

Inward Processing Relief

In the Union Customs Code (Parliament and Council Regulation 952/2013), due to take effect from 1 May 2016, the legislative provisions relating to the IPR regime will be largely merged with those for the Processing Under Customs Control (PCC) regime. The IPR regime is therefore about to change significantly. All UK IPR authorisations will likely be reviewed by HMRC for compliance with the terms of the UCC in due course.

The Inward Processing Relief (IPR) regime allows both customs duty and import VAT relief for goods (raw materials or semi-manufactured goods) imported into the EU for processing into manufactured products for re-exportation to non-EU destinations. IPR can also cover non-EU goods imported for repair or replacement. In some circumstances the processed goods may not be the imported goods but “equivalent” goods. Indeed it is possible, if authorised, to export the equivalent finished goods before the manufacturing materials are imported under IPR.

IPR is similar in concept, though not in operation, to the US Duty Drawback scheme.

All companies which import goods for production and sale, especially if they have significant markets outside the EU, should consider whether IPR can help them reduce duty costs.

In the EU there are presently two variants of IPR. Under Duty Suspension the duty due at import is suspended contingent on the re-export of the finished products, while under Duty Drawback, duty is paid on the imported goods at the time of importation, and can be reclaimed after the finished products have been re-exported from the Community.

Inward Processing is created by Article 114 of the Community Customs Code (Council Regulation 2913/92) and is a “customs procedure with economic impact”. This means that approval to use IPR is subject to an “economic test”, which must satisfy the approving Member State authority that granting the application will not harm other, competing or potentially competing, EU interests.

WE HOPE YOU FIND THIS NEWS ARTICLE HELPFUL. IF YOU WOULD LIKE TO REGISTER TO RECEIVE FUTURE UPDATES BY EMAIL THEN PLEASE SEND A REQUEST TO

info@4eyesltd.co.uk

This VAT update is published for the general information of 4 Eyes Ltd personnel, clients and contacts. It provides only an overview of the rules and regulations in force at the date of publication, and no action should be taken without consulting the detailed legislation or seeking professional advice. Therefore no responsibility for loss occasioned by any person acting or refraining from action as a result of the material contained in this e-mail will be accepted by the authors or the firm.

The remainder of this document highlights some of the implications of the forthcoming changes to the IPR regime, which have implications for existing IPR authorisation-holders as well as for companies considering whether to apply for IPR authorisation.

Exportation

The requirement under IPR that the processor have an “intention to export” will be abandoned. In principle, therefore, under the UCC it would be acceptable for an EU company seeking to develop non-EU markets for its products, but without any firm orders, to apply for IPR approval and to import goods under IPR “in case” export orders are obtained (subject to satisfying the appropriate economic test, see further below). There may also be compliance implications in the event of customs audit.

Drawback

All companies operating IPR Drawback authorisations should expect those authorisations to be terminated on 1 May 2016. Companies therefore need to consider whether or not they should apply for IPR Suspension authorisation under the new rules. If IPR Suspension is not suitable for your business, then you should expect to lose the benefit of IPR from 1 May 2016.

Claims for duty repayment under IPR Drawback will be paid until the completion of the agreed throughput period for the goods under existing pre-May 2016 Drawback authorisations.

Guarantees

At present the UCC calls for the provision of a “guarantee” for all customs regimes. This will include IPR, and will be separate from and in addition to any duty deferment guarantee held. A form of comprehensive guarantee will also be available. Reduction or waiver of the guarantee will be available in some circumstances. Companies operating IPR will need to ensure that the correct level of guarantee is in place. In addition to establishing the appropriate monetary value, they should consider whether a reduction or waiver can be obtained.

Economic Test

The UCC retains an “economic test” for IPR. This test is intended to ensure that the authorisation, if granted, will not disadvantage community producers (if any) of similar

**WE HOPE YOU FIND THIS NEWS ARTICLE HELPFUL. IF YOU WOULD LIKE TO REGISTER TO RECEIVE
FUTURE UPDATES BY EMAIL THEN PLEASE SEND A REQUEST TO**

info@4eyesltd.co.uk

This VAT update is published for the general information of 4 Eyes Ltd personnel, clients and contacts. It provides only an overview of the rules and regulations in force at the date of publication, and no action should be taken without consulting the detailed legislation or seeking professional advice. Therefore no responsibility for loss occasioned by any person acting or refraining from action as a result of the material contained in this e-mail will be accepted by the authors or the firm.

finished products. The economic test under the UCC is similar, but not the same as, the test set out in the current Community Customs Code.

Compensatory Interest

Under the UCC, compensatory interest will no longer be payable for diverted IPR Suspension goods. Companies operating IPR Suspension will need to update their returns processes to reflect this change.

Authorised Economic Operators (AEO)

Companies which have obtained AEO(C) or AEO(F) status can access certain enhanced benefits, including deemed satisfaction of the economic test and increased reduction or waiver of guarantees. These benefits need to be factored in to the analysis when AEOs are considering whether to seek IPR authorisation, and when IPR operators are considering the possibility of obtaining AEO status.

Kevin Roger

Senior Consultant (Customs)

4 Eyes Ltd has helped many IPR operators and applicants to maximise savings using IPR while minimising the administrative burden. If you are considering applying for IPR approval, or would like to know more about the changes to IPR which will result from the UCC, we welcome your call.

When this article appears in the latest news section on our website then the [website disclaimer](#) applies. See also full disclaimer on PDF in document archive which also applies.

WE HOPE YOU FIND THIS NEWS ARTICLE HELPFUL. IF YOU WOULD LIKE TO REGISTER TO RECEIVE FUTURE UPDATES BY EMAIL THEN PLEASE SEND A REQUEST TO

info@4eyesltd.co.uk

This VAT update is published for the general information of 4 Eyes Ltd personnel, clients and contacts. It provides only an overview of the rules and regulations in force at the date of publication, and no action should be taken without consulting the detailed legislation or seeking professional advice. Therefore no responsibility for loss occasioned by any person acting or refraining from action as a result of the material contained in this e-mail will be accepted by the authors or the firm.