

## **OUTWARD PROCESSING**

### **1) General provisions**

#### **Article 148**

Without prejudice to the provisions of Articles 157 to 162 of this Law, the procedure of outward processing may be allowed for domestic goods that are temporarily exported from the customs territory for processing purposes.

The products resulting from the procedure of outward processing may be released for free circulation whereby they shall be exempted from payment of import, in whole or in part.

In case of temporary export of domestic goods, export duties, trade measures and other procedures envisaged for export of domestic goods from the customs territory shall apply.

The expressions used in the Articles 149 to 161 of this Law shall have the following meanings:

“Temporary export of goods” is placement of goods in the procedure of outward processing;

“Outward processing” is the process referred to in Article 119 paragraph 2 item 3) indents 1, 2, and 3 of this Law;

“Compensating products” are the products resulting from processing operations;

“Rate of yield” is the quantity or percentage of compensating products obtained from the processing of a given quantity of import goods.

#### **Article 149**

Outward processing shall not be allowed for the domestic goods:

- 1) the export of which incurs entitlement to the refund or exemption from payment of customs duties;
- 2) which was before export released for free circulation without charging the customs duties for utilization for specific purposes;
- 3) the export of which incurs the entitlement to export refund.

Exemptions from the ban referred to in paragraph 1 item 2) of this Law may be prescribed by the Government.

### **2) Grant of authorization**

#### **Article 150**

The customs authorities shall grant the authorization at the request of the person who organizes the outward processing.

Notwithstanding paragraph 1 of this Article, the authorization for the outward processing shall be granted to a person other than the person who organizes the outward processing when the processing concerns the goods of domestic origin and the production activity involves integration of such goods in the foreign goods which shall be imported in the Republic as compensating products, provided the use of such procedure improves sale of exported domestic goods and if the import of new product does not prejudice essential interests of domestic manufacturers of such products or the products similar to the imported new product.

#### **Article 151**

The authorization for outward processing shall be granted:

- 1) to persons with domicile and residence in the Republic;
- 2) where it appears possible to establish that the compensating products have been produced from the temporarily exported goods;
- 3) if granting the authorization does not prejudice essential interest of domestic manufacturers (economic condition)

The finance minister may specify when an exemption may be made from paragraph 1 item 2) of this Article.

### **3) Implementation of the procedure**

#### **Article 152**

The customs authorities shall set out the period within which the compensating products must be re-imported in the customs territory.

The customs authorities may grant extension of the period for re-import of the compensating products upon timely and reasonable request submitted by the holder of the authorization.

The customs authorities shall determine the rate of yield or, where appropriate, the method of determining such rate.

#### **Article 153**

The total or partial relief from import duties provided for in the Article 154 paragraph 1 of this Law may be granted only where the compensating products are declared for release for free circulation in the name or on behalf of:

- 1) the holder of the authorization, or
- 2) any other person with the domicile in the Republic provided such person has obtained the consent of the holder of the authorization and the conditions of the authorization have been fulfilled.

The total or partial relief from import duties provided for in the Article 154 of this Law shall not be granted where one of the conditions or obligations relating to outward processing procedure is not fulfilled, unless it is established that the flaws do not significantly prejudice proper implementation of the procedure.

#### **Article 154**

As set forth in the Article 148 the total or partial relief from import duties shall be established by deducting from the amount of import duties applicable to the compensating products released for free circulation the amount of import duties that would be applicable on the same day to temporary exported goods if they were imported into the Republic from the country in which they underwent the processing operations or the last processing operation.

The amount deducted pursuant to paragraph 1 of this Article shall be calculated on the basis of the quantity and nature of the goods on the day of acceptance of declaration placing them under outward processing procedure and on the basis of other calculating elements applicable to them on the day of acceptance of declaration for release for free circulation.

The value of the temporary export goods shall be that taken into account for those goods in determining the customs value of compensating products in accordance with Article 38 paragraph 1 item b) indent 1 of this Law, or, if the value cannot be determined in that way, the difference between the customs value of compensating goods and the processing costs determined in a non-arbitrary manner.

