

## **INWARD PPROCESSING PROCEDURE**

### **1. GENERAL PROVISIONS**

#### **1.1. Subject**

These instructions closely describe the manner of conducting customs procedure for inward processing, as a procedure with economic impact, by which goods imported to the customs territory of the Republic of Serbia are provided with benefits of deferred payment or refund of import duties for processing, and re-export or re-import from the customs territory of the Republic of Serbia as end products and when such processing does not affect basic interests of a producer in the Republic of Serbia.

#### **1.2. Legal basis**

Inward processing procedure is regulated by:

- a) Provisions of Article 143 – 156 of the Customs Law (Official Gazette of the Republic of Serbia, No. 18/10),
- b) Provisions of Articles 263 – 288 and 300 – 317 of the Regulation on Customs-Approved Treatment of Goods (Official Gazette RS, broj 93/10).

#### **1.3. Inward processing procedure**

Processing is a procedure concerning imported goods which were directly or indirectly given to a holder of approval at disposal for production in accordance with specifications and instructions, for the account of a principal with a head office in a third country, with payments usually including only production costs.

Inward processing procedure on the territory of the Republic of Serbia with application of one or more processing procedures, not excluding application of Article 144 of the Customs Law (the use of equivalent goods), may be approved:

1) **per storage system**: which implies that customs duties are not paid for foreign goods designated for re-export in a form of end products nor are these goods subjected to trade policy measures, or

2) **per refund system**: which implies that foreign goods are released for free circulation with payment of duties when a holder of approval exercise his/her rights on refund of customs debt or discharge of customs, if the goods are exported from the customs territory in a form of end products

Applicant may request an inward processing based on deferment or refund of customs duties. If conditions for both systems are met, applicant may choose basis which is more favourable for him/her.

Trade policy measures prescribed by regulations which govern trade of the goods apply to foreign goods which are placed under an inward processing procedure only if these measures relate to export of the goods to the customs territory of the Republic of Serbia

When products made by an inward processing procedure, except those which are prescribed, are released for free circulation, measures prescribed by regulations which govern trade of the goods apply to the release of the goods for free circulation.

End products are products which are made as a result of processing. Production activities in an inward processing procedure produce major end products, i.e. products for which the process was approved. When performing production activities, by-products and losses may arise beside major end products. By-products are those which are listed in an approval along with major end products and which are necessarily made in a production procedure. The loss is complete destruction or irreversible loss of goods due to goods' nature (not negligence or frauds), accidents, and force majeure or with an approval from a

customs office. The goods are considered irreversibly lost if they cannot be used by anybody.

#### **1.4. Processing procedure**

In an inward processing procedure the following production activities may be performed:

- a) treatment of products, including installing, assembling and embedding into another product,
- b) processing of products,
- c) repair of goods, including its restoration and corrections, or
- d) use of certain goods prescribed by the Government, which are not contained in end products but which enable or facilitate the production of such products, even if they are completely or partially used in production, with the exception of the following goods:
  - fuel and other energy sources, except those which are (necessarily) needed for the control of end products or for determining errors in repair of imported goods,
  - other lubricants except those which are needed for control, adjustment or return of end products.
  - equipment and tools.

#### **1.5. Equivalent goods**

Equivalent goods are domestic goods which are used instead of imported goods in a production of end products.

In an approval for inward processing, on the request of a holder of approval when regulated conditions are fulfilled, the use of equivalent goods instead of imported goods in the production of end products may be approved. Equivalent goods must have same trade and technical characteristics, the same tariff label as imported goods, which applicant must explain and support with arguments.

Only when required by circumstances of a particular situation, customs office may allow equivalent goods to be on a higher level of processing than imported goods, if, not taking into account contingencies, a part of inward processing of the goods is performed in user's facilities or on his behalf in other facilities.

Customs office may allow for end products produced from equivalent goods to be exported from the customs territory of the Republic of Serbia before the import of imported goods, setting the period within which additional import of goods should be conducted, taking into consideration time needed for procurement and transport to the Republic of Serbia. This period must not be longer than:

- three months (from the date of accepting export declaration for end products made from equivalent goods) for the goods to which trade policy measures apply,
- six months for other goods (this period may be extended in accordance with a justified request of a user, provided that total period of 12 months must not be exceeded. If justified by circumstances, this period may be extended even if primary period already expired)

When using equivalent goods in an inward processing procedure in accordance with Article 144 of the Customs Law it is not necessary to carry out formalities for placing them under procedure.

For customs purposes, equivalent goods are treated as imported goods and imported goods are treated as equivalent goods and import duties are not paid for them. Equivalent goods and products made from them are considered foreign goods and imported goods are considered domestic goods immediately upon the acceptance of declaration by which a procedure is ended.

When imported goods are released for circulation before a procedure is finalized,

their customs-legal status is changed at the moment of releasing them for circulation. In extreme cases, when equivalent goods are not expected to be declared in time, customs office may, on request of a holder of approval, allow equivalent goods to be declared later but within the determined period.

In case of prior export:

- 1) end products are considered foreign at the moment of accepting export declaration if the goods which are imported are placed under a relevant procedure and
- 2) imported goods are considered domestic at the moment of their placement under a relevant procedure

With prior export of end products, note 'AO – prior export' is entered into section 44 of of the Unique Customs Document (JCI), and a code of procedure 3151 is entered in section 37.

For imported goods which are imported after a prior export (code of procedure in section 37 JCI is '51' and note 'AO – subsequent import' is entered into section 44) a holder of approval is obliged to provide a guarantee until he/she submits a form for the finalization of a procedure for a discharge of the import.

Prior export may, for example, be used in a situation when a holder of approval receives an urgent order for export of end products and does not have goods imported through an inward processing procedure in stock. A holder of approval may produce an end product by using equivalent goods and conduct a prior export, and afterwards may import imported goods and use them without paying import duties.

If end products made in an inward processing procedure from equivalent goods are exported from the Republic of Serbia before import of imported goods, and such products are subjected to the payment of export customs duty, if they are not exported or re-exported within the inward processing procedure, a holder of approval must submit a guarantee for payment of export customs duties which would be paid if imported goods are not imported within the approved period.

Prior export cannot be conducted in a case of inward processing per system of return.

The use of equivalent goods or prior export does not change an origin of the exported goods which keep their actual origin.

We should differentiate between situations of an inward processing procedure when equivalent goods are used, and situations when domestic goods are used in the process of producing end products. In these situations, a holder of approval must note in his/her request for procedure approval that domestic goods were used in an inward processing procedure.

### **1.6. Norm and calculation manner**

A norm is a quantity or percentage of products which were made by an inward processing of a given quantity of exported goods.

