

Instruction Manual on Inward Processing

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This manual provides instruction on the authorisation and control of the Inward Processing procedure.

Published by Authorisations and Reliefs Unit, Customs Division, National Policy and Procedures Branch

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A more recent version of this manual is available.

Definitions

In the context of this Notice:

- (i) “Main Processed Products”; means the processed products for which the authorisation for inward processing has been granted.
- (ii) “Secondary Processed Products” means processed products which are a necessary by-product of the processing operation other than the main processed products.
- (iii) “Goods in the unaltered state” means goods in the same condition as when they were placed under the IP 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.
- (v) “Import goods” means the non-Union goods which have been placed under an IP arrangement.
- (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 another 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.
- (xiii) “CAP” common agricultural policy.
- (xiv) “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 (e.g., exported, released to free circulation, destroyed).
- (xv) “Non-union goods” refers to goods that do not have union status (article 5 (24 UCC). Goods under Inward Processing do not have union status and are therefore subject to a re-export declaration when taken out of the Union (article 270 UCC).

A more recent version of this manual is available.

1. Introduction

The Inward Processing (IP) procedure is provided for in the Union Customs Code (UCC), Articles 210-225 and 255-258, the Delegated Act (DA) Articles 161-183 and 240-241, and the Implementing Act (IA) Articles 258-271 and 324-325.

IP is aimed at promoting and facilitating manufacturing and certain processing operations in the Union by enabling the importation of non-Union goods to be used in one or more qualifying operations with suspension of import duties or, certain commercial policy measures. An authorisation from the customs authorities is required for the use of the IP procedure (UCC Article 211) and it is one of many procedures provided for in EU legislation and referred to as Special Procedures.

Goods imported under the IP arrangements can undergo processing operations such as:

- (a) Working of goods, including erecting or assembling them or fitting them to other goods
- (b) Processing of goods
- (c) Destruction of goods
- (d) Repair of goods; including restoring them and putting them in order
- (e) 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).

The IP arrangements are discharged when processed products or import goods are declared for another customs approved use or treatment at the office of discharge and relevant conditions are fulfilled. The methods for discharging the procedure are set out in [paragraph 5.1](#)

2. Application for authorisation

(UCC Article 211(1)).

2.1 Application Procedure

Application for IP is made by way of the electronic Customs Decision Management System. The trader must use the Trader Portal to submit his application and must also have a valid ROS certificate. You will find information about the [Customs Decision System](#) and the [Trader Portal](#) on the Revenue website. The application will only be accepted upon receipt of all relevant information.

Once all the relevant information has been supplied and the application is accepted, the time frame for taking a decision begins. Under the UCC a decision, whether favourable or negative, must be made within 30 days from date of acceptance of the application. The option to extend the time limit to make the decision is available to the applicant, or Revenue if it is found that further time is needed up to a maximum of 30 days.

The application is forwarded to the relevant National Division with a request for an examination of the eligibility of the trader to use IP. A control officer's report with a recommendation, whether positive or negative, must be returned to Authorisations & Reliefs Unit in keeping with the above timeframe.

2.2 Control Officer's assessment

On receiving a copy of the application from Authorisations & Reliefs Unit, the National Division should contact the trader as soon as possible and arrange a meeting to examine such matters as the:

- Processing operation that will be carried out;
- Premises where the processing will be carried out;
- Accounting procedures used;
- Obligations which must be fulfilled by the applicant for the use of IP;
- Importance of observing the authorised limits for quantities and values;
- Time limit discharging the procedure;
- Method that will be used to discharge the procedure; and
- The reference amounts for the guarantee.

It should be established that the trader has a copy of the [Trader Guidelines](#) on Inward Processing or has access to them on the Revenue website.

Where the trader is a company, a senior executive in charge should be consulted to ensure that management are aware of their obligations.

The control officers report should then be completed including a recommendation as to whether or not the authorisation should be granted. Additional notes may be attached if required. In complex cases, the finalisation of the report may involve an additional visit to the trader. Completed reports are to be sent to Authorisations & Reliefs Unit as soon as possible and, before the 30-day time frame.

2.3 Guarantee

(UCC Articles 89, 211 (3)(c))

Authorisation for IP cannot issue until a comprehensive guarantee is in place. The purpose of the guarantee is to secure duties suspended on goods imported under an IP authorisation.

The guarantee may take the form of either a cash deposit or a guarantee of undertaking from surety provider. Material on [Comprehensive Guarantees](#) is available on the Revenue website.