Where temporary export goods were, prior to being placed under outward processing procedure, released for free circulation at a reduced rate of customs duties on account of their end-use, and for as long as the conditions for granting reduced rate continue to apply, the amount to be deducted shall be equal to the amount of import duty which was charged when the goods were released for free circulation.

Where temporary export goods could qualify on their release for free circulation for a preferential rate of duty on account of their end-use, such rate shall be taken into account provided that the goods underwent operations consistent with such end-use in the country in which processing operation or last such operation took place.

Where the Article 21 of this Law is applicable to compensating products and if measures are envisaged for goods falling within the same tariff classification as the temporary export goods, the amount to be deducted pursuant to paragraph 1 of this Article shall be determined by taking into account import duties which would be applied if the temporary export goods fulfilled the conditions for implementation of the Article 21 of this Law.

This Article shall not apply if an international agreement which is binding for the Republic provides for relief from import duties on certain products.

#### **Article 155**

If outward processing procedure was authorized for the repair of temporary export goods, the goods may be released for free circulation with total relief from import duties provided it is established to the satisfaction of the customs authorities that the goods were repaired free of charge, either because of a contractual or statutory obligation arising from a guarantee or because of a manufacturing defect.

Paragraph 1 of this Article shall not apply where the manufacturing defect was identified at the time when the goods were first released for free circulation.

#### **Article 156**

Where the purpose of outward processing procedure is the repair of temporary export goods in return for payment, the goods may be partially relieved of import duties as set forth in the Article 148 paragraph 2 of this Law.

The amount of the customs duties shall be determined on the basis of calculation elements pertaining to compensating products on the day of acceptance of the declaration for release for free circulation of those products, and taking into account as the customs value an amount equal to the costs of repair, provided that those costs represent the only payment by the holder of the authorization and are not influenced by any link of that holder and the person who carried out the repair work.

### **4) Outward processing with use of the exchange system**

#### **Article 157**

In accordance with the Article 157 to 162 of this Law, under the outward processing procedure, exchange system shall allow imported product (hereinafter referred to as replacement product) to replace a compensating product.

The customs authorities may allow the standard exchange system to be used where the processing operation involves the repair of domestic goods.

Save for Article 162 of this Law, the provisions applicable to compensating products shall also apply to replacement products.

The customs authorities may, under certain conditions, allow the replacement goods to be imported prior to temporary export of goods (prior importation).

In the event as set forth in the paragraph 4 of this Article, security shall be provided to cover the amount of the import duties on replacement product.

#### **Article 158**

Replacement products shall have the same tariff classification, be of the same quality and possess the same technical characteristics as the goods temporarily exported for repair.

Where the temporary export goods have been used prior to export, the replacement products must also be used.

The customs authorities may grant derogations from the rule where the replacement products have been supplied free of charge either because of contractual or statutory obligation arising from a guarantee or because of a manufacturing defect.

#### **Article 159**

Exchange system shall be authorized only where it is possible to verify that the replacement product fulfills the conditions laid down in Article 158 of this Law.

#### **Article 160**

In the event of prior importation, the goods shall be temporarily exported within the period of two months from the day of acceptance by the customs authorities of the declaration for release for free circulation of replacement products.

Where exceptional circumstances so warrant, the customs authorities may extend the period in question, at the timely request of the holder of the authorization, as appropriate.

#### **Article 161**

In the event of prior importation and where Article 154 of this Law applies, the amount to be deducted shall be determined on the basis of calculation elements applicable to the temporary export goods on the day of acceptance of the declaration placing the goods under outward processing procedure.

### **5) Other provisions**

#### **Article 162**

Provisions of Article 150 paragraph 2 and Article 151 paragraph 1 item 2) of this Law shall not apply in the context of the standard exchange system.

Commercial policy measures shall apply to the procedures provided for within the framework of outward processing operations.