

# Instruction Manual

## On

# Outward Processing

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This Manual provides a guide to the interpretation of the law governing Outward Processing. This is set out in Council Regulation (EU) No. 952/2013 (the Union Customs Code), Commission Regulation (EU) No. 2015/2447 (the Implementing Regulation), and Commission Regulation (EU) No. 2015/2446 (Delegated Regulation).

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## 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.
- (ii) “Goods in the unaltered state” means goods in the same condition as when they were placed under the OP procedure.
- (iii) “Import Duties” means:
  - a) Customs Duties
  - b) Charges having equivalent effect to Customs Duties
  - c) Import charges provided for under the common agricultural policy or under specific arrangements applicable to certain goods resulting from the processing of agricultural products.

## 1. Introduction

### 1.1. 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.

## 2. Application for Authorisation

(UCC Articles 211)

### 2.1. Application Procedure.

(UCC Article 22)

The trader must use the Trader Portal to submit the 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 formally 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 if it is found that further time is needed up to a maximum of 30 days.

On receipt of an application Authorisations & Reliefs Unit will carry out the following tasks:

- Check that all of the necessary information to process the application has been supplied by the trader;
- Where additional information is found to be required the trader will be contacted to provide same.
- The application is formally accepted upon receipt of all relevant information.

### 2.2. Division/LCD Report on New Applications

On receiving a copy of the application from Authorisations and Reliefs Section, the Division/LCD should contact the trader and arrange a meeting to examine the application and to explain to the trader the obligations which must be fulfilled by anyone availing of OP. The precise nature of the processing operation, the accounting procedures used, the rate of yield and the approved means of identifying the Union goods in the processed product must be examined. The importance of observing the authorised limits for quantities and values and the time limit for re-importation should be clearly pointed out during this meeting. It should be established that the applicant has a copy of the [Trader Guidelines on Outward Processing](#) or has access to them on the [Revenue website](#). Where the applicant is a company, a senior executive in charge should be consulted to ensure that management are aware of their obligations.

The 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. The completed report should be sent to Authorisations and Reliefs Unit as soon as possible and, in this regard, it should be borne in mind that a decision on issuing the authorisation must be made within **30 days** of acceptance of the application.

### 2.3. Restrictions on the use of outward processing (UCC Article 259).

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

- (a) goods the export of which gives rise to repayment or remission of import duties.
- (b) goods which prior to export, were released for free circulation under a duty exemption or at a reduced rate of duty by virtue of their end use, for as long as the purposes of such end use have not been fulfilled, unless those goods have to undergo repair operations.
- (c) goods the export of which gives rise to the granting of export refunds;
- (d) goods in respect of which a financial advantage other than refunds referred to in point (c) is granted under the common agricultural policy by virtue of the export of those goods.

## 3. Types of Authorisations

### 3.1. Authorisation covering only one Member State

This type of authorisation will allow the holder to avail of OP only in the State in which it was issued. All applications, including those for renewal or amendment of existing authorisations, must be submitted by using the Trader Portal using the link in [section 2.1](#).

### 3.2. 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 OP in more than one Member State. An application for this type of authorisation is submitted in the Member State where the applicant's main accounts are held.

All applications for these authorisations in Ireland should be made through the Trader Portal. Authorisations and Reliefs Unit prepares a draft authorisation which is communicated to the authorities in the Member States in which the authorisation will be valid. This draft will include the controls required by the Division/LCD. Authorisation and Relief Unit will issue 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. Record keeping, INF details, and any other relevant information must be held by the holder of the authorisation.

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 and Reliefs Section. This draft is

forwarded to the Division/LCD 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 Division/LCD 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 regarding this OP authorisation. The Division/LCD may, if they consider it necessary, require that security be put in place with separate conditions agreed in respect of the Irish trader. However, responsibility for control of the authorisation rests with the issuing Member State. On receipt of a positive recommendation from the Division/LCD, Authorisations and Reliefs Unit will inform the Member State that Ireland has no objection to the issuing of the authorisation.

### 3.3. 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, either for a new authorisation or amendment to an existing authorisation, may not extend beyond one year before the date that the application for authorisation or amendment was accepted. Certain sensitive goods can only receive retrospection for three months.

Retrospective authorisations are only possible where all 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 based on 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.
- (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.

Regarding 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.

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

(Article 163 DA)

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](#), which must be stamped by Revenue at the point of export.

The simplified authorisation may **not** be used where equivalence is involved, where sensitive goods are concerned, or where processing will take place in more than one Member State.

**Retrospection is not allowed for commercial goods in simplified authorisations.**

## 4. Issue of a new Authorisation

When Authorisations and Reliefs Section has received all necessary reports and documentation, an authorisation is drawn up through the Customs Decision System and electronically transmitted to the Trader Portal. This authorisation is then available for the Trader to download. Authorisations are valid for a period of up to five years from the date of acceptance of the application.

Before receiving the authorisation, the holder must accept and sign a standard set of conditions which specify their responsibilities regarding the use of the authorisation. A signed copy of the conditions must be returned to Authorisations and Reliefs Unit, while the Division/LCD should retain a copy in the trader file.

In the case of newly authorised traders, when commercial activity begins, Divisions/LCD should check to ensure that the quantities and values being declared for each tariff classification code are in accordance with the authorisation.

#### 4.1. Renewal of an Authorisation

An application for renewal is submitted through the Trader Portal and when received by Authorisations and Reliefs Section, it is checked for any changes from the previous authorisation. The Division/LCD will be requested to examine the renewal application and provide a recommendation as to whether or not the renewal should be granted.