The application for a Comprehensive Guarantee should be submitted at the same time as the application for IP so that the Revenue assessment can be carried out simultaneously.

There are two methods of calculation of the reference amount depending on whether the authorisation covers Ireland only or, if it covers more than one Member State.

In the calculation of the guarantee reference amount for an authorisation covering Ireland only, the amount may be calculated on the import duty liability only. However, if there is more than one Member State involved, all import charges must be included (e.g. VAT). An example of both methods is set down below:

List of Key Data Elements required for the calculation:

- Total value of goods to be placed under the IP procedure during the lifespan of the authorisation
- Average duty rate or possibly actual duty rate
- Period of discharge
- Maximum value of goods which may be under IP at a given point in time

The control officer will establish from the company records the maximum value of goods under IP at a given point in time over the previous 12-month period. The given point in time for the calculation of the reference amount for special procedures will be the last day of the calendar month, therefore only these 12 days in the previous 12-month period need to be examined to determine the amount of stock on hands. The highest stock record of these 12 days will determine the guarantee reference amount. The graph below takes the last day of every month and determines that the highest value of stock on hand under the IP procedure is €50,000 on the 31st May.

(a) Authorisation covering Ireland only:

- Total value of Goods which may be placed under Inward Processing during the 3 years (see data field 7 of the application) €600,000
- Duty Rate 10%
- Period of Discharge 6 months
- Maximum value of goods which may be under inward processing at a given point in time according to business activities* (see graph below) €50,000
- Calculation of the reference amount regarding import duty €50,000 x 10% = €5,000
- Guarantee reference amount is determined as €5000

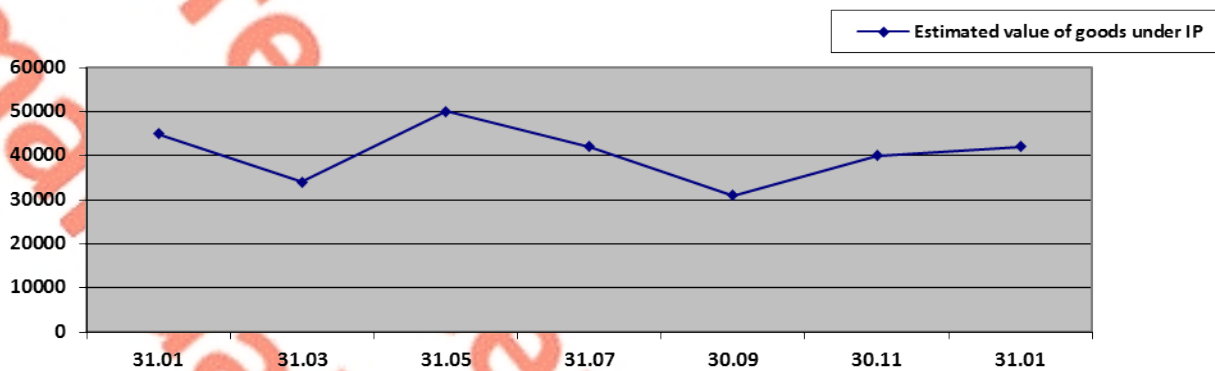


Figure 1: Estimated value of goods under IP

Authorisation covering more than one Member State:

- Total value of Goods which may be placed under Inward Processing during the 3 years (see data field 7 of the application) €600,000
- Duty Rate 10%
- VAT rate *(Highest VAT rate of the Member States involved). 23%
- Period of Discharge 6 months
- Maximum value of goods which may be under inward processing at a given point in time according to business activities (see graph below) €50,000
- Calculation of the reference amount regarding import duty €50,000 x 10% = €5,000
- The other charges are calculated as follows €55,000 x 23%(VAT) = €12,650
- Guarantee reference amount is determined as €17,650

