

INWARD PROCESSING

GUIDELINES FOR TRADERS

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Table of Contents

DEFINITIONS.....	4
SECTION I.....	6
What is inward processing?	6
Who can use inward processing?	6
SECTION II.....	6
Applying for Authorisation	6
Application process.....	6
Application for an Authorisation based on a customs declaration (simplified Authorisation)	7
Goods imported from UK for repair.....	7
Authorisation covering more than one Member State	8
ISSUE OF AUTHORISATION.....	8
Meeting with Revenue official	8
Period of validity	9
Recommendation.....	9
Issue of an Authorisation	9
Retrospective Authorisation	9
SECTION IV	10
OPERATION OF THE PROCEDURE.....	10
Guarantee	10
Supervision / Audit.....	10
Discharge of liability.....	10
Destruction under inward processing.....	11
Goods not accounted for	11
Entry to the arrangements.....	11
Rate of yield	11
Period for discharge	11
Bill of discharge	12
Movement of goods under inward processing.....	12
Transfer from the point of entry.....	13
Transfer to an approved operator	13
SECTION V	13
PAYMENT OF DUTIES	13
Goods released for free circulation	13
Payment of duty.....	13
Deferred payment arrangements	14

SECTION VI 14

SPECIAL ARRANGEMENTS 14

Equivalence 14

Prior exportation 14

Triangular Traffic System INF 14

The 'No-Drawback' Rule..... 15

SECTION VII 15

MISCELLANEOUS 15

Exportation for further processing 15

Prohibitions and restrictions on goods 15

Further information 15

DEFINITIONS

In the context of these Guidelines:

- (i) “Main Processed Products” means the processed products for which the Authorisation for inward processing (IP) 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 (CAP) 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:
 - working of goods, including erecting or assembling them or fitting them to other goods
 - processing of goods
 - destruction of goods
 - 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 (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, for example re-export, entry into warehouse, destruction, release for free circulation, entry to another Inward Processing Procedure and so on.
- (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” means 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 (for example exported, released to free circulation, destroyed).

SECTION I

What is inward processing?

Inward processing (IP) is a duty relief procedure. It allows goods to be imported into the European Union (EU) for processing, with suspension of import duties and VAT. The processed products which result from the processing can either be re-exported or released to free circulation. The duty and VAT must be paid on either the originally imported raw material or on the processed products. A process can be anything from repacking or sorting goods to the most complicated manufacturing.

Who can use inward processing?

- Individuals, partnerships, or corporate bodies established within the European Union, acting on their own behalf or representing a non-Union body.
- Individuals, partnerships, or corporate bodies established outside the European Union provided imports are of a non-commercial nature.

SECTION II

Applying for Authorisation

You must be authorised to import or receive IP goods. Authorisations are issued to the person who processes the goods or arranges for them to be processed on their behalf. If you subcontract processing, the subcontractor must either hold their own Authorisation or be named on your Authorisation.

Where an application, including processing on your behalf by other companies is approved, you will be the Authorisation holder. Other companies included as operators on your Authorisation may only receive, process, dispose or transfer IP goods as specified in your Authorisation.

Application process

To make an application for inward processing it is necessary to use the new 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.

Application for an Authorisation based on a customs declaration (simplified Authorisation)

Traders who only make occasional imports to inward processing (IP) may opt for a simplified application procedure 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 and the following procedure codes should be used:

Import - AIS Customs declaration system - H4 declaration

- D.E. 1/10 - code 5100
- D.E. 2/2 - code 00100 - simplified inward processing

Export – AES Customs declaration system

Export Declaration – AES

- 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 Inward Processing
- D.E. 12 04 002 000 – 1Q28
- D.E. 12 04 001 000 – Import MRN

The simplified application procedure **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.

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.

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 get 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 Inward Processing - Goods repaired under EU/UK TCA
- D.E. 12 04 002 000 – 1Q28
- D.E. 12 04 001 000 – Import MRN

Authorisation covering more than one Member State

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 must be submitted by using the trader portal to the customs authorities in the Member State where the applicant’s main accounts are held.