#### 4.2. Amendment to an Authorisation

All requests for amendments to current authorisations must be submitted through the Trader Portal. Once received Authorisations and Reliefs Unit will forward the request to the Division/LCD for a recommendation. If the Division/LCD recommends the amendment, Authorisations and Reliefs Unit will issue the amended Authorisation through Custom Decision System, which will then be available to download by the trader through his Trader Portal. A copy will be sent to the Division/LCD.

### 5. Entry of goods to the procedure

#### 5.1. How are goods entered to OP

- Enter procedure code 2100 in box 37 and enter code CO19 followed by authorisation number in box 44.
- A hard copy of the Authorisation need not be produced with each entry unless requested by a Revenue official.
- Retain the invoice showing the total value and quantity of goods in the consignment and make it available if requested.

Authorisation holders 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 discharged from the procedure.

#### 5.2. Automatic verification through AEP

The AEP system has an automatic verification process for authorised OP traders. This process verifies a holders' entitlement to use the procedure code and the CN codes listed on the authorisation by cross-referencing this data against the authorisation data stored in CRS. Any deviation from the data included on the holder's authorisation will result in AEP rejecting the entry. It is vital therefore that Authorisations and 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 and should be monitored by the Supervising Office.



## 6. Discharge of goods from the procedure

(UCC Article 215)

### 6.1. How are goods discharged from OP

The discharge of goods from OP is regarded as complete when all conditions for use of the procedure have been complied with and the processed products have been re-imported into the EU. A copy of the export declaration must be retained for possible inspection by Revenue. The declaration re-importing the goods to the EU must be accompanied by the following:

- An invoice for the processed products
- A document setting out the cost of the processing operations for duty purposes;
- Reference to the relevant INF identification number if the goods entered the procedure in another Member State; documentary evidence may be requested from the holder if physical means of identification of the temporarily exported goods in the processed products is not possible.
- Enter procedure code 6121 in D.E. 1/10 of H1 declaration.

### 6.2. Triangulation

Triangulation is the arrangement by which goods may be exported under OP from one Member State and re-imported in the form of processed products into another Member State. Where triangulation has been approved this fact will be indicated on the holder's authorisation.

Where triangulation is envisaged, an INF must be drawn up in advance of the export of the goods and the reference number put into box 44 of the export declaration.

The INF system has moved from a paper-based system to a centrally developed EU-wide system. INF is the standardised exchange of information for the management of information for the outward processing procedure. More information is available on [Revenue website](#).

### 6.3. Monitoring/Checking of Authorisations

It is accepted that the overall monetary risk is likely to be small, nevertheless to meet EU commitments it is important to verify entitlements to OP relief in relation to approximately 10% of OP imports. These checks can be carried out as part of the post clearance-checking programme.

There are several aspects to an Authorisation, which must be monitored by the Division/LCD. 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 records on a regular basis. If quantities or values are exceeded, this may result in customs debts arising.
- Ensuring that only tariff codes included on the Authorisation are used.

- Ensuring that an authorised trader with regular OP imports is subject to ordinary compliance checks. The level of detail that these compliance checks involve can be decided by the Division/LCD but should involve at least the three points above.

## 7. How is the duty calculated?

(UCC Article 86 (5))

### 7.1. Calculating Duty relief

Where a customs debt is incurred for the processed, repaired or replacement products the amount of import duty shall be calculated based on the cost of the processing operation undertaken outside the customs territory of the Union.

### 7.2. Repairs

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.

### 7.3. Good Repaired Free of Charge

(UCC Article 260)

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.

### 7.4. 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 specified in the TCA (see below).

The Outward Processing procedure must be used in order to claim this exemption. Goods falling outside of the definition of repair, must also use the 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

## 8. Standard Exchange

(UCC Article 261)

Under the standard exchange system an imported product ('replacement product') may be authorised and can be used where the processing operation involves the repair of defective Union goods other than those subject to measures laid down under the common agricultural policy or to the specific arrangements applicable to certain goods resulting from the processing of agricultural products.

The replacement products shall have the 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 because of a material or manufacturing defect.

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

## 8.1. Standard Exchange with prior importation (UCC Article 262)

Prior importation is an extension of Standard Exchange where the replacement goods are imported before the exportation of the defective goods intended for repair. Use of the prior importation facility must be approved in advance by the Division/LCD and will be noted on the holder's authorisation by Authorisations and Reliefs Unit. 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 replacements goods have been imported, the defective goods must be exported within two months.

## 8.2. Equivalence

The use of equivalence is 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 6 months.

## 9. OP and Inward Processing (UCC, Article 258)

Goods held under the Inward Processing procedure may be exported under OP for further processing and re-imported to Inward Processing on their return. Any trader wishing to export Inward Processing goods under OP must be authorised for both procedures under the standard application procedure.

## 10. OP for certain textile products

Council Regulation (EC) No. 3036/94 provides for a special arrangement known as Outward Processing for textiles. This applies to the outward processing of textile products and clothing listed in Chapters 50 to 63 of the Common Customs Tariff which are normally subject to quota or other restrictions on 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 to Authorisations and Reliefs Unit. The application is then forwarded to the Department of Enterprise, Trade and Employment for approval. Subject to that approval Authorisations and Reliefs Unit will issue the authorisation through the Customs Decisions System to the trader. It will then be available to the trader to download in the Trader Portal. A copy will be sent to the Division/LCD for information. Any enquiries regarding this special procedure should be directed to Authorisations and Reliefs Section.