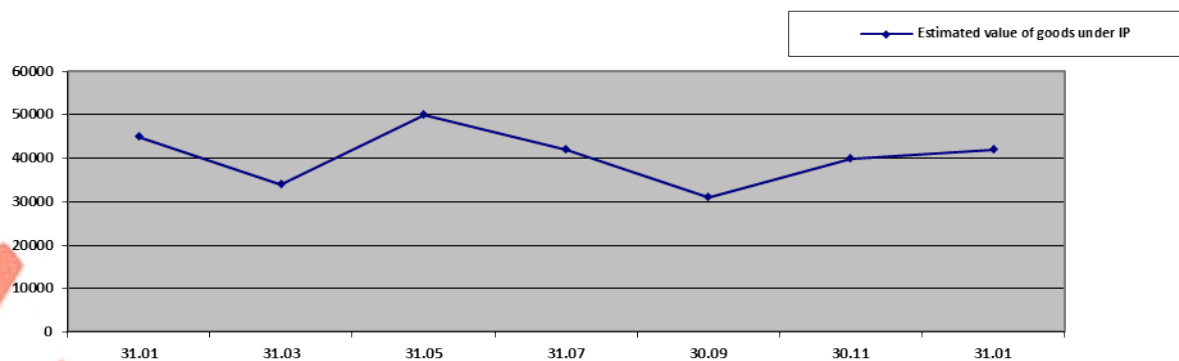


Figure 2: Estimated value of goods under IP

2.4 Authorisation covering more than one Member State

(Article 260,261 of IA)

An authorisation may be issued which will allow goods to be entered to IP in more than one Member State. An application for this type of authorisation is submitted in the Member State where the trader's main accounts are held. All applications for these authorisations in Ireland should be made as normal through the Trader Portal. The National Division should complete a report on the application as at 2.2. Care should be taken to ensure that transfer arrangements between the different traders mentioned in the application are satisfactory to the National Division. The National Division should ensure that any controls required at a local level in any other Member State are clearly established at this stage.

Authorisations & Reliefs Unit prepares a draft authorisation which is immediately sent to the authorities in the Member States in which processing will be carried out. This draft will include any controls required by the National Division. Authorisations & Reliefs Unit issues the authorisation on receipt of agreement by the other Member States or after 30 days if no objections are received. Responsibility for control of the authorisation rests with the Irish Administration.

Bills of discharge, and any other relevant information must be returned to the National Division in which the trader is located unless otherwise agreed with Authorisations & Reliefs Unit.

In the case of applications where the main accounts are held in another Member State, the draft authorisation is forwarded by the Member State to Authorisations & Reliefs Unit. This draft is forwarded to the National Division where the Irish trader is based. This draft should be examined in a timely fashion as the authorisation may be issued by the other Member State if no objection is received within 30 days. The National Division should contact the trader and arrange a meeting to examine such matters as the premises where the procedure will be carried out, the accounting procedures used and to explain to the trader their obligations with regard to this IP authorisation. On receipt of a positive recommendation from the National Division, Authorisations & Reliefs Unit will inform the Member State that Ireland has no objection to the issuing of the authorisation.

2.5 Retrospective authorisation

(UCC Article 211(2) Art 172 DA)

A retrospective authorisation may only be issued in **exceptional circumstances**. Details of these circumstances must be submitted by the trader and examined before any retrospection can be considered. The period of retrospection may not extend beyond one year before the date that the application for authorisation or amendment was accepted. Goods considered sensitive can only receive retrospection for three months.

Retrospective authorisations are only possible where all of the following conditions are met:

- (a) There is a proven economic need
- (b) The application is not related to attempted deception
- (c) The applicant has proven on the basis of accounts or records that:
 - (i) All the requirements of the procedure are met
 - (ii) Where appropriate, the goods can be identified for the period involved
 - (iii) Such account or records allow the procedure to be controlled
- (d) All the formalities necessary to regularise the situation of the goods can be carried out, including, where necessary, the invalidation of the customs declarations concerned
- (e) No authorisation with retroactive effect has been granted to the applicant within three years of the date on which the application was accepted
- (f) An examination of the economic conditions is not required (except where an application concerns renewal of an authorisation for the same kind of operation and goods – see point (h))
- (g) The application does not concern the operation of storage facilities for the customs warehousing of goods; and
- (h) Where an application concerns renewal of an authorisation for the same kind of operation and goods, the application is submitted within three years of expiry of the original authorisation.

With regard to point (e) retrospection will only be allowed once for the same procedure, e.g. if a trader applies for an IP and an OP procedure the 3-year period will apply to each of the applications.

All requests for retrospective authorisation should be submitted with the application, or with the request for amendment of the authorisation. Authorisations & Reliefs Unit will refer to the relevant National Division for examination.

In cases where a retrospective inward processing authorisation is approved, the control officer should carry out a check to ensure that a VAT refund hasn't already been claimed for the goods being declared to Inward Processing retrospectively. The first point of contact for the control officer is the case manager on RCM. Reclaim of Import VAT should be made on the AIS only.