Norms will be stipulated in an approval or at the moment of placing goods under the procedure. Norms are stipulated, when possible, on the basis of production and other technical data and if such data are not available, on the basis of data which relate to production activities of the same kind.

Customs Office establishes a norm, or when needed, the manner in which such norm is stipulated. Norm is stipulated, when possible, on the basis of actual circumstances and data on production activities which are being performed or should be performed, or when such data are not available on the basis of data which relate to activities of the same kind in which inward processing is performed or should be performed.

When circumstances allow it, and especially when inward processing is performed within clearly defined technical conditions on the goods of the same characteristics and end products are of the similar quality, customs office may, on the basis of previously

confirmed actual data, establish standard norms.

Authorised customs office may control a norm or a method for stipulating a norm additionally.

In extreme cases, customs office may stipulate norms on goods' consumption after the goods were placed under the procedure but, at the latest, when new customs-approved procedure is stipulated or used. In extreme cases, in a production in which it is not possible at the beginning of an inward processing to precisely determine a norm on goods' consumption, the approval will note a suggested (temporary) norm, taking into account that a holder of approval is obliged to submit to authorised customs office the actual norm on material consumption and one copy to an issuer of an approval, before the first export or re-export or before determining some other customs-approved treatment or use of end products. Discharge of goods for which procedure and calculation of import duties is finalized on the basis of an actual norm when releasing for free circulation.

Minister authorised for financial operations may, if necessary, at the proposal of a ministry authorised for economy and regional development operations and a ministry authorised for agriculture, forestry and water management operations, sign flat norms on certain goods in a procedure of an inward processing.

Part of imported goods which is contained in an end product is calculated in order to:

- confirm import duties which must be paid,
- confirm amount which is deducted in case of customs debt or
- apply trade policy measure.

This part is calculated by applying quantity or value method with regard to circumstances or some other method which provides the same or relevant results. Processed products or half-products are considered end products for the purposes of calculation.

### 1.6.1. Quantity method of calculation

Calculation procedure is performed by applying quantity method in the following situations:

a) When only **one type of end products** is produced – certain quantity of imported goods which is considered to be contained in end products, for which customs debt incurred, proportional to percentage of those end products with regard to total quantity of end products, i.e. total quantity of each type of imported goods is multiplied by a coefficient which is obtained from the ratio of quantities of end products for which customs debt incurred and a total quantity of end products.

**Example** of calculation:

-imported goods: IG1=100 kg and IG2=50kg

-end product: EP1=125kg

-10kg EP1 is released for free circulation

$$IG1 = 100\text{kg} \times \frac{10}{125} = 8\text{kg}$$

$$IG2 = 50\text{kg} \times \frac{10}{125} = 4\text{kg}$$

b) When production operations produce **several types of end products** and each of those products contains all components of imported goods – quantity of imported goods which is considered to **be** contained in a quantity of an individual end product for which customs debt incurred is proportional to:

-a share between an individual type of end product, not depending on whether customs debt incurred or not, and a total quantity of all end products and

-a share between end product quantities, for which customs debt incurred and a total quantity of end products of the same type

**Calculation example:**

- Imported goods IG1 = 100 kg
- End products: EP1 = 80 kg  
EP2 = 10 kg
- Released for free circulation: 4 kg of EP1 and 2 kg of EP2
- Additional information:
- 80 kg of IG1 can be found in 80 kg of EP1
- 10 kg of IG1 can be found in 10 kg of EP2

Calculation:

- Total quantity of IG1 in the total quantity of EP1:

$$100 \text{ kg} \times \frac{80}{90} = 88.89 \text{ kg}$$

- Total quantity of IG1 present in 4 kg of EP1:

$$88.89 \text{ kg} \times \frac{4}{80} = 4.44 \text{ kg}$$

- Total quantity of IG1 in the total quantity of EP2:

$$100 \text{ kg} \times \frac{10}{90} = 11.11 \text{ kg}$$

- Total quantity of IG1 present in 2 kg of EP2:

$$11.11 \times \frac{2}{10} = 2.22 \text{ kg}$$

Note: When reaching the decision on fulfillment of conditions for implementation of the calculation, the losses are not counted. Not excluding the implementation of the provision of Article 611 of the Regulation (ordinary loss), the losses mean the share of the imported goods which is either destroyed or lost in the production, particularly through evaporation, drying, leaking, or straining.

### **1.6.2. Value method of the calculation**

The calculation with implementation of value methods is used if the procedure of calculation through quantity methods cannot be implemented. When two or more kinds of end products come as a result of the processing and in every of the obtained products not all elements of imported goods are present (some elements are in one EP and other elements are in the other EP), the quantitative method cannot be used.

The quantity of imported goods which is found to be contained in the end products for which the customs debt incurred is proportional to:

- 1) value of certain type of end products, not depending on whether the customs debt incurred, as a percentage of the total value of all end products, and
- 2) value of end products, for which the customs debt incurred, as percentage of the total value of end products of the same type.

When value methods are applied, taken as the value of every end product is the transaction value in the Republic of Serbia for the same or the goods of the same type, if there is no connection between the buyer and the seller.

If the value is impossible to determine in the previously described manner, another acceptable method can be used, which gives the same or adequate results.

**Example of calculation:**

- Imported goods IG1= 100 kg
- End products:
  - EP1= 20 kg
  - EP2= 40 kg
  - EP3= 30 kg
- Value of end products:
  - EP1 = 20 kg x 10 EUR/kg = EUR 200
  - EP2= 40 kg x 7.5 EUR/kg = EUR 300
  - EP3= 30 kg x 2,5 EUR/kg = EUR 15
  - Total EUR 575
- 20 kg of EP3 was released for free circulation

Calculation:

- IG1 quantity in the total quantity of EP3:  
 $100 \text{ kg} \times \frac{75}{575} = 13.04 \text{ kg}$
- IG1 quantity in 20 kg of EP3:  
 $13.04 \text{ kg} \times \frac{50}{75} = 8.69 \text{ kg}$

**2. REQUEST AND APPROVAL**

**2.1. Submitting a request in writing**

Request for issuing of approval for inward processing procedure is submitted in writing and in accordance with the form given in Attachment 1 filled out in accordance with given instructions.

The customs office may allow that the request for extension or amendment of the approval be submitted in the form of a regular written requests (not on a prescribed form).

The request for approval of an inward processing procedure is submitted to the authorized customs office per place where the goods will be produced or processed.

The request and the documents which are supposed to be submitted for an approval to be issued are submitted in two copies, of which one copy stays with the issuer of the approval and the other copy is enclosed to the supervising customs office together with the approval.

The applicant must state all the data required for issuing an approval and these data must be detailed, understandable and exact, in order for the authorized customs office in to be able to reach a decision on the request, that is to assess if all requirements have been met for approving an inward processing procedure.

