

## **4. Inward Processing**

### **1) General provisions**

#### **Article 119**

Without prejudice to Article 120 of this Law, based on the procedure of inward processing, the use of the following goods in one or several procedures of processing may be allowed:

- 1) foreign goods, intended for re-export in the form of compensating products (suspension system) which are not subject to customs duties or commercial policy measures,
- 2) foreign goods released for free circulation with payment of customs duties, for which repayment or write-off of the customs debt may be granted where the goods are exported from the customs territory in the form of compensating products (repayment system).

The expressions used in the Articles 119 through 132 of this Law shall have the following meanings:

- 1) "suspension system" shall mean the requirements as provided for in paragraph 1, item 1) of this Article;
- 2) "repayment system" shall mean the requirements as provided for in paragraph 1, item 2) of this Article;
- 3) "processing operations" shall mean:
  - the working of goods, including mounting, assembling or fitting them to other goods;
  - the processing of goods;
  - the repair of goods, including restoring them and putting them in order;
  - the use of certain goods which are not to be found in the compensating products, but which allow or facilitate the production of those products, even if they are entirely or partially used up in the process.
- 4) "compensating products" shall mean all products resulting from processing operations;
- 5) "equivalent goods" shall mean domestic goods which are used instead of the import goods for the manufacture of compensating products;
- 6) "rate of yield" shall mean the quantity or percentage of products obtained from the processing of a given quantity of import goods.

#### **Article 120**

Where the conditions laid down in paragraph 2 of this Article are fulfilled, and subject to paragraph 4 of this Article, the customs office shall allow:

- 1) processing with the use of equivalent goods;
- 2) compensating products obtained from equivalent goods to be exported from the Republic before importation of the import goods.

Equivalent goods must be of the same quality and have the same characteristics as the import goods.

However, the Finance Minister may, in agreement with the Minister of Economy, prescribe the cases in which equivalent goods shall not be used, and cases in which equivalent goods do not have to be of the same quality, have the same characteristics and traits as import goods.

Where paragraph 1 of this Article applies, the import goods shall be regarded for customs purposes as equivalent goods and the latter as import goods.

Where paragraph 1, item 2) of this Article is applied and the compensating products would be liable to export duties if they were not being exported or re-exported under an inward processing operation, the holder of the authorization shall provide a security to ensure payment of the import duties should the import goods not be imported within the period prescribed.

## **2) Granting authorization**

### **Article 121**

The customs office shall grant the authorization at the request in writing of the person(s) carrying out or arranging the carrying out the processing operations.

The authorization shall be granted only:

- 1) to persons established or residing in the Republic, and in case of non-commercial importation the authorization may also be granted to persons who are not established or residing in the Republic,
- 2) where import goods can be identified in a compensating product, save in the case of usage referred to in Article 119, paragraph 2, item 3), indent 4 of this Law, and in the case of usage of equivalent goods in compliance with the provisions of Article 120 of this Law,
- 3) where inward processing procedure creates more favorable conditions for export or re-export of compensating products, provided that the essential interests of domestic manufacturers of similar or the same products are not adversely affected (economic conditions).

The Government shall prescribe the method of verifying the meeting of the economic conditions.

## **3) Operation of the procedure**

### **Article 122**

The customs authorities shall set out the period within which the compensating products must be re-exported or requested to be assigned another customs-approved procedure or use.

In specifying the period referred to in the paragraph 1 of this Article, the customs office shall take account of the time required to carry out inward processing operations and dispatch of the compensating products.

The period shall run from the day on which foreign goods are placed under the inward processing procedure.

The customs office may grant extension of the period on submission of duly substantiated request by the holder of the authorization.

Where applying Article 120, paragraph 1, item 2) of this Law, the customs office shall set out the period within which the foreign goods shall have been declared for specific procedure, and such period shall run from the day on which export declaration for compensating products obtained from the equivalent goods is accepted.

The Finance Minister may specify the specific time periods for certain processing procedures or for specific import goods.

### **Article 123**

The customs office shall determine the rate of yield of compensating products obtained from the inward processing of a given quantity of import goods or, where appropriate, the method of determining such rate.

The rate of yield shall be determined on the basis of actual circumstances in which the goods are inward processed or should be processed.

Where circumstances so warrant, and, in particular in the case of processing operation carried out under clearly defined technical conditions involving goods of the same characteristics and resulting in the production of compensating products of uniform quality, the customs office may set out standard rates of yield, on the basis of previously established actual data.

### **Article 124**

Compensating products and goods in unaltered state must be re-exported, and the customs office may in special justified cases authorize release of goods for free circulation, placing of goods under the procedure of processing under customs control, destruction of goods or their abandonment to the government.

Paragraph 1 of this Article shall apply to the products the inward processing procedure of which has previously been finalized under customs warehousing procedure, temporary import procedure, internal transit procedure or the procedure of placing goods in a free zone or free warehouse.