SECTION III

ISSUE OF AUTHORISATION

Meeting with Revenue official

Once the application 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. The purpose of this visit is to confirm the following:

- The quantity of import goods required to produce a given quantity of finished products – rate of yield

- If there will be any waste or scrap by-products from the process
- The time limit for completing the process – period for discharge
- What the goods are
- Period of validity
- Details of processing
- How goods are disposed of
- Identification of goods
- Amount of security required.

Period of validity

Authorisations can be valid for a period of up to five years from the date of acceptance of the application. For certain agricultural goods the period can be up to three years.

Recommendation

The Revenue official who visits your premises will immediately forward a recommendation to Authorisations 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 an Authorisation covering more than one Member State •
Application for retrospective
- Provision of a guarantee.

The Authorisation will issue through the Customs Decision System and it will be sent to the trader portal where it will be available to the trader to print and/or 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 by the owner or partner in the case of other traders. These conditions will be attached to, and form part of, the Authorisation.

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 retrospective, 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 lodged. No retrospective will be allowed if retrospective was already granted within three years of the date the application for such was accepted. Certain sensitive goods can only receive retrospective for three months.

SECTION IV

OPERATION OF THE PROCEDURE

Guarantee

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

There are two guarantee options as follows:

- Individual or Comprehensive. An Individual Guarantee covers an individual declaration or operation.
- A Comprehensive Guarantee covers all declarations entered to the procedure.

While in theory, there are two guarantee options, for a special procedure the most suitable option is the comprehensive guarantee. You must apply, and be authorised, for comprehensive guarantee. The guarantee may take the form of either a cash deposit or a guarantee of undertaking from a surety provider. You will find information about Comprehensive Guarantees in [Comprehensive guarantee and guarantee waivers](#) on the Revenue website.

It is suggested that an application for a comprehensive guarantee should be submitted at the same time as that for IP so that the Revenue assessment can be carried out simultaneously.

Supervision / Audit

Traders must be able to account for all goods entered to the IP procedure and be able to provide relevant information to a Revenue official if required. Your accounts and the operation of your Authorisation may be subject to a Revenue audit at any time. The Automated Import System (AIS) includes an automatic verification process for authorised IP traders. This process verifies a trader's right to use a procedure code by cross-referencing their data against stored Authorisation data. This cross-referencing also applies to the tariff codes on the Authorisation. Any deviation from the data included on the Authorisation will result in AIS rejecting the entry. In the case of authorisations covering more than one Member State (MS), overall control rests with the issuing Member State. However, each MS on the Authorisation may put in place specific controls for the procedure taking place in their administration.

Discharge of liability

The discharge of 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
- Transferred to another customs procedure or to another operator authorised to use one of those procedures, for example customs warehouse

- Transferred to another Member State to be entered to another customs procedure in that Member State
- Transferred to a Customs approved use such as export shops, armed forces, embassies, ships stores
- Used for the first time in the manufacture repair, modification or conversion of civil aircraft or spacecraft or parts thereof or related equipment
- Released for free circulation in the Union with payment of duty and import VAT
- Destroyed under customs supervision or
- Abandoned to the exchequer.

Destruction under inward processing

Destruction is a means of discharging the IP arrangements if the goods brought into the procedure or the processed products are destroyed with no waste remaining. Your Revenue office must be informed of your intention to destroy goods in advance of such destruction.

Goods not accounted for

Import duties must be paid on any goods covered by an IP arrangement that are not satisfactorily accounted for.

Entry to the arrangements

Goods may be entered to IP at the time of importation or be entered from another customs procedure, for example warehousing. Standard requirements regarding completion of the entry documentation apply. Customs procedure code 51 in D.E. 1/10 of the declaration applies to the IP procedure.

Rate of yield

The "rate of yield" means the quantity or percentage of processed products obtained from the processing of a given quantity of goods placed under the processing procedure.

The expected rate of yield or the method by which it will be calculated must be specified in your application. This rate will be verified by the Revenue official during the initial visit to your premises. In cases where the rate of yield is not known at the time of application or the rate may vary, you should record on your application that you intend to use your production records as the basis for establishing the rate. If you have entered the rate of yield on the application/Authorisation and the rate subsequently changes or is incorrect, you must inform the Revenue official.

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 Division/LCD will determine the period for discharge based on the time frame needed to process the goods and discharge them.