The request should be submitted at least 30 days before the planned export, because the goods for an inward processing procedure cannot be imported before the approval is issued.

If the customs office assesses that the data in the request are incomplete or insufficient for issuing an approval, they may demand additional information or explanation from the applicant.

The requests for issuing an approval in the procedures with several customs office involved (single approval), are submitted to the authorized customs office per place where the bookkeeping of the applicant is performed and where any part of the production

activities covered with the approval takes place. If it is not possible to determine the authorized customs office in this way, the request is submitted to the customs office per place of bookkeeping of the applicant, in order to facilitate the control over the procedure.

When an entity demands a single approval, previous consent of the authorized customs office of the beginning and/or completion of the procedure is required.

The authorized customs office to which the request was submitted sends the request and the proposal of an approval to other customs offices which confirm the date of reception within 15 days and present their remarks to the authorized customs office within 30 days from the day of reception of the proposed approval. If the remarks are received within that period and without the consents provided, the request is rejected with the reasons for such a decision being stated.

The customs office may issue an approval if no complaints are received to the proposed approval within 30 days. The customs office will send a copy of the agreed approval to all customs offices involved in the procedure.

When general criteria and conditions for adopting single approval are agreed among two or more customs offices, an ordinary notification instead of previous approval and sending a copy of the agreed approval is sent.

The notification is always sufficient when the single approval is renewed, insignificantly changed, annulled or terminated.

## **2.2. Declaration as a request**

The customs office may allow that the approval may be requested by submitting a declaration in writing or by using an electronic system of information exchange in a usual procedure, when, in accordance with Article 303 of the Regulation it is deemed that the economic conditions are fulfilled, except the requests including equivalent goods. These are, most often, the situations when goods are repaired, or simple production operations are performed. In this case, the submitting of a declaration is deemed as submitting a request and acceptance of the declaration by the customs office is considered as an approval. The declaration is submitted to the authorized customs office per place where an inward processing is supposed to be performed.

The customs office, in cases where issuing of an approval is requested by submitting a declaration, may demand, not excluding the implementation of Article 172 of the Regulation, that a document accompanies the request (example of this document is given in Attachment 2), which is submitted by a declarant and which, unless the data is unnecessary or have already been filled in the form of the declaration, contains the following information:

- 1) name and address of the applicant, declarant and other parties involved in the procedure,
- 2) type of production activities or use of goods,
- 3) technical description of goods, refined or processed goods and methods for establishing their uniformity,
- 4) defined code for economic conditions,
- 5) defined norms or methods for their determination,
- 6) defined deadline for completion of the procedure,
- 7) customs office proposed for completion of the procedure,
- 8) place of production, processing or usage and
- 9) proposed formalities for transfer of goods.

## **2.3. Adopting approval**

Customs office provides an approval on written request of a person who organizes a processing procedure (organizes procurement of goods, production and sale of end

products and does not participate in production processes) or a person who partially or entirely performs processing procedures. Customs office issues an approval for inward processing procedure if an applicant intends to export or re-export end products.

The approval may be issued only to:

- persons with head office or place of residence within the customs territory of the Republic of Serbia and to persons with head office outside the customs territory of the Republic of Serbia if they are importing non-trade products;
- if imported goods may be recognized in an end product, except in a case of use of goods which enables production and is not an integral part of end products (the goods from Article 143, section 2, paragraph 4 of the Customs Law) and in case of use of equivalent goods in accordance with provisions from Article 144 of the Customs Law;
- if inward processing procedure provides better conditions for export or re-export of end products, under the condition that basic interests of domestic producers (economic conditions) are not jeopardized.

Also, customs office approves inward processing procedure only:

-to persons who provide all necessary guarantees that they will regularly conduct the procedure

-if customs office has a possibility to monitor and control an approved procedure.

Customs office authorized for adopting an approval issues an approval in the following manner:

- 1) With requests on a form, on prescribed form (Attachment 3)
- 2) When declaration serves as a request, by accepting the declaration, or
- 3) With requests for extension or amendment of an approval, by a note on the request.

Approval or decision on rejecting a request for issuing an approval is submitted to the applicant within 30 days, counting from the date the request was submitted or from the date when customs office determined that the requested additional information or information that were missing are submitted.

This deadline applies in case of a unified approval unless it was issued in accordance with Article 268 of the Regulation (regular notice).

Conditions under which an inward processing procedure is conducted must be stated in an approval for such procedure.

Supervising customs office, customs office of the beginning of procedure (to which declaration for the beginning of a processing procedure – C5 is submitted) and customs office of the completion of a procedure (to which declaration for export, i.e. re-export or other procedure is submitted) are noted in the approval. When determining customs office of the end of a procedure, Article 188, sections 4 and 5 of the Customs Law apply, i.e. export declaration is submitted to the customs office authorized for a head office or a place of residence of exporter or for the place where goods are packed i.e. loaded for export.

Not excluding provisions of Article 188, sections 4 and 5 of the Customs Law, supervising customs office may approve customs declaration to be submitted to another customs office, other than customs office noted in an approval. Supervising customs office determines a manner in which it will be informed about submitting declaration.

Supervising customs office is an office which is authorized for the place where processing is performed and if processing is performed in several places, then supervising customs office is a customs office authorized for some of those places (for example, it can be customs office authorized for the place where most of the processing or end phase of processing is performed).

Applicant's obligation of submitting a form for completion of a procedure is also determined in an approval. Additional clause on obligations of a holder of approval on complying with all regulations and obligations regarding the approved procedure as well as other necessary clauses may be added to the approval, beside the elements contained in a prescribed form.

An approval comes into force on the date of its issue or any other later date stated in

an approval.

A holder of approval must inform customs office about all the facts which arise after the issuance of an approval and which affect its further application or content.

An approval for inward processing may be amended per request of a holder of approval by submitting necessary documents and stating justified reasons.

#### **2.4. Economic conditions**

It is considered that economic conditions are fulfilled unless the request for an inward processing procedure does not relate to Chapters 1 to 24 of the Customs Tariffs.

For the goods from Chapters 1 to 24 of the Customs Tariffs, it is considered that economic conditions are fulfilled under the condition that:

- 1) Request for inward processing procedure relates to:
  - production activities relating to non-commercial goods
  - production based on contract on processing
  - production of end products which are produced per prior approval and for which economic conditions were checked when adopting the approval
  - regular forms of use from Article 295 of the Regulation or
  - repair
- 2) Total value of the imported goods per 8-digit tariff number based on an applicant and calendar year does not exceed 200.000 dinars

Except in the above mentioned situations when it is considered that economic conditions were met, customs office cannot issue an approval without prior control of economic conditions.

Customs office performs a control of economic conditions in cooperation with the Chamber of Commerce of Serbia.