2.6 Application for an authorisation based on a customs declaration (simplified authorisation) (Article 163 (1) & (2) DA)

Traders who only make occasional imports to inward processing (IP) may opt for an authorisation by declaration rather than applying for and securing authorisation in advance of importation. Under this arrangement, lodgement of a H4 8f declaration entering the goods constitutes an application.

Import - AIS - H4 declaration

D.E. 1/10 - code 5100

D.E. 2/2 - code 00100 - simplified inward processing

Export Declaration – AES

- D.E. 11 09 001 000 - 31
- D.E. 11 09 002 000 - 51
- D.E. 12 04 002 000 – 1Q28
- D.E. 12 04 001 000 – Import MRN

Authorisation by declaration **cannot** be used where:

- Equivalence is used.
- Sensitive goods included in Annex 71-02 are concerned.
- Processing will take place in more than one Member State (authorisation covering more than one Member State).
- Retrospection is requested.
- When using simplified Customs Declarations, centralised clearance or entry in the declarant's records;
- Use of an authorisation by declaration is restricted to three times in a 12 month period.

To enter goods to this procedure the full amount of duty must be paid on deposit. The deposit will be refunded when the goods have been properly discharged from the procedure. The period of discharge for this procedure is set at 6 months. To claim the refund an application must be made through the AIS system.

2.6.1 Goods imported from UK for repair.

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

The Inward Processing procedure must be used to claim this exemption. Goods falling outside of the definition of repair, must also use the Inward Processing procedure, however the exemption will not apply, and duty and VAT will be taken on deposit until the goods are re-exported back to the UK.

Definition of Repair under the EU/UK Trade and Cooperation Agreement (TCA) (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 listed below for the import and subsequent re-export declarations.

(Import) AIS customs declaration system

- D.E 1/10 - 5100
- D.E 2/2 - 00100. Also quote: ‘Simplified IP, Goods for repair under EU/UK TCA’.
- D.E 2/3 - 1C99 (exempt duty), and 1A99 (exempt VAT), or, if you have VAT postponement insert ‘1A05 IEPOSTPONED’.

(Export) AES customs declaration system

- D.E. 11 09 001 000 - 31
- D.E. 11 09 002 000 - 51
- D.E. 12 02 008 000 – 00100
- D.E. 12 02 009 000 - Simplified Outward Processing - Goods for repair under EU/UK TCA
- D.E. 12 04 002 000 – 1Q28
- D.E. 12 04 001 000 – Import MRN

3. Issue of the Authorisation

3.1 Issue of a new Authorisation

When a favourable decision has been made, Authorisations & Reliefs Unit will check that:

- All necessary reports and documentation are received;
- The trader has signed and submitted the IP conditions; and
- A comprehensive guarantee is in place.

Once all of the above are received an authorisation is then drawn up through the electronic Customs Decision System. This is transmitted to the Trader Portal. The authorisation is then available for the trader to download.

A copy is sent to the National Division for their records.

3.2 Renewal of an authorisation

Renewal of an authorisation is made in the same way as an application for a new IP. The renewal is submitted in the same way, through the Trader Portal.

When an application for renewal is received Authorisations & Reliefs Unit, will check to ensure that all the required information is included. Once checked the application is sent to the National Division.

The National Division role will be:

- To examine the renewal application.
- Ensure all conditions are being met.
- Confirm the CN codes set down are correct.
- The quantities and values are in line with the proposed business activities.
- Check that BOD's are in the correct format and the timeframe for lodging with Customs is being met.
- Review the reference amount needed for the duty liability.
- Provide a recommendation as to whether or not the renewal should be granted.

3.3 Amendment to an authorisation

All requests for amendments to current authorisations must be submitted through the Trader Portal. Authorisations and Reliefs Unit will forward the request to the National Division for a recommendation and a request to review the guarantee reference amount. An application

for an amendment to the Authorisation for Comprehensive Guarantee will also need to be submitted and assessed. If the National Division recommends the amendment, Authorisations & Reliefs Unit will issue the amended authorisation through the Customs Decision System. A copy will issue to the National Division.

4. Entry of goods to the procedure

4.1 How are goods entered to IP?

- When entering goods to IP, the trader is required to do the following:
On the import declaration the appropriate procedure code should be inserted in D.E. 1/10. The authorisation number should be inserted in D.E. 2/3. The invoice numbers or range of numbers should also be inserted in D.E. 2/3.
- An invoice showing the total value and quantity of goods in the consignment must be available and retained by the trader.
- In the case of goods imported through the parcel post the words “Imported under inward processing” must form part of the sender’s declaration affixed to the parcel.
- Where the goods imported for IP are liable to ad-valorem duty and it is intended to place some or all of the goods on the EU market, the import declaration must be supported by the appropriate valuation declaration form.

