

Inward processing
I. General

Article 118

1. Without prejudice to Article 119, the inward processing procedure shall allow the following goods to be used in Kosovo in one or more processing operations:

- a) non-Kosovo goods intended for re-export from Kosovo in the form of compensating products, without such goods being subject to import duties or commercial policy measures;
- b) goods released for free circulation with repayment or remission of the import duties chargeable on such goods if they are exported from Kosovo in the form of compensating products.

2. The following expressions mean:

- a) suspension system: the inward processing relief arrangements as provided for in paragraph 1 (a);
- b) drawback system: the inward processing relief arrangements as provided for in paragraph 1 (b);
- c) processing operations:
 - . the working of goods, including erecting or assembling them or fitting them to other goods;
 - . the processing of goods; and
 - . the repair of goods, including restoring them and putting them in order;
 - . the use of certain goods defined in the Administrative Instruction implementing this Code 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;
- d) compensating products: all products resulting from processing operations;
- e) equivalent goods: Kosovo goods which are used instead of the import goods for the manufacture of compensating products;
- f) rate of yield: the quantity or percentage of compensating products obtained from the processing of a given quantity of import goods.

Article 119

1. Where the conditions laid down in paragraph 2 are fulfilled, and subject to paragraph 4, the Customs shall allow:

- a) compensating products to be obtained from equivalent goods;

b) compensating products obtained from equivalent goods to be exported from Kosovo before importation of the import goods.

1. Equivalent goods must be of the same quality and have the same characteristics as the import goods. However, in specific cases determined in the Administrative Instruction implementing this Code, equivalent goods may be allowed to be at a more advanced stage of manufacture than the import goods.
2. Where paragraph 1 applies, the import goods shall be regarded for customs purposes as equivalent goods and the latter as import goods.
3. Measures aimed at prohibiting, imposing certain conditions for or facilitating recourse to paragraph 1 may be adopted in the Administrative Instruction implementing this Code.
4. Where paragraph 1 (b) 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 duties should the import goods not be imported within the period prescribed.

II. Grant of the authorization

Article 120

The authorization shall be issued at the request of the person who carries out processing operations or who arranges for them to be carried out.

Article 121

The authorization shall be granted only:

- a) to persons established in Kosovo. However, the authorization may be granted to persons established outside Kosovo in respect of imports of a non-commercial nature;
- b) where, without prejudice to the use of the goods referred to in the last indent of Article 118 (2) (c), the import goods can be identified in the compensating products or, in the case referred to in Article 119, where compliance with the conditions laid down in respect of equivalent goods can be verified;
- c) where the inward processing procedure can help create the most favorable conditions for the export or re-export of compensating products, provided that the essential interests of Kosovo producers are not adversely affected (economic conditions). The cases in which the economic conditions are deemed to have been fulfilled may be determined in the Administrative Instruction implementing this Code

III. Operation of the procedure

Article 122

1. The Customs shall specify the period within which the compensating products must have been exported or re-exported or assigned another customs-approved treatment or use. That period shall take account of the time required to carry out the processing operations and dispose of the compensating products.
2. The period shall run from the date on which the non-Kosovo goods are placed under the inward processing procedure. The Customs may grant an extension on submission of a duly substantiated request by the holder of the authorization. For reasons of simplification, it may be decided that a period which commences in the course of a calendar month or quarter shall end on the last day of a subsequent calendar month or quarter respectively.
3. Where Article 119 (1) (b) applies, the Customs shall specify the period within which the non-Kosovo goods must be declared for the procedure. That period shall run from the date of acceptance of the export declaration, relating to the compensating products obtained from the corresponding equivalent goods.
4. Specific time limits may be laid down in the Administrative Instruction implementing this Code for certain processing operations or for certain import goods.

Article 123

The Customs shall set either the rate of yield of the operation or where appropriate, the method of determining such rate. The rate of yield shall be determined on the basis of the actual circumstances in which the processing operation is, or is to be, carried out.