With regard to the manner of control of economic conditions, i.e. in which way the cooperation with the Chamber of Commerce would be conducted, customs office addressed the Ministry of Finance – Department for Customs System and Policy which, based on the opinion of the Chamber of Commerce of Serbia, informed customs office that the Chamber of Office would, on request of the customs office, in case of possible drastic disturbances in domestic market and in case of bottlenecks in processing capacities, give grade on fulfilment of economic conditions.

Considering that the Chamber of Commerce did not indicate that there were problems which would possibly question the fulfilment of economic conditions for the approval of an inward processing procedure, **there is a presumption that those conditions were met.** Such consumption is rebuttable in case when an interested person addresses customs office without doubting the fulfilment of economic conditions, i.e. claiming that the approval of an inward processing procedure for certain goods jeopardizes basic interests of domestic producers. In that case, having in mind provision of article 269, section 2 of the Regulation, customs office will address the Chamber of Commerce in order to check the fulfilment of economic conditions.

#### **2.5. Identity of goods**

In the approval for an inward processing procedure, means and manner of recognizing imported goods contained in the received products will be prescribed (citing the serial or production number, placing seals or other necessary labels, sampling, providing drawings or technical or other descriptions of goods, performing analyses and other means of identification), as well as conditions for implementation of procedure with similar goods.

Methods for controlling the identity of goods can include checking records on goods in question.

## **2.6. Validity period of the approval**

The approval is valid from the day it was enacted or from the date which is stated in the approval. The approval will also state the validity period for the approval, with respect to the specific circumstances of the inward processing, i.e. bearing in mind the economic circumstances and special demands of the applicant. Validity period of the approval cannot be longer than three years, counting from the date on which the approval becomes effective, with the exception of specifically justified and reasoned cases.

In case of issuing an approval for production or processing of dairy products from tariff number 0401 to 0406 of the Customs Tariff, the validity period cannot be longer than three months.

During the period of validity, the goods the approval relates to can be submitted for inward processing and the quantities and value of goods as stated in the approval are only to be taken as estimates given by the applicant.

## **2.7. Time period for export or re-export of goods**

Customs office determines a time period within which end products must be exported or re-exported, i.e. within which other customs-approved procedure or use must be requested, taking into consideration the time needed for performing production activities in an inward processing procedure for given quantity of imported goods, their production and dispatch of end products.

Customs office may extend the period for export, i.e. re-export on the basis of timely and justified request by a holder of approval.

A request, accompanied by JCI on placing the goods, for which the extension is requested, under an inward processing procedure, should contain:

- Justified reasons for time period extension (for example request from the company which receives end products for postponing delivery of end products, delayed delivery due to technical problems – machine failure in the process of production, problems with the delivery due to political and economic situation and other),
- Extension period
- Quantity of imported goods which is left for discharge
- Information about a Guarantee for Customs Debts for given procedure, which must cover a period of extension

The decision on the approval of a request for the extension of a time period is made by an authorized customs office, in a form of a note on a request.

The time period for the completion of a procedure must not be extended for the following products or goods in an unaltered condition:

- 1) Four months for milk and dairy products from tariff number 0401 to 0406 of the Customs Tariff
- 2) Two months for slaughtered unfettered animals from Chapter 1 of the Customs Tariffs
- 3) Three months for fettered animals (including slaughtering if necessary) from tariff numbers 0104 and 0105 of the Customs Tariff
- 4) Six months for fettered animals (including slaughtering if necessary) from Chapter 1 of the Customs Tariff and
- 5) Six months in case of a meat processing.

In the above mentioned situations, customs office may, on request of a holder of approval, in case of performing additional processing procedures or due to special circumstances, extend the time period to a maximum of 12 months.

Discharge period may be longer than the approval validity period (for example, if an approval is valid until June 30, 2012, the goods are placed under an inward processing procedure per C5 on April 25, 2012 with a re-export period of 4 months, the extension period of such declaration is August 25, 2012). Person who applies for an approval of an

inward processing procedure per system of duties refund should include a six-month period from Article 287, section 1, paragraph 2 of the Regulation for submitting a request for refund or withdrawal from the payment of import duties, in the time period he/she asks for a discharge of a procedure.

Time period for export or re-export starts on the third day from the acceptance of customs declaration per which foreign goods were placed under the inward processing procedure. This period is entered, by an authorized customs office, in section 44 JC by which the goods were declared for an inward processing (C5 per system of storage and C4 per system of refund).

**Example:**

Company A got an approval for an inward processing per which import of materials (M1 and M2) for the production of end products (EP) according to which a time period for re-export of 4 months is approved. Import is conducted:

- M1 is imported per C5 of March 1, 2012,
- M2 is imported per C5 of April 1, 2012.

Inward processing per customs declaration C5 of March 1, 2012 should be discharged by July 1, 2012 and per customs declaration C5 of April 01, 2012 by August 1, 2012.

## **2.8. Consolidation of time periods**

For the purposes of a simplified procedure, as per request of a holder of approval, customs office may decide that the period for the completion of a procedure, which starts in a certain month or a quarter, ends on the final day of the following month or quarter.

This simplification is approved in cases of continuous production when more than one type of material which are used in a production of more than one end product and the production is performed in regular cycles are imported.

If, at the same time, time period for the completion of a procedure for all goods placed within a set time period in an inward processing procedure expires, an approval may determine that the time period for the completion of a procedure may at the same time be extended for all the goods in the procedure at that time. Customs office may request that new customs-approved treatment or use may be determined within the set time period.

With regard to monthly consolidation of time periods, all time periods for re-export which start in a certain month will expire on the last day of the following month (for example, the goods are declared for inward processing on 10<sup>th</sup>, 15<sup>th</sup> and 25<sup>th</sup> March, 2012, in this case the time period for re-export expires on April 30, 2012).

With regard to quarter consolidation of time period, all time periods for re-export which begin in one quarter will expire on the last day of the following quarter (for example, the goods are declared for inward processing on 5<sup>th</sup>, 20<sup>th</sup> and 30<sup>th</sup> January, 2012; on 10<sup>th</sup>, 19<sup>th</sup> and 27<sup>th</sup> February, 2012; and on 5<sup>th</sup>, 15<sup>th</sup> and 28<sup>th</sup> March, 2012, in this case the time period for re-export of all of these goods expires on June 30, 2012).

## **2.9 Approval with retroactive effect**

Customs office may issue an approval with retroactive effect but such approval comes into force on the day of approval at the earliest, except in extreme cases.

If an approval is submitted on the basis of an approval for the same kind of procedure and goods, an approval with retroactive effect may be issued from the day when the original approval expired.

