

## **ADDITIONAL EXPLANATION REGARDING THE INWARD PROCESSING PROCEDURE**

**Ref: act Nr, 148-03-030-01-114/2012, dated May 21, 2012**

With the Customs Administration Act Nr. 148-03-030-01-114/2012, dated May 21, 2012, all customs houses were informed about the way of conducting the customs procedure of inward processing.

Keeping in mind that by approving the inward processing of the goods imported to the customs territory of the Republic of Serbia, privileges such as deferred payment or return of import duties for processing and re-export or export from the customs territory of the Republic of Serbia in the form of end products are given, a special attention should be paid to the procedure of solving the submitted request. As it was noticed that due attention is not devoted to the phase of approving of the inward processing procedure and that the approvals adopted in some cases did not contain all required information, and for the purpose of uniform procedure, the mentioned act of the Customs Administration is amended.

The request for approval of inward processing is submitted to the customs house in charge, per place where the goods will be produced or processed. The Manager of the customs house will reach a decision on forming of the committee which will assess whether all conditions are fulfilled for approving the inward processing procedure. The request applicant must enter all data required for adoption of the approval. These data have to be detailed, understandable and correct, in order for the customs office in charge to be able to reach a decision on the request. If the commission decides that the data in the request are incomplete or insufficient for adoption of the approval, it may request from the applicant additional data or information.

The commission controls the request and the documentation submitted, and it, also, conducts an inspection with the applicant of the request. When inspection is carried out, special attention should be paid to **the way in which the records are kept** as the records are supposed to show how the goods are traced from their reception, through processing to delivery of the end products, that is the documentation must be traceable. The records must be kept in a way which facilitates, at any moment, clear insight in the real state of goods in the inward processing. Since the condition for giving approval is that the goods entering the inward processing are possible to identify in end products, special attention should be paid to establishing the **identity of goods** in order to be possible to prove that the end product was made of the goods that entered the inward processing. In the approval **of** the inward processing procedure (section 12) the means and the way of recognizing the imported goods included in the finished products are determined (serial or production number to be stated, seals or other required marks to be put, samples to be taken, illustrations or technical and other descriptions to be given, analyses to be conducted and other means of identification). The methods of securing the identity of the goods can include, also, check of records on goods. Also, attention should particularly be paid to check and establishment of the envisaged **norm for** all major end and by products. The holder of the approval is obliged to prove the way of establishing the norm by submitting relevant evidence, together with the request (sketches, drawings, cutting plan, templates, recipes etc.)

After the inspection is carried out, the commission takes minutes on its findings, in three copies, of which, two are kept by the customs office, while the third is enclosed to the application of the request. The minutes shall be submitted to the customs house in charge within 20 days from the day of reception of complete request for approval of the procedure.

If a company submits a request for approving the inward processing procedure for the products for which it has already submitted a request and for which the commission reached a positive decision, the commission may reach a relevant decision for those products, without conducting direct inspection, if the parameters, norms and other relevant data remained unchanged.

The approval of the explained decision on rejecting the request for issuing of approval shall be enclosed by the customs house in charge to the request applicant within 30 days, counting from the date when the request was submitted, or from the day when the customs office established that requested additional data, or missing data were enclosed.

### **The declaration as a request**

In the mentioned act it is also stated that the customs office, may allow that the approval may be requested in writing, or by using the electronic system of data exchange by usual procedure, when it is deemed that the economic conditions are fulfilled, except the requests which include equivalent goods. Approval may thus be given only when it is possible to control the procedure easily and simply. It is most often the case in situations when goods are repaired or in the case of simple production operation (for instance: some of processes and activities stated in Article 75 of the Decree on customs approved treatment of goods which may be considered production activities in the process of inward processing). In order for the declaration to be accepted as a request and approval, it is required that the overall quantity of import goods is imported on one occasion (under one C5 declaration) for certain quantity of finished products.

### **Inspections during the procedure**

The supervising customs office may, at any time, carry out an unannounced inspection of realization of inward processing, which is supposed to be conducted at least two times a year. This inspection may be documentary and physical, that is it should include the control of the documentation, records of the holder of the approval, production process, norms, stocks of repro-materials and end products. If, during the inspection, the supervising customs office assesses that the records which were accepted in the issuing of the approval is not sufficient for supervision and inspection, they may request relevant changes and additions to the records for that purpose.

After the inspection is finished, minutes are taken on conducted inspection, which, beside the customs officers, is also signed by the holder of the approval for inward processing, or its authorized representative in whose presence the inspection is conducted and who is delivered one copy of the minutes. If it is established through the inspection that the approval was given based on incorrect data, so that the holder of the approval does not fulfill obligations envisaged by the approval and if they conduct the

inward processing in an incorrect manner the supervising customs office submits a proposal for annulment, or termination to the customs house in charge. Submitted together with the proposal are all evidence required for reaching an adequate decision (minutes, warnings and other documents).

### **Procedure with by-products obtained through inward processing**

End products are all products obtained as a result of processing. Through production activities in inward processing, primarily major end products are created, that is the products for which the procedure was approved. Beside the major end products, in carrying out the production activities, by-products can also be obtained and losses made. Obtained by-products are those which, beside the major end products, are stated in the approval and which necessarily appear in the process of production.

When a request for approval of inward processing is submitted, the applicant must state, beside the major end products, which by-products are expected to be obtained, also.

The provision of Article 301 of the Regulation on customs-approved treatment of goods envisages that the customs office issues an approval for the procedure of inward processing, if the applicant intends to *export or re-export the major end product*. Therefore, it is possible, for obtained by-products, to determine, also, some other customs-approved treatment or use, that is, it may be re-exported, released in free circulation or destroyed (to treat or store if the waste is in question, in accordance with the Law on Waste Management) under customs supervision. The declarant is free to choose regarding further treatment of obtained by products, yet, the nature of the products should be observed, as well as bans and restrictions envisaged by other rules (for instance: environment protection regulation). If the holder of the approval submits a request for destruction of the obtained by-products under customs supervision, steps will be taken in accordance with the Customs Directorate act Nr. 148-03-030-01-131/2012, dated June 13. 2012, which explained the procedure of destruction of goods placed in customs storages. Among other things, it is stated in the mentioned act that, together with the request, an evidence of conducted procedure of testing of waste with institutions in charge is submitted – Report on testing of waste, as well as the opinion on the way of treatment of waste, given by the Ministry of Energy, Development and Environment Protection. If, however, the holder of the approval opts for release for free circulation of obtained by-products, the realization of it also requires submitting of the mentioned documents.

All customs houses are obligated to act in the stated way starting from June 3, 2013.

The Customs Directorate act Nr. 148-03-030-01-152/2013, dated May 20, 2013.