Traders must retain copies of the import declarations and supporting documentation in their records for a period of three years from the end of the year in which the goods to which they relate are released from the procedure.

4.2 Automatic verification through AIS

The AIS system has an automatic verification process for authorised IP traders. This process verifies a trader’s ability to use the procedure code 5100 and the CN codes listed on Annex 1 of the authorisation by cross-referencing this data against the authorisation data stored in CRS. Any deviation from the data included on a trader’s authorisation will result in AIS rejecting the entry. It is vital therefore that Authorisations & Reliefs Unit is immediately made aware of any amendment needed to an authorisation.

The quantities and values on the authorisation are not checked by this verification process.

5. Discharge of goods from the procedure

(UCC Art 215, Art 264 IA)

5.1 Period for Discharge

The period for discharge is from the time the goods are entered to the procedure until either they or the processed product is discharged. The National Division will determine the period of discharge based on the time frame needed to process the goods and discharge them.

The standard period of discharge is set at 6 months but can be extended if the trader provides evidence that the processing operations needs a longer period of discharge. The period of discharge cannot be used for storage of goods. Where goods are being held in storage rather than being processed then an authorisation for warehousing must be considered.

Discharge of the procedure releases the suspended duty liability. The goods must be discharged from the procedure by one of the methods listed below.

5.2 How are goods discharged from IP?

The discharge of goods from IP is regarded as complete when all conditions for use of the procedure have been complied with and the processed products or goods in the unaltered state are:

- Re-exported from the Union (see definition xv)
- Transferred to another customs procedure
- Transferred to another Member State to be entered to another customs procedure in that Member State
- Transferred to a custom approved use such as export shops, armed forces, embassies, ships stores
- Used for the first time in the manufacture, repair, modification or conversion of aircraft or spacecraft or parts thereof or related equipment
- Released for free circulation in the Union with payment of all import duties
- Destroyed with no waste remaining
- Abandoned to the exchequer.

When goods are re-exported after IP the following should be inserted

AES Customs declaration system

- D.E. 11 09 001 000 - 31
- D.E. 11 09 002 000 – 51
- D.E. 12 04 002 000 – 1Q28
- D.E. 12 04 001 000 – Import MRN

5.3 Bill of discharge

The Bill of Discharge records all the details of the goods being placed under the Inward Processing (IP) procedure and being discharged from IP by one of the methods outlined in section 5.2 above. A bill of discharge must be lodged in the National Division within the timeframe agreed with the trader. The timeframe will be specified under “Bill of Discharge Description” on the authorisation. The Bill of Discharge must be lodged within 30 days after this due date. The National Division, in consultation with Authorisations & Reliefs Unit, may extend the timeframe in special circumstances.

On receipt of the bill of discharge, the National Division should examine the details without delay and any liability established should be entered into the accounts within 14 days from receipt of the bill of discharge.

New traders or traders who have had compliance issues will be required to submit monthly BODs in order to closely monitor the authorisation.

The Bill of Discharge shall contain at least the following details:

- The authorisation reference number.
- The periods for discharge.
- The quantity of each type of import goods in respect of which discharge, repayment or remission is claimed.
- The CN code of the import goods.
- The customs value and the rate of import duties to which the goods which were placed under the special procedure are liable. This is the actual value declared on the declaration, not a standard or any other form of value used by the company.
- The particulars of the customs declarations entering the import goods to IP.
- The established rate of yield.
- The type and quantity of the compensating product.
- The CN code and the value of the compensating product.

- The customs approved treatment or use assigned to the compensating products as well as particulars of the relevant declarations or other documents used to discharge the goods or products from IP.
- The amount of customs duty to be paid on any import goods released for free circulation and
- Quantities and values from the authorisation used and balance carried forward to next period for discharge.

The National Division should ensure that Bills of Discharge are submitted within the agreed timeframe. Failure to return Bills of Discharge in a timely manner is considered to be non-compliant with the conditions of the authorisation and should be taken up immediately by the National Division with the trader.

Example of a Monthly Bill of Discharge:

Period for Discharge – 6 months, validity start in January.

Bill of Discharge Monthly – Containing any goods discharged from the IP procedure plus any goods, for which, the period for discharge has expired.