In extreme cases, retroactive effect of an approval may be approved for a longer

time period but not longer than one year before the request was submitted if it is proved there is an economic validity and that:

- Request does not relate to fraud attempts or harsh negligence,
- Approval validity period (in accordance with Article 272 of the Regulation) is not exceeded,
- Bookkeeping of an applicant confirms that all procedure requests may be considered fulfilled, that identity of the goods may be confirmed for that period if necessary and that such bookkeeping enables control over procedure and
- All formalities necessary for determining status of the goods may be performed, including, if necessary, termination of declaration

### **3. KEEPING RECORDS**

Holders of approval are obliged to keep records on goods placed into an inward processing procedure.

Customs office can approve the use of existing bookkeeping of a holder of approval for keeping records if it contains all necessary data.

Supervising customs office can request for an inventory to be taken of all or part of goods placed under the inward processing procedure.

Person who submitted a request for issuance of the approval will state the place where the records will be kept and will submit the appearance and content of the records, while the approval will prescribe the duty and manner in which record on goods placed under the procedure of inward processing will be kept, the record should contain the following data and enable supervision over the procedure:

- data from declarations by which the goods are placed under the customs procedure,
- data from declarations which determine the customs-approved treatment or use of goods for the purposes of ending the procedure,
  
- date and other appropriate information on other customs documents and all other documents which relate to the beginning and the completion of the procedure,
- type of production processes, type of handling or temporary use,
- norm on use or, if necessary, method for its calculation,
- date which enable tracking of goods, including the place where they are located and information on any transfer,
- trade of technical description necessary for determining the identity of goods, and
- information which enable tracking the movement of goods in an inward processing procedure.

Customs office can approve for some of these data not to be recorded if this will not be detrimental to the process of control or supervision over the procedure with respect to the goods being used or processed.

Records have to be available to the supervising customs office which is tracking and controlling regularity of an inward processing procedure. If the processing is performed with different users, the holder of approval has to insure that the records contain data on the actual condition of goods in the inward processing procedure with respect to each user. The records of the holder of approval have to contain all customs declaration on entry into procedure or discharge from the inward processing procedure.

### **4. SUBMITTING COLLATERAL**

In the process of inward processing per system of storage, the holder of approval is obliged to submit collateral for collection of customs debt that might arise in connection to those goods, i.e. in the case of release for free circulation of the end products or goods in an unaltered condition. Foreign goods cannot be included in a procedure until collateral

for a potential customs debt is submitted.

If the end products made from equivalent goods are exported from the export territory of the Republic of Serbia before the import of imported goods, and such products are subject to export customs duty, if they are not exported or re-exported in the process of inward processing, the holder of approval has to submit collateral for paying an export customs duty, which would be charged if the imported goods are not imported within the set time period.

## **5. TRANSFER**

Customs office decides in the approval whether and under what conditions can the goods or products in the inward processing procedure be moved between different places or between rooms of different approval users without the process being finished. The customs office also decides on keeping the necessary records.

Transfer between two places stated in the same approval can be done without customs formalities, i.e. goods can be moved without special formalities or stopping of inward processing from a plant of one manufacturer (user) to a plant of another manufacturer, with a note in the approval about which data on the transfer have to be entered into records.

Moving of goods from the customs office where the process had started to user's or contractor's offices or the place of its use can be done with the same declaration that is used for placing the goods into the process.

Moving the goods from one to another approval user can be done only if the last approval user places the transferred goods or products into the process within the approval for declaration based on bookkeeping data. Right after the goods or products arrive to the offices of another user, the customs office has to be notified, and the goods or products have to be recorded in accordance with Article 220 of the Regulation. Additional declaration will not be requested upon the delivery of goods.

Upon the reception of goods or products, the other approval user is obliged to place the goods under a chosen customs procedure.

If transfer is from one approval holder to another, inward processing ends for the first approval holder with a transfer to the second approval holder, but the former is responsible for the goods until the declaration of the second approval holder is accepted. Before transfer, first approval user informs the supervising customs office about that in the way the office had requested, so that all the inspections that office deems necessary can be done.

For moving of goods, the first approval user is responsible for a potential customs debt until the moment the second approval user takes over the goods in a determined way.

## **6. PLACING GOODS UNDER AN INWARD PROCESSING PROCEDURE**

### **6.1. Placing goods under an inward processing procedure based on a regular JCI**

Goods are declared for an inward processing procedure by submitting JCI – C5 per system of storage or C4 per system of refund to the customs office of the beginning of a procedure stated in the approval, within the approval's validity period. If the customs office of the beginning of a procedure and the supervising customs office are different offices, the customs office of the beginning of a procedure is obliged to submit to the supervising customs office a copy of JCI about placing goods under an inward processing procedure. Approval holder is entered in section 8 of JCI.

During the control of the submitted documents, the customs office where the procedure started checks whether the goods' receiver is also the holder of the approval

for inward processing, whether the condition of the reported goods fits the description from the approval, whether data on the goods from the approval, JCI and submitted documents are in accordance, all with the aim of proper determination of tariff code from the Customs tariff, origin of goods, customs value, amount, etc. and takes on the measures of identification stated in the approval, and other measures that may be needed.

## **6.2. Implementation of simplified procedures in an inward processing**

Reporting goods for inward processing and discharge of a procedure can also be done by submitting an incomplete JCI in accordance with provisions of Article 229 of the Regulation, or a simplified procedure of declaring and declaring based on bookkeeping records in accordance with Article 230 of the Regulation and other regulations that govern simplified procedures.

## **7. FINISHING THE PROCEDURE OF AN INWARD PROCESSING**

An inward processing procedure will be finished when a new customs-approved treatment or use (e.g. procedure of re-export, transit procedure, procedure of customs storage, procedure of temporary import, new inward processing procedure, placing goods in a free zone) is determined for the goods placed under that procedure or for products created or processed thereof, in the period prescribed in JCI – C5 or C4 and when the form for completion of the procedure has been submitted.

In case of a preliminary export of products created from equivalent goods, the procedure is finished when the customs office accepts the declaration for foreign goods.

The customs office will undertake all necessary measures in order to regulate the status of goods for which the procedure was not finished in accordance with prescribed conditions.

If a new customs-allowed treatment or use is not determined for imported goods in an unaltered condition or for end products, a customs debt incurs in accordance with article 240 section 1 subsection 1 of the Customs Law; in that case the customs office will undertake all necessary measures to collect said debt and compensatory interest.

If the goods in an inward processing procedure entered the procedure on the basis of a single approval, but with two or more declarations:

1) in case of a procedure with delay, it is considered that the determination of a new customs-allowed procedure or use of goods or end products finishes the customs procedure in which the goods were placed based on the declaration which was first submitted;

2) in case of a procedure of inwards processing, it is considered that end products were produced using appropriate imported goods, which were placed in the procedure on the basis of the declaration which was first submitted.

User of the approval can request that the procedure be finished for the specifically determined goods.