1. Where circumstances so warrant and, in particular, in the case of processing operation customarily carried out under clearly defined technical conditions involving goods of substantially uniform characteristics and resulting in the production of compensating products of uniform quality, standard rates of yield may be set in the Administrative Instruction implementing this Code on the basis of actual data previously ascertained.

Article 124

The cases in which and the conditions under which goods in the unaltered state or compensating products shall be considered to have been released for free circulation may be determined in the Administrative Instruction implementing this Code.

Article 125

1. Subject to Article 126, where a customs debt is incurred, the amount of such debt shall be determined on the basis of the taxation elements appropriate to the import goods at the time of acceptance of the declaration of placing of these goods under the inward processing procedure. If at the time referred to in paragraph 1 the import goods fulfilled the conditions to qualify for preferential tariff treatment within tariff quotas or ceilings, they shall be eligible for any preferential tariff treatment existing in respect of identical goods at the time of acceptance of the declaration of release for free circulation. **Article 126**

By way of derogation from Article 125, compensating products:

- a) shall be subject to the import duties appropriate to them where they are released for free circulation and appear on the list adopted in the Administrative Instruction implementing this Code, to the extent that they are in proportion to the exported part of the compensating products not included in that list. However, the holder of the authorization may ask for the duty on those products to be assessed in the manner referred to in Article 125;
- b) shall be 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;

However,

- the person concerned may request that duty be assessed in accordance with Article 125;
- in cases where the compensating products have been assigned a customs-approved treatment or use referred to above other than processing under customs control, the amount of the import duty levied shall be at least equal to the amount calculated in accordance with Article 125;

- c) may be made subject to the rules governing assessment of duty laid down under the procedure for processing under customs control where the import goods could have been placed under that procedure;
- d) 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;
- e) 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 183 by this Code.

IV. Processing operations outside Kosovo

Article 127

1. Some or all of the compensating products or goods in the unaltered state may be temporarily exported for the purpose of further processing outside Kosovo if the Customs so authorizes, in accordance with the conditions laid down in the outward processing provisions.
2. Where a customs debt is incurred in respect of re-imported products, the following shall be charged:

(a) import duties on the compensating products or goods in the unaltered state referred to in paragraph 1, calculated in accordance with Articles 125 and 126; and

(b) import duties on products re-imported after processing outside Kosovo, the amount of which shall be calculated in accordance with the provisions relating to the outward processing procedure, on the same conditions as would have applied had the products exported under the latter procedure been released for free circulation before such export took place.

V. Special provisions relating to the drawback system

Article 128

The drawback system may be used for all goods. It shall not, however, be usable where, at the time the declaration of release for free circulation is accepted:

- the import goods are subject to quantitative import restrictions,
- a tariff measure within quotas is applied to the import goods,

Article 129

1. The declaration of release for free circulation shall indicate that the drawback system is being used and shall provide particulars of the authorization.
2. At the request of the Customs, the said authorization shall be attached to the declaration of release for free circulation.

Article 130

Under the drawback system, Article 119 (1) (b), (3) and (5), Article 122 (3), Articles 124 and 125 and Article 126(c) shall not apply.

Article 131

Temporary exportation of compensating products carried out as provided for in Article 127 (1) shall not be considered to be exportation within the meaning of Article 132 except where such products are not re-imported into Kosovo within the period prescribed.

Article 132

1. The holder of the authorization may ask for the import duty to be repaid or remitted where he can establish to the satisfaction of the Customs that import goods released for free circulation under the drawback system in the form of compensating products or goods in the unaltered state have been either:

-exported, or

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

1. For the purposes of being assigned a customs-approved treatment or use referred to in the second indent of paragraph 1, compensating products or goods in the unaltered state shall be considered to be non- Kosovo goods.
2. The period within which the application for repayment must be made shall be determined in the Administrative Instruction implementing this Code.
3. Without prejudice to point (b) of Article 126, where compensating products or goods in the unaltered state placed under a customs procedure or in a free zone or free warehouse in accordance with paragraph 1 are released for free circulation, the amount of import duties repaid or remitted shall be considered to constitute the amount of the customs debt.
4. For the purpose of determining the amount of import duties to be repaid or remitted, Article 126 (a) shall apply with the necessary changes.