Date	Goods Received	BOD 006 End June	BOD 007 End July	BOD 008 End Aug	BOD 009 End Sept	BOD 010 End Oct	BOD 011 End Nov	BOD 012 End Dec
Jan	500	BOD due						
Feb	500	BOD due						
March	500	BOD due						
April	500	BOD due						
May	500	BOD due						
June	500	BOD due						
July	500		BOD 007					
Aug	500			BOD 008				
Sept	500				BOD 009			
Oct	500					BOD 010		
Nov	500						BOD 011	
Dec	500							BOD 012
Jan	500							
Feb	500							



Period for discharge – 6 Months. Any goods imported may remain under IP procedure for a maximum of 6 months.



The period for discharge for these imported goods has expired, and these goods must be discharged from the IP procedure under the BOD, thus the debt must be raised, and duties paid.

BOD due monthly. Any goods discharged from the IP procedure must be entered on the BOD and the BOD submitted within 30 days.

Example: A trader, holding an IP authorisation, imports goods on the 15th of January with a Period for discharge of 6 months. If the goods are discharged from IP during this 6-month period, they are recorded on the next Bill of Discharge.

- If the goods remain unused in the IP procedure on the 16th of July (after 6 months), then the period for discharge has expired and duty payment is now due.
- The goods must be discharged from IP on the next BOD which is due at the end of July.
- The holder has 30 days to submit this BOD – so the BOD must be submitted by the 30th of August.

Example 2: Quarterly Bills of Discharge

Period for Discharge 6 months, validity starts in January.

Bill of Discharge Quarterly – Containing any goods discharged from the IP procedure plus any goods where the period for discharge has expired.

Date	Goods Received	BOD 002 End June	BOD 003 End Sept	BOD 004 End Dec	BOD 005 End March
Jan	500				
Feb	500				
Mar	500	BOD 001			
Apr	500				
May	500				
June	500	BOD 002			
July	500				
Aug	500				
Sept	500		BOD 003		
Oct	500				
Nov	500				
Dec	500			BOD 004	
Jan	500				
Feb	500				BOD 005
Mar	500				
April	500				



Period for discharge – 6 Months. Any goods imported may remain under IP procedure for a maximum of 6 months.



The period for discharge of these goods has expired, and these goods must be discharged from IP procedure under the bill of discharge, thus the debt must be raised, and duties paid.

BOD due quarterly. Any goods discharged from the IP procedure must be entered on the BOD and the BOD submitted within 30 days.

BOD 001 – Contains any goods discharged from IP procedure from Jan to March.

BOD 002 – Contains any goods discharged from IP procedure from March to June.

BOD 003 - Any goods discharged from IP procedure from July to Sept PLUS any goods still in stock under IP procedure from period Jan to March (Period for discharge has expired).

BOD 004 - Any goods discharged from IP procedure from Oct to Dec PLUS any goods still in stock under IP procedure from period April to June (Period for discharge has expired).

5.4 Monitoring/Checking of authorisations.

Checking of authorisations ensures compliance on the part of these authorised traders. It is a matter for each National Divisional Office to ensure consistency in relation to this checking, having regard to risk strategy rather than resources.

There are several aspects to an authorisation, which must be monitored by the National Division. These include:

- Ensuring that the terms and conditions are being adhered to;
- Ensuring that the quantities and values as identified in the authorisation are not exceeded or likely to be exceeded. This should involve monitoring of bills of discharge on a regular basis. If quantities or values are exceeded, this may result in customs debts arising;
- Ensuring that the tariff codes included on the authorisation are correct. The automatic verification process in AIS should restrict importations to those set down on the authorisation;
- Ensuring that an authorised trader is subject to ordinary compliance checks at least once every six months. These compliance checks should not take place as a result of risk profiling or strategy but should be over and above any risk related visits. The level of detail that these compliance checks involve can be decided by the National Division but should involve at least the four points above; and
- Ensuring that all authorised traders are audited on a regular basis. The fact that these traders are visited for compliance checks on a regular basis should not exclude them from any audit program being undertaken by the National Division. The National Division should ensure that every authorised trader is audited at least once during the lifetime of an authorisation (The maximum term for an authorisation issued currently stands at 3 years).

5.5 Proof of exportation

The National Division should verify that the export formalities have been carried out from the export declaration data available in AES.