### **7.1. Documents which are enclosed with JCI and a control of JCI**

For discharge of inward processing, JCI is accompanied by the documents necessary for placing the goods in an unaltered condition or end products under the new customs-approved treatment or use, as stated in provisions of Articles 170 to 173 of the Regulation.

When controlling declaration by which inward processing is discharged, customs office at which discharge of inward processing procedure is conducted checks if the declaration containing description of end products or the goods in an unaltered condition agrees with data from the approval and its findings, including a control of declared quantity, if declaration contains all data and whether all documents necessary for completion of procedure i.e. placing the goods under a requested customs procedure are enclosed; and

takes measures of identification stated in an approval and other necessary measures (comparison with documentary or identification samples which were submitted or taken during placing the goods under the procedure of inward processing, control of special labels or factory numbers, samples for laboratory analysis).

Supervising customs office conducts customs control of inward processing during which it can conduct a review of goods, review of documents, control of norms, as well as to take other measures of control appropriate for a specific situation, during inward processing, when needed and depending on all circumstances under which inward processing is performed.

## **7.2. Export outside the customs territory of the Republic of Serbia**

Export outside the customs territory of the Republic of Serbia is a regular procedure with end products because this is stipulated in the rules, i.e. this is the purpose of approving an inward processing procedure. End products are, when re-exported or exported, delivered to the customs office of the completion of the procedure stated in the approval, for the purposes of performing customs formalities.

With respect to procedures in accordance with JCI for re-export or export of end products or goods in an unaltered condition, regulations which apply to the export declarations, along with specific regulations which apply to inward processing, will be applied. In case the end products contain domestic goods, there is no need to submit a separate declaration for those goods.

### ***Procedures which might be considered an export***

In order to complete a procedure or to submit a request for discharge or refund of customs debt by export or re-export, the following procedures are considered an export or re-export:

- delivery of end products to diplomatic or consular representative offices, or to diplomatic or consular personnel to which right to be released from the customs duty payment, in accordance with internationally acknowledged agreements the Republic of Serbia concluded or joined, is recognized,
- delivery of end products to foreign military forces or staff in the customs territory in accordance with international agreements the Republic of Serbia concluded or joined,
- delivery of civil aircrafts when customs office might approve completion of a procedure, if imported goods were originally used for making, repairing, equipping or rearranging civil aircrafts or their parts, under the condition that users' records allow verification of proper use and application of procedure,
- treatment of by-products, which must not be destroyed, in accordance with the regulations on environmental protection, under the customs supervision, when user must prove that completion of a procedure in accordance with customs regulations is impossible or economically unjustified and that it has been acted in accordance with regulations on protection of environment.

### ***Goods in an unaltered condition***

Inward processing procedure might also be discharged by a re-export of the goods in an unaltered condition, which is an exception to the general rule of discharging inward processing according to which imported goods are exported again or exported as end products. In cases when such manner of discharge of inward processing is used too often, supervising customs office must inform a holder of approval about it, and in case of misuse approval may even be cancelled.

The goods in an unaltered condition are registered for re-export by export C3 declaration in a usual manner. All information about the goods which were stated in JCI and according to which they are imported, must be stated in export JCI.

## **7.3. Discharge of inward processing through the procedure of customs storage or placement in a free zone**

Procedure of inward processing might also be discharged when end products or goods in an unaltered condition for re-export or export, are placed under the procedure of customs storage or placed in a free zone; the following situations are possible:

- a) Discharge of inward processing by placing end products or goods in an unaltered condition under the procedure of customs storage in cases when customs office for the completion of a procedure for inward processing and customs office for the beginning of a procedure for customs storage are the same office – declaration C7 is submitted on behalf of a person who is a user of customs storage procedure (code of procedure 7151),
- b) Discharge of inward processing by placing end products or goods in an unaltered condition under the procedure of customs storage in cases when customs office for the completion of a procedure for inward processing and customs office for the beginning of a procedure for customs storage are different offices – in such situation, transit JCI according to which end product or goods in an unaltered condition, per transit procedure, are forwarded to the customs office of the beginning of a procedure for customs storage in which these goods will be placed, is submitted to the customs office for the completion of a procedure for inward processing. Acceptance of transit JCI completes the inward processing procedure and the responsibility for the goods and obligations from this JCI are taken over by a user of transit. When goods arrive, JCI-C7 is submitted.
- c) Discharge of inward processing by placing end products or goods in an unaltered condition in a free zone: the goods move to free zone per TP declaration by which inward processing is discharged, and when goods arrive appropriate C7 declaration is submitted.

In the above mentioned situations, note "I-E goods" is entered in declarations on discharge of inward processing, in section 44, beside other data, in accordance with Article 316 of the Regulation, and a holder of approval for inward processing must have JCI, i.e. a copy of JCI on discharge of inward processing in his/her records. In situations of re-export or export of end products or goods in an unaltered condition, declaration C3 is submitted upon their placement in a customs storage or a free zone.

If the goods in above mentioned situations submit to the application of special measures provided by regulations which govern trade of the goods, the note "Trade Measures" is added.

End products which are placed under the customs procedure for storage or placed in a free zone can be released for free circulation when that is approved by a customs office which issues such approval and when circumstances allow it.

When the goods for which, per system of refund, treatment or use in accordance with Article 316, section 1 of the Regulation is allowed, instead of note from that section, note "I-E goods / system of refund" is entered.

#### **7.4. Discharge of approved procedure of inward processing by other inward processing procedure**

The exception from the situation of obligatory export of end products may be a situation when foreign principal concludes a contract on inward processing with a person with a head office in the Republic of Serbia, which would regulate the processing of a product produced in previously approved inward processing procedure. Bases for recognizing the above mentioned situation are two separate contractual relationships concluded between a foreign person (principal) and domestic holder of an approval. In such situations, each holder of an approval submits request for an approval of inward processing procedure separately and each must have an approval from customs office in which a holder is stated as a holder of approval.

However, specificity of such situations is that in view of providing an economy of a procedure, it may be allowed that end product of a first holder of an approval must not be physically exported from the customs territory of the Republic of Serbia, but the second holder of an approval for inward processing procedure submits JCI – C5 where section 31 notes, as a nomination, an end product produced in a previous inward processing procedure and which should be exported, while section 37 notes an appropriate code (e.g. 5151 which notes inward processing procedure per system of storage after the inward processing procedure per system of storage) and when customs office accepts this JCI, it is considered

that the processing procedure for the first holder of an approval is actually complete, thus obliging the holder of approval to submit a form for the completion of a procedure for final discharge of the inward processing procedure regarding its approval within 30 days. Therefore, in such situations, with discharging inward processing of the first holder of an approval there is no C3 declaration (declaration for export of end products) but declaration C5 of the second holder is used instead, on the basis of which approval of a form for a discharging procedure as if the goods were exported from the customs territory of the Republic of Serbia is performed.

