure may be used for the following operations:

- Processing operations concerning repairs, including standard exchange without prior importation.
- Release for free circulation after outward processing using the standard exchange system with prior importation.
- Release for free circulation after outward processing using the standard exchange system without prior importation, where the existing Authorisation does not cover such a system and the customs authorities permit its modification.
- Release for free circulation after outward processing if the processing operation concerns goods of a non-commercial nature.

For application to use the simplified procedure the declaration must be accompanied by a completed Form PO2, <https://www.revenue.ie/en/customs-traders-and-agents/documents/form-po2-outward-processing.pdf> which must be stamped by Revenue at the point of export.

The simplified authorisation **may not** be used where

- Equivalence is concerned;
- retrospection of commercial goods are concerned;
- sensitive goods are involved; or
- where processing will take place in more than one Member State.

Authorisation covering more than one Member State

An authorisation may be issued which will allow goods to be entered to OP in more than one Member State. An application for this type of authorisation must be submitted to the customs authorities in the Member State where the applicant's main accounts are held and must include the following details:

- names, addresses and EORI numbers for all operators;
- details of the sequence of operations;
- exact locations at which these operations are to take place;
- the address of the customs office for each location;
- confirmation that all operators named in the application are aware of their involvement.

Method of identifying export goods on re-importation

The benefits of Outward Processing can be allowed only where it is possible to identify the exported goods in the imported processed products. One or more of the following methods may be suitable:

- statement or description of special marks or manufacturer's numbers;
- affixing of seals, clip marks, or other distinctive marks;
- the taking of samples, illustrations or technical descriptions;
- the carrying out of analyses;
- the provision of supporting documents relating to the Outward Processing transaction (such as contracts, correspondence, invoices). These documents must show that the processed products are manufactured from the temporarily exported goods.

If the Standard Exchange system is being used the supporting documents should clearly show that the replacement being supplied:

- falls within the same sub-heading of the Common Customs Tariff,
- is of the same commercial quality and has the same technical characteristics as the exported goods if the latter had undergone repair.

Your application of outward processing should indicate the method(s) that appear most suitable in their particular case. When it issues, the authorisation will specify the method(s) to be used.

Where the nature of the processing operations does not allow it to be established that the processed products have resulted from the temporary export goods, the authorisation may nevertheless be granted in duly justified cases.

The applicant must offer sufficient guarantees that the goods used in the processing operations share the same:

- eight-digit CN code,
- commercial quality and
- the same technical characteristics as the temporary export goods.

The authorisation will lay down the conditions for using the arrangements.

III ISSUE OF AUTHORISATION.

Visit by Customs

Once the application for Outward Processing is submitted through the trader portal to authorisations and Reliefs Unit a copy is referred to the Revenue Office in your area. An official from there will arrange a visit to your premises. They will discuss the procedure and advise on what records must be kept. In particular the following will be discussed:

- The goods to be processed
- The precise nature of the processing operation
- The rate of yield
- The approved means of identifying the goods in the processed product
- The time limit for re-importation.
- Goods to be exported from another Member State.
- Goods to be re-imported into another Member State.

Period of validity

Authorisations may be valid for a period of up to five years from the date of acceptance of the application. The validity period is at the discretion of Revenue. In the case of a simplified application for OP the period of validity is limited to the time allowed to process and re-import the goods entered. The standard time limit is six months.

Recommendation

The Revenue official who visits your premises will immediately forward a recommendation to Authorisation and Reliefs Unit on whether the authorisation should be granted.

Issue of an Authorisation

It takes approximately 30 days from the date of acceptance of a fully completed application to issue an authorisation. The following factors may cause this period to be extended:

- Application for Authorisation covering more than one Member State;
- Application for retrospective;

The authorisation will issue through the Customs Decision System and will appear in the trader portal where it will be available to print and download. A set of conditions relating to the use of the authorisation must be signed in advance of the issue of the authorisation.

These conditions must be signed by the:

- Secretary or Managing Director in the case of a limited company, or
- Owner or partner in the case of other traders.

Retrospective Authorisation

A retrospective authorisation may only be issued in **exceptional circumstances**. An application for retrospective can only be considered when the details of the circumstances have been submitted. The period of retrospection may not extend beyond one year before the date that the application for authorisation or amendment was accepted. No retrospection will be allowed if retrospection was already granted within three years of the date of the application for such was accepted. Sensitive goods can only receive retrospection for three months.