Where the customs office authorize the inward processing procedure under suspension system, the customs debt on goods which are released for free circulation shall be inclusive of interest on arrears, in compliance with paragraphs 1 and 2 of this Article.

### **Article 125**

As set forth in Article 126 of this Law, where a customs debt is incurred, the amount of customs debt shall be determined on the basis of the regulations governing determination of the amount of customs duties applicable to the import goods at the time of acceptance of the declaration for placing the goods under inward processing procedure.

Where, at the time of acceptance of the customs declaration, the import goods met the requirements for the application of preferential tariff treatment on the basis of free trade agreement, the request of the declarant that these customs duties be applied shall be accepted, where they are applicable to the identical goods at the time when the declaration for release for free circulation is accepted.

### **Article 126**

By way of derogation from Article 125 of this Law the compensating goods:

- 1) shall be subject to the import duties where they are released for free circulation in accordance with the detailed conditions prescribed by the Government. Holder of the authorization may ask for the customs duty on those products to be calculated in the manner referred to in Article 125 of this Law.
- 2) if subject to import duties calculated in accordance with the rules applicable to the customs procedure in question or to free zones or free warehouses where they have been placed under a suspensive arrangement or in a free zone or free warehouse. Holder of the authorization may ask for the customs duty on those products to be calculated in the manner prescribed by Article 125 of

this Law. Where the amount of import customs duty is calculated in accordance with this Article, the calculated amount shall be at least equal to the amount which would be calculated in accordance with Article 125 of this Law.

- 3) compensating goods which are subject to the rules governing assessment of duty laid down under the procedure for processing under customs supervision;
- 4) compensating goods shall enjoy favorable tariff treatment owing to the special use for which they are intended, where provision is made for such treatment in the case of identical imported goods;
- 5) compensating goods shall be admitted free of import duty where such duty-free provision is made in the case of identical goods imported in accordance with Article 184 of this Law.

#### **4) Outward processing operations for compensating product and goods in unaltered state**

##### **Article 127**

Some or all of the compensating products or goods in unaltered state may be temporarily exported for the purpose of further outward processing if the customs office authorizes so, and in accordance with the requirements laid down for the outward processing procedure.

Where a customs debt is incurred in respect of re-imported products, the following shall be charged:

- 1) import duties on the compensating products or goods in the unaltered state, referred to in paragraph 1 of this Article, calculated in accordance with Articles 124 and 125 of this Law,
- 2) import duties on products re-imported after outward processing, the amount of which shall be calculated in accordance with the provisions relating to the outward processing operations, on the same conditions as those which would have been applied had the products exported under that procedure been released for free circulation before such export took place.

#### **5) Special provisions relating to the repayment system**

##### **Article 128**

The repayment system may apply to all goods.

The repayment system shall not apply for compensating goods which, at the time the declaration for release for free circulation is accepted:

- 1) are subject to quantitative import restrictions,
- 2) may qualify for application of preferential tariff treatment or autonomous suspensive arrangement pursuant to Article 21 of this Law,
- 3) for the export of which repayment or a tax is envisaged.

##### **Article 129**

The declaration for release for free circulation shall indicate that the repayment system is being used and shall provide particulars of the authorization.

The customs office may request that the said authorization be attached to the declaration for release for free circulation.

### **Article 130**

Within the repayment system, paragraph 1, item 2), paragraphs 3 and 5 of Article 120, paragraph 3 of Article 122, Articles 124 and 124, paragraph 1, item 3) of Article 125 of this Law shall not be implemented.

### **Article 131**

Temporary exportation of the compensating products, carried out in accordance with Article 127 paragraph 1 of this Law, shall not be considered to be exportation for the purpose of the Article 132 of this Law, unless these products are re-imported into the Republic within the period prescribed.

### **Article 132**

The holder of the authorization may request customs duty to be repaid or written off where he can prove to the satisfaction of the customs office that the import goods released for free circulation under the repayment system in the form of compensating products or goods in the unaltered state have been:

- 1) exported or
- 2) placed, with a view of being subsequently re-exported under the internal transit procedure, under the customs warehousing procedure, the temporary importation procedure or inward processing procedure (suspensive arrangement), or in a free zone or free warehouse, provided that all other stipulated conditions have been fulfilled.

In such case of the paragraph 1 item 2) of this Article the compensating products and goods in the unaltered state shall be considered to be foreign goods.

The repayment of customs duty may be requested no later than 3 years from the day when the customs debt was incurred.

Without prejudice to provision from paragraph 1 item 2) of this Article, compensating products or goods in the unaltered state placed under the customs procedure or in a free zone or free warehouse are released for free circulation, the amount of import duties repaid or exempted shall be considered to constitute the amount of customs debt.