The standard period for discharge is set at 6 months but can be extended if the trader provides evidence that the processing operations will need a longer period of discharge. The period for

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.

Bill of discharge

A bill of discharge accounting for all goods imported to the IP procedure must be lodged with Revenue within an agreed timeframe.

The bill of discharge shall contain at least the following details:

- Authorisation reference number.
- Period for discharge.
- Quantity of each type of import goods in respect of which discharge, repayment or remission is claimed.
- CN code of the import goods.
- 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.
- Particulars of the customs declarations entering the import goods to IP.
- Established rate of yield.
- Type and quantity of the processed product.
- CN code and the value of the processed product.
- Customs approved treatment or use assigned to the processed products as well as particulars of the relevant declarations or other documents used to discharge the goods or products from IP.
- Amount of Customs Duty to be paid on any import goods released for free circulation.
- Quantities and values from the Authorisation used and balance carried forward to next period for discharge.

Failure to return bills of discharge or failure to return them on time is considered a noncompliance issue.

Movement of goods under inward processing

Movement of goods may take place between different places in the customs territory of the Union without customs formalities, but your records must 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.

Transfer from the point of entry

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

Transfer to an approved operator

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

SECTION V

PAYMENT OF DUTIES

Goods released for free circulation

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

- Processed products can be released to free circulation with duty and VAT applicable on the finished product Article 85(1) of the Union Customs Code.
- The processed product can be released to free circulation with duty and VAT applicable to the originally imported raw materials under Article 86(3) of the Union Customs Code. [Form 1034](#) should be completed when paying import duty on the originally imported raw material. This form must be submitted with the bill of discharge which is an account of all the goods imported to the procedure during an agreed time.

If you intend to release goods to free circulation you must state in your application which method, you wish to use. The method used will be set down in your Authorisation. If you choose both methods, then you must give a breakdown of the goods to be released under each method.

Payment of duty

Unless a special arrangement for deferred payment has been approved, an appropriate entry must be lodged, and the import duties must be paid before goods are placed on the Union market.

Deferred payment arrangements

Under the deferred payment arrangement an entry in respect of the goods released for free circulation in any one month, together with the import duties, must be lodged with customs by the fifteenth day of the month following release. Operation of the arrangement is subject to provision of separate surety cover to guarantee the import duties on the released goods. Any application to operate this system should be agreed with the Revenue official in advance.

SECTION VI

SPECIAL ARRANGEMENTS

Equivalence

Equivalence is a facility within IP that allows traders to use identical Union goods in place of import goods for processing and export. This facility must be specifically approved on the Authorisation as there are some goods and procedures excluded from equivalence. There are additional conditions attached to the use of equivalence.

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. Equivalence cannot be used with the simplified Authorisation arrangement.

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. This is known as export before import EX/IM. Prior exportation cannot be used unless specifically provided for in the trader's Authorisation.

Triangular Traffic System INF

The triangular traffic system allows goods or processed products to be exported from a Member State other than the one where the goods were entered for the procedure. You may also use triangular traffic in conjunction with prior exportation/equivalence. This allows processed products derived from equivalent Union goods to be exported from a place other than that where the goods were imported. The export may take place before the import of the third country goods (EX/IM). The electronic INF system must be used to control the movement of the goods and to facilitate the exchange of information between Member States.

The ‘No-Drawback’ Rule

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. Details of these countries may be obtained from the Classification, Origin and Valuation Unit at Origin&QuotaSection@revenue.ie

SECTION VII

MISCELLANEOUS

Exportation for further processing

All or part of the processed products or goods in the unaltered state may be temporarily reexported for the further processing outside the Union under the outward processing (OP) procedure.

Prohibitions and restrictions on goods

Goods entering IP are not exempt from import and/or export prohibitions and restrictions. Licensable goods subject to quantitative restrictions, goods subject to tariff quotas or other quantitative import restrictions and so on may be entered to IP suspension. If goods are released for free circulation, they must comply with any commercial policy measures that apply.

Further information

You can get further information from:

Authorisations and Reliefs Unit, St. Conlon’s Road, Nenagh, Co. Tipperary, email: revcep@revenue.ie