Situations in which a holder of approval engages domestic producers must be differentiated from the above mentioned situation. A holder of approval may conduct the inward processing by him/herself, or a holder may engage a third party (for some processing phases or for the entire processing) who then has a status of a participant in a process of inward processing. All participants must be mentioned in an approval from the customs office for an inward processing procedure with an accurate description of the operations they are performing and noting the time period required for processing. In such situation there is only one procedure, i.e. there is only one holder of an approval and one contract with foreign principal.

#### **7.5. Discharge of inward processing through the procedure of processing under a customs control**

Procedure of inward processing is also discharged when end products or goods in an unaltered condition are placed under the customs processing procedure under customs control, differentiating between situations in which customs office of the completion of the inward processing procedure and customs office of the beginning of the processing procedure under customs control are the same or different offices.

#### **7.6. Discharge of inward processing by destruction**

Procedure of inward processing per system of storage may be discharged in situations when end products or goods in an unaltered condition, with the approval from supervising customs office and under its supervision, are destroyed. The procedure of destruction is conducted in accordance with Article 569 of the Regulation and other regulations which govern this issue.

#### **7.7. Discharge of inward processing by a release for free circulation**

Procedure of inward processing on the basis of storage may, in specific cases, be discharged by releasing end products or goods in an unaltered condition for free circulation, where we should differentiate between the following situations:

- a) Release of end products or goods in an unaltered condition for free circulation without submitting JCI (i.e. with subsequent submitting of JCI) and
- b) Release of end products or goods in an unaltered condition for free circulation by submitting JCI.

##### ***7.7.1. Approval granted a release for free circulation of a certain quantity of the goods***

A holder of approval may release end product or goods in an unaltered condition for free circulation without submitting JCI if an approval for inward processing granted a release for free circulation without submitting declaration, taking into account bans or restrictions. In such situations, it is considered that the goods were released for free circulation at the time when time period for completion of procedure expired, if customs-approved treatment or use has not been conducted before that.

A holder of approval is obliged to submit JCI for the goods he/she released for free circulation by 10<sup>th</sup> day in a month which follows the month in which the goods were actually released for free circulation. In such customs declaration, customs debt is calculated by applying Articles 149 or 150 of the Customs Law without calculating compensation interest.

In situations when such quantity is known only upon the completion of a procedure, customs declaration must be submitted before submitting a form for the

completion of a procedure.

By submitting a form for the completion of a procedure, all customs declarations by which the goods were released for free circulation must be submitted to the custom office, along with other documents.

Products or goods are considered domestic from the moment of their release for circulation.

Supervising customs office will pay special attention to the holders of such approvals when applying measures of customs supervision.

Release for free circulation of end products or goods in an unaltered condition without JCI, may be approved for a holder of approval who respects all the rules of inward processing, but at the most 20% of imported goods which were placed under the procedure of inward processing.

### ***7.7.2. Release for free circulation of end products or the goods in an unaltered condition by submitting JCI***

In the situations when release of goods for free circulation is not approved for inward processing, a holder of approval is obliged to submit JCI – C4 along with documents necessary for conducting a procedure per that JCI to be decided upon, before releasing the goods for free circulation. The acceptance of JCI is considered an approval. If the holder of approval submits JCI – C4, it is considered that the customs debt incurred in accordance with article 240, section 1, subsection 1) of the Customs Law and that supervising customs office is obliged to take actions in order to charge them.

In a situation of release for free circulation of end products, information in sections 15, 16, 34, 41 and 42 of the declaration relate to imported goods contained in the quantity of end products which are released for free circulation. Information may be stated by any other document enclosed with declaration.

### **7.8. Form for the completion of procedure**

In the procedure of inward processing (per system of storage) form for the completion of procedure (Attachment 4) is submitted to the supervising customs office within 30 days from the deadline for re-export. The form for the completion of procedure may be submitted even before that time period.

In situations when monthly or quarterly consolidation of time periods is used, form for the completion of procedure is submitted within 30 days from the expiry of time period for re-export for each month or quarter. This means that this procedure is repeated every month or every quarter. In such situations additional form with table containing the goods for which procedure started and finished within the accounting period is submitted (Attachment 4a). The goods which are still in the procedure of inward processing on the day of expiry of time period, may be transferred as a debit to a new period of re-export (a month or a quarter), on request of a holder of approval (if an approval does not provide that the period for discharging is automatically extended), if other conditions for inward processing are fulfilled.

Customs office may extend specified time periods if the original deadline expired, and if special circumstances justify it in accordance with Article 146, section 2 of the Customs Law.

The form for the completion of procedure is submitted to the customs office which is specified in an approval, in a prescribed form and it should contain the following data in accordance with Article 287, section 3 of the Regulation, unless a supervising customs office decides differently:

- a) Identification data about an approval for procedure
- b) Quantity of each type of goods which requires completion of procedure, release or refund and for which placement under the procedure with several customs offices is approved
- c) Tariff number of imported goods,
- d) Customs rate for imported goods and, if necessary, its customs value as well,
- e) Data about declarations on the basis of which the goods have been placed under the procedure of inward processing,
- f) Type and quantity of end or processed products or goods in an unaltered

- condition, as well as customs-approved treatment or use which were specified for them, including data about declarations or other customs documents and other attachments which relate to the completion of procedure and deadlines thereof,
- g) Value of end products, if value method is applied with accounting production processes
  - h) Norm on the use of goods
  - i) Amount of import duties which should be paid, discharged or refunded, and if needed, a compensatory interest rate which should be paid; if such amount relates to application of Article 247 of the Regulation (unique customs rate) it is necessary to specify it.

Supervising customs office performs a control of form for the completion of a procedure which includes controls of declarations on entering a procedure of inward processing and discharge of inward processing to which form for the completion of a procedure per approved norm on production relates to, including a control if acknowledgement of each C3 declaration included in a form for the completion of a procedure has been performed. This office enters the results of a control in a form for the completion of a procedure (section for official use) and informs a holder of approval afterwards.

If, according to an approval, the goods are placed under an inward processing on the basis of several declarations, such declarations are discharged for certain type of goods according to the order of their acknowledgment. If during the control of completion of inward processing customs debt is confirmed for some goods, it will be considered that the goods in question are goods from the declaration which was the first one not discharged.

If a record on an inward processing, kept by a holder of approval, provides to customs offices all necessary information for the control of development and completion of an inward processing, it can be accepted as a form for the completion of a procedure.

#### ***Procedure when form for the completion of a procedure is not submitted***

If a holder of approval does not submit a form for the completion of a procedure within the prescribed time period (30 days from the deadline for re-export) supervising customs office sends an invitation for submitting a form to a holder, stating that a holder did not submit it, although a holder was obliged to submit it in accordance with Article 287, section 1, subsection 1) of the Regulation. In an invitation, customs office determines a time period for submitting a form for the completion of a procedure which cannot be longer than 8 days.

If a holder of approval, invited by customs office, submits a form for the completion of an approval, i.e. proves that the goods (by the approved deadline for discharge of inward processing or in a period from the expiry of a deadline for discharging until the expiry of a deadline in which a holder was obliged to submit a form for the completion of a procedure) were placed under a customs-approved treatment or use by which inward processing can be discharged, the goods will be taken into consideration in the procedure of accepting a form for the completion of a procedure.

If a holder of approval does not submit a form for the completion of a procedure after he/she receives an invitation, it will be considered that a holder did not fulfil obligations from the inward processing procedure, in which case customs debt incurs for goods which are not discharged, in accordance with Article 240. Section 1, subsection 1) of the Customs Law. Customs debt incurs at the moment when a holder of approval stops fulfilling obligations from the procedure. If that moment cannot be determined, then the day of expiry of a time period for discharging inward processing procedure is that day.

In such situations, customs debt will be calculated and charged on the basis of data which supervising customs office has, including a compensatory interest rate. When calculating customs debt, in accordance with Article 149 of the Customs Law, elements (tariff number, customs value, origin of the goods, customs rate) which applied to goods at the moment of accepting customs declaration per which they were placed under the procedure of an inward processing will be applied.

According to Article 609 of the Regulation, supervising customs office will deem the customs debt incurred in accordance with Article 240, section 1, subsection 1) of the Customs Law, unless a holder of approval proves that those omissions do not affect an inward processing procedure and that a holder took all necessary action prescribed in Article 608 of the Regulation.

In situations when end products, in which equivalent goods are contained, are exported before the import of imported goods, such procedure is discharged when supervising customs office accepts a form for the completion of a procedure for JCI on additional import of goods.

Inward processing procedure is discharged for a quantity of imported goods which is, according to accepted norm on production, contained in end products or for a quantity of goods in an unaltered condition (unprocessed imported goods) registered for new customs-approved treatment of use.

JCI by which inward processing is discharged is submitted to the customs office for the completion of the procedure stated in an approval. If customs office for completion of the procedure and supervising customs office are different offices, customs office for the completion of procedure is obliged to submit a copy of JCI on discharge of an inward processing procedure to the supervising customs office. Supervising customs office may approve that the declaration for entering or discharging an inward processing is submitted to other customs office, determining the manner in which they will be informed.

In situations when declaration serves as a request for an approval of an inward processing procedure, JCI by which inward processing is discharged is submitted to the customs office in which the procedure was initiated.

## **8. MANNER OF DETERMINING CUSTOMS DEBT**

### **8.1. Determining customs debt on the basis of an amount of import duties which applied to imported goods on the day of accepting declaration for placing the goods in a procedure of inward processing**

When customs debt incurs in an inward processing, its amount is, in accordance with Article 149 of the Customs Law, determined on the basis of elements for determining import duties (tariff number, customs rate, origin of the goods, customs value) which, in accordance with regulations, applied to imported goods on the day of acceptance of declaration per which they were placed under the procedure of inward processing. It should be noted that when determining import duties, exchange rate on the day of acceptance of declaration in accordance with which the goods are released for free circulation applies.

In case of releasing end products for free circulation, data in sections 15, 16, 34, 41 and 42 of the declaration relate to imported goods contained in a quantity of end products which are released for free circulation.

#### **Example:**

Company "A" declared for the procedure of an inward processing 10,000 m<sup>2</sup> fabric for the production of trousers, in accordance with declaration C5 of January 25, 2011. The value of imported goods per accepted C5 declaration is EUR 50,000, customs rate is 10% with the discharge period from the approval of 6 months. The date of discharge of C5 declaration is July 25, 2011. Release for free circulation without customs declaration is approved in an approval. The form for the completion of a procedure must be submitted to a supervising customs office by August 24, 2011.

In a form for the completion of a procedure it is stated that 7,000 m<sup>2</sup> of imported goods were exported as end products.

Accompanying a form for the completion of a procedure on August 24, 2011 for the remaining 3,000 m<sup>2</sup> imported goods, declaration C4 for release for free circulation was submitted.

The value of the goods amounts to EUR 15,000.

Import duties for payment:  $15,000 \times 10\% = \text{EUR } 1,500$

If at the moment of accepting declaration for releasing goods under the procedure of inward processing, imported goods fulfil conditions for application of preferential customs regime within quotas or tariff maximum, such goods fulfil conditions for application of preferential customs regime which applies to identical goods and at the moment of accepting declaration for releasing the goods for free circulation.

#### **Example:**

1000 kg of goods are placed under an inward processing as per C5 of January 1,

2011, for which there are available quotas on that day and which are followed by EUR1 of the Republic of Croatia which was accepted as valid by a customs office.

On May 30, 2011, customs debt incurs for imported goods because C5 declaration was not discharged within the re-export time period. Preferential treatment for imported goods in this case can be used if on May 30, 2011 there are available quotas for identical goods. In that case, the quantity of imported goods for which customs debt incurred will be deducted from the remaining available quota for identical goods on May 30, 2011 (e.g. at the time when customs debt incurred for imported goods, the existing quota for identical goods from the Republic of Croatia should still be open and have at disposal a sufficient quantity from which quantity of the goods for which customs debt incurred will be deducted). Otherwise, customs debt per regular customs rate from the Customs Tariff of the Republic of Serbia will be charged.

Import duties, which are calculated in accordance with Article 149, section 1 of the Customs Law for imported goods which, at the time of accepting declaration for placing the goods under the procedure of inward processing, fulfil conditions for more favourable tariff treatment due to its special purposes use, are calculated per rate which corresponds to such special use. This will be approved only if an approval for such special use can be issued and if all conditions for approving the most favourable tariff treatment are fulfilled.

## **9. CALCULATING COMPENSATORY INTEREST RATE**

If end products or goods in an unaltered condition are released for free circulation, when customs debt incur, compensatory interest rate is calculated and charged on calculated customs debt.

Compensatory customs rate is paid in an amount and in a manner prescribed for interest in arrears.

Compensatory interest rate is calculated once a month, from the first day of the following month in which the imported goods, for which customs debt incurs, were, for the first time, placed under an approved customs procedure until the last day of a month in which customs debt incurred.

If within the procedure of inward processing (per system of refund) the goods were released for free circulation in accordance with Article 156, section 4 of the Customs Law (e.g. after storing in customs storage), the period for which compensatory interest rate is calculated begins on the first day of a month following the month in which refund or discharge of customs debt occurred.