Rate of yield

The rate of yield means the quantity or percentage of processed products obtained from the processing of a given quantity of exported goods. This will normally be indicated on the authorisation. The rate of yield will be established from technical data concerning the operation or operations to be performed, where these are available. Where they are not, from data available in the EU relating to operations of the same type.

Amending an Authorisation

You can add goods or make changes to your authorisation. You must use the trader portal to submit any requested amendments. Any amendments should be applied for in advance. This request is treated in the same way as your application. If the amendment is approved, an amended authorisation will issue through the trader portal.

IV OPERATION OF THE PROCEDURE

Export Procedures

A customs declaration must be completed in respect of the goods being sent out from the EU. The appropriate procedure code for Outward Processing in box 37 of the declaration is 21. The authorisation number and the invoice numbers or range of numbers should be inserted in box 44. Details of any export licences required should also be entered in box 44. A hard copy of the Authorisation need not be produced with each entry unless requested by a Revenue official. An invoice showing the total value and quantity of goods in the consignment must be available and retained by the trader.

You must present your declaration to customs within sufficient time before shipment. This is to allow any necessary official examination of your goods to be carried out. Copies of the import declarations, licences and supporting documentation must be retained for a period of three years from the end of the year in which the goods to which they relate are discharged from the procedure.

Is there a time limit for re-importation of the processed goods?

The time limit within which the processed products must be re-imported will be set down in the authorisation. The time limit will be set by Revenue. When setting this time limit, the time required to carry out the processing operation and the subsequent re-importation of the processed goods will be taken into account.

Re-import Procedure

A H1 import declaration must be completed on re-import of the processed product using the following procedure codes:

D.E 1/10 6121

D.E 2/3 1Q27 followed by the number of the export declaration.

D.E 4/9 2x

D.E 4/11 full value of the goods.

D.E 4/14 item price

The declaration should be accompanied by:

- an invoice showing the cost of the processing operations carried out.
- an INF entry if the goods entered the procedure in another Member State

Documentary evidence may be requested if physical means of identification of the temporarily exported goods in the processed products is not possible.

Deferred Payment of Import Duties

Payment of import duties may be deferred under the deferred payment arrangements. Further information is available from your local Revenue Office.

What records must be kept?

If you are claiming duty relief under the Outward Processing or Standard Exchange you may be required to produce:

- records,
- documents or other evidence

to establish the accuracy of the claim. You must retain your records for a period of three years. This period runs from the end of the year in which the goods to which they related are discharged from the procedure. Your records must be available for inspection by Revenue. Your records must show the:

- CN codes of the export goods
- the quantity and value of the goods,
- the date of exportation,
- processing took place
- the date of re-importation,

- CN codes of the processed products are manufactured from the temporarily exported goods.

Your records must be kept in such a manner as to allow easy verification of the details of the transactions.

V SPECIAL ARRANGEMENTS

Triangular Procedure

Triangulation is the arrangement by which goods may be:

- exported under the Outward Processing arrangements from one Member State and
- re-imported in the form of processed products to another Member State.

You should normally make your application for this arrangement when you make your application for outward processing. Where triangulation has been approved this fact will be indicated on the Outward Processing authorisation. An electronic INF entry will be required when using triangulation. This entry will be certified by Customs on exportation.

Standard Exchange

Under the standard exchange system an imported product ('replacement product') may be authorised. This can be used where the processing operation involves the repair of defective Union goods. Standard exchange may not be used for goods subject to:

- measures laid down under the common agricultural policy or
- the specific arrangements applicable to certain goods resulting from the processing of agricultural products.

The replacement products must have the same:

- same eight-digit Combined Nomenclature code,
- the same commercial quality and
- the same technical characteristics as the defective goods had the latter undergone repair.

Where the defective goods have been used before export, the replacement products must also have been used. However, this requirement can be waived if the replacement product has been supplied free of charge, either because of a:

- contractual or statutory obligation arising from a guarantee or
- material or manufacturing defect.

The provisions which would be applicable to the processed products shall apply to the replacement products.

Standard Exchange with prior importation

Prior importation is an extension of standard exchange. Using prior importation, replacement goods can be imported before the exportation of the defective goods intended for repair. Use of the prior importation facility must be approved in advance by the Region or LCD and will be set down in the authorisation. Approval to use prior importation is subject to the provision of a guarantee covering the amount of import duty that would be payable should the defective goods not be exported. Once the replacement goods have been imported the goods intended for repair must be exported within two months.