In any case where it is claimed IP goods have been destroyed by accident or force majeure, the trader must report the incident to the National Division. If the National Division are

satisfied with the facts as presented by the trader, it may be accepted that the procedure has been discharged.

If a trader plans to destroy goods, the National Division must be informed in advance and given the following details:

- The types of goods concerned.
- The amount of duties or other charges liable.
- The reasons for destruction; and
- The method of destruction.

If the National Division is satisfied that the destruction is justified, and there are no environmental concerns, it may be accepted that the procedure has been discharged on completion of the destruction with no waste remaining.

6. Release of IP goods to Free Circulation

6.1 Request for release under UCC Art. 85(1) or 86(3) UCC.

Goods can be released to free circulation from the IP procedure in two ways:

- The processed products can be released to free circulation with duty and VAT applicable on the finished product (Article 85(1)). The processed products can be released to free circulation by submitting an electronic H1 declaration or under UCC DA Art. 170 using the Bill of Discharge and Form 1034. A request to release goods to free circulation under UCC DA art.170 should be submitted at application stage

Or

- The processed product can be released to free circulation with duty and VAT applicable to the originally imported raw materials (Article 86(3)). When paying import duty on the originally imported raw material, the processed products in this case can only be released to free circulation under UCC DA Art. 170 using the Bill of Discharge and Form 1034.

Permission to release goods to free circulation under UCC DA Art. 170 using the Bill of Discharge and [Form 1034](#) must be applied for in advance at application stage by the trader and must be set down in the authorisation (whether duty being calculated based on UCC Art. 85(1) or 86(3)).

6.2 Payment of duty

(UCC Article 104)

The National Division will enter in the accounts the amount of import duty payable as established in the bill of discharge within 14 days from the date on which the bill of discharge was received. Form 1034 should be completed. If the trader has a deferred payment arrangement, all duties on goods released in a particular month must reach the National Division on or before the fifteenth day of the following month.

6.3 Arrears

The National Division is responsible for the on-going receipt of duty payments. The National Division must pursue outstanding bills of discharge and/or payments as considered appropriate. In the event of continued failure by the trader to submit timely and correct bills of discharge and or timely payments Authorisations & Reliefs Unit should be contacted with a view to a possible withdrawing the authorisation due to non-compliance.

6.4 Use of INF

(Article 271 IA, and 176 & 181 DA, Annex 71-05 DA)

The Commission has released an electronic system for the use of all INF entries. Paper forms can no longer be used.

6.5 INF for goods released to free circulation from another IP.

An INF entry is used for determining the amounts of customs duty and any other charges due where processed products or goods in their unaltered state are released for free circulation in a Member State other than the one in which the IP authorisation was issued.

If an Irish trader wishes to release IP goods for free circulation, which were entered to IP in another Member State, an INF entry must be present in the INF electronic system for sign off by the National Division. The INF must have been started in the other Member State. Similarly, if an IP trader in Ireland is sending goods to another Member State for subsequent release to free circulation, the trader must submit an INF entry to the National Division.

7. Equivalence

(UCC Article 223, Art 268 IA, 169 of DA)

7.1 What is equivalence?

Equivalence is a facility within IP that allows traders to use identical Union goods in place of imported goods for processing and export, when approved to do so.

The equivalent goods must fall within the same subheading of the Common Customs Tariff, be of the same commercial quality and have the same technical characteristics as the import goods. Equivalent goods may be at a more advanced stage of manufacture than the import goods provided the essential part of the processing is carried out by or on behalf of the trader. Equivalence can be granted either for specific products or for all products covered by an authorisation. In the case of repair, equivalence is allowed for new goods instead of used goods or goods in a better condition than the non-Union goods placed under the IP procedure.

7.2 Application for equivalence

Applications to use equivalence are normally made at the time of the application for IP. Applications for equivalence can also be dealt with by way of amendment to a current authorisation. Any application for equivalence must include the following:

- The nature, quantity and value of the compensating products in respect of which the application is made.
- The nature, tariff subheading, commercial quality and quantity of the goods being imported.
- Any information necessary to establish the relationship between the goods exported and the replacement import goods.

Any trader who is issued with an authorisation, which provides for the use of equivalence must sign a specific set of conditions. Authorisations & Reliefs Unit will issue these conditions to the National Division with the control officers report for signature by the applicant.

7.3 Restrictions to the use of equivalence

The use of equivalent goods shall not be authorised where:

- The non-Union goods placed under the IP procedure would be subject to a provisional or definitive anti-dumping, countervailing, safeguard duty or an additional duty resulting from a suspension of concessions if they were declared for release for free circulation;
- The authorisation is issued for the usual forms of handling only;
- Where a prohibition of drawback of, or exemption from, import duty applies to non-originating goods used in the manufacture of processed products for which a proof of origin is issued in the framework of a preferential arrangement between the Union and certain countries or territories outside the Union;
- Where it would lead to an unjustified import duty advantage, or where provided for in Union legislation.

The use of equivalent goods shall also not be authorised for goods or products that have been genetically modified or contain elements that have undergone genetic modification.

7.4 Prior exportation

This is an arrangement which allows the trader to manufacture products from equivalent goods and export the products before the import of the replacement goods i.e. export before import EX/IM. Prior exportation cannot be used unless specifically provided for in the trader's authorisation.

7.5 INF for prior exportation.

(Article 271 IA, and 176 & 181 DA, Annex 71-05 DA)

An INF entry is needed for the exchange of information between Member States where compensating products manufactured from equivalent goods are exported from one Member State (e.g. Ireland), prior to the import of the replacement goods to a different Member State (e.g. France). This is known as triangular traffic. This INF entry must be on the INF system and approved before the goods are exported.

7.6 Special equivalence rules for agricultural goods

(Annex 71-04 to DA)

The use of equivalence in respect of specified agricultural goods i.e. rice, wheat, sugar, live animals and meat, maize, olive oil and milk and milk products, is subject to special provisions, which are set down in Annex 71-04 DA.

8. Movement of goods under inward processing

(UCC Art 219, Art 267 IA, Art 178 (1) (e) & Art179 DA)

Movement of goods may take place between different places in the customs territory of the Union without customs formalities, but the records of the trader shall show the location of the goods and all information regarding the movement.

Movement of goods to the customs office of exit with a view to discharging the IP procedure shall be carried out under the cover of the re-export procedure, however the goods will remain under the IP procedure until they have been taken out of the customs territory of the Union.

8.1 Transfer from the point of entry

Transfer of the goods from the point of entry to the premises of the trader or operator is covered by the entry declaration which declares the goods entered to the IP procedure and the liability is covered by the trader's guarantee.

8.2 Transfer to an approved operator

An operator is someone who has been authorised to process IP goods in their own premises on behalf of the authorised trader. The goods may be transferred to the operator's premises for processing without any customs formalities. The holder of the authorisation retains responsibility for the goods at all times and all movements of the goods must be recorded in their accounts.

If the operator is located in another Member State, Authorisations & Reliefs Unit will contact the customs authorities in that Member State and, if they are in agreement, the trader's authorisation will be amended to an Authorisation covering more than one Member State.

9. The “No Drawback” rule

(UCC Article 78)

Certain Preferential Trade Agreements concluded between the EU and third countries include a provision known as the “No Drawback” rule. Under this provision goods do not qualify for preferential tariff treatment on entry to the agreement country where materials used in their manufacture have benefited from “a drawback (refund) of customs duty or exemption from customs duty of whatever kind”. Therefore, a Movement Certificate EUR1 or Invoice Declaration may not be issued for goods containing any materials which have benefited from duty suspension under IP.

However, if a trader wishes to use an EUR 1/Invoice Declaration, then the originally imported goods must be released out of the Inward Processing arrangements and all duties/VAT etc must be paid before the EUR 1/Invoice Declaration can be used.

The “No Drawback” rule currently applies to the following countries:

Algeria
Chile
Egypt
Faroe Islands
Iceland
Israel
Jordan
Lebanon
Liechtenstein
Macedonia (F.Y.R.)
Mexico
Morocco
Norway
Palestinian Authority of the West Bank & the Gaza Strip
Switzerland
Syria
Tunisia
Turkey
South Korea
Canada

For further information on the “No Drawback rule” please contact Classification, Origin & Valuation Section, telephone 067 63213, 36261.

10. Sensitive Goods (Annex 71-02 DA)

The use of non-Union sensitive goods in IP is restricted. The National Divisions may consider that, given the sensitivity of these goods within the EU market, additional monitoring of these authorisations is necessary. The following are the broad headings of the goods concerned:

Beef and Veal
Pig meat
Sheep meat
Poultry
Cereals
Rice
Sugar
Olive oil
Milk and milk products
Wines
Certain alcohols
Goods for which export refunds are fixed
Eggs
Fishery products

The period of validity of the authorisation in respect of such goods will be for a maximum of three years.