Equivalence

The use of equivalence may be allowed under the OP procedure. Non-Union processed goods may be imported before the Union raw material is exported. A comprehensive guarantee must be put in place to cover the non-Union processed goods. Once the non-Union processed goods have been imported, the Union raw material must be exported within six months.

OP for certain textile products

Council regulation (EC) No. 3036/94 provides for a special arrangement under OP for textiles. This applies to textile products and clothing listed in chapters 50-63 of the Common Customs Tariff which are normally subject to:

- quotas, or
- other restrictions on the importation from countries outside the EU.

Under the arrangement goods may be exported from the EU to certain third countries for processing and subsequent re-importation in the form of specified processed products. The importation of such products is subject to quantitative limits, which are fixed annually by the Commission. The benefit of outward processing for textiles is given by means of a prior authorisation to applicants who meet the conditions laid down in the above regulation. Applications must be submitted through the trader portal. The application is then forwarded to the Department of Enterprise, Trade and Employment for approval. Subject to that approval an authorisation will issue through the trader portal.

VI CALCULATING THE DUTY RELIEF

Calculating Duty

Where a customs debt is incurred for the

- processed products or
- the replacement products,

the amount of import duty shall be calculated on the basis of the cost of the processing operation undertaken outside the customs territory of the Union.

Repair under Outward Processing

Where the procedure is requested for repair of goods, the temporary export goods must be capable of being repaired and the procedure shall not be used to improve the technical performance of the goods.

Repairs free of charge

Where the processing operation outside of the EU involves:

- the repair of an item, and
- the repair is carried out free of charge because of
 - contractual or legal reasons arising from a guarantee, or
 - because of a manufacturing fault,

the repaired item may be released for free circulation totally free of import duties provided account was not taken of the fault when the item was originally released for free circulation.

Goods sent to UK for repair

Under the EU-UK Trade and Cooperation Agreement (TCA) which was agreed in December 2020, goods going to the UK for repair can be re-imported into Ireland with no duty or VAT payable on condition the goods fall under the definition of repair as outlined in the TCA (see below).

The Outward Processing procedure must be used in order to get this exemption. Goods falling outside of the definition of repair, must also use Outward Processing procedure, however the exemption will not apply, and duty and VAT will be applicable.

Definition of Repair under the EU-UK Trade and Cooperation Agreement (Article GOODS 8),

“repair” means any processing operation undertaken on a good to remedy operating defects or material damage and entailing the re-establishment of the good to its original function or to ensure compliance with technical requirements for its use. Repair of a good includes restoration and maintenance, with a possible increase in the value of the good from restoring the original functionality of that good, but does not include an operation or process that:

- (i) destroys the essential characteristics of a good, or creates a new or commercially different good;*
- (ii) transforms an unfinished good into a finished good; or*
- (iii) is used to improve or upgrade the technical performance of a good.*

Please use the codes set down below on the export and subsequent re-import customs declarations.

(Export) AEP customs declaration system Box 37 - 2100

Box 44 - 00100 followed by "Simplified Outward Processing" and quote: Goods for repair under EU/UK TCA

(Returning goods) AIS customs declaration system:

D.E 1/10 - 6121

D.E 2/3 - 1Q27 followed by the number of the export declaration. Also quote: Goods repaired under EU/UK TCA

D.E 4/9 2x

D.E 4/11 - full value of the goods.

D.E 4/14 - item price

D.E 1/11 - F05 code - exempts customs duty & VAT

Goods qualifying for preferential rates

If the processed product qualifies for preferential tariff treatment and similar treatment exists for goods of the same tariff classification as the temporarily exported goods, then the preferential rate must be taken into account when determining the amount to be deducted.

Inward Processing Goods

Goods held under an Inward Processing procedure may be authorised for re-export outside of the EU for further processing. Revenue may allow for the re-exportation to be done under the OP procedure. An OP application must be submitted, and an authorisation granted before the goods be re-exported. When these goods are re-imported, they may again be placed under the IP procedure provided the IP authorisation covers the goods in question.

Goods re-imported to an Inward Processing arrangement; payment of duties subsequently arises on the goods (e.g. on diversion to the EU market) the amounts payable are: -

the import duties on the original imported goods calculated under Inward Processing rules plus - the import duties on the re-imported goods calculated under Outward Processing rules, as if

the temporarily exported goods had been released for free circulation before being exported under Outward Processing.

Further information

You can get further information from: Authorisations and Reliefs Unit, St Conlon's Road, Nenagh Co Tipperary. E-Mail Address: revcep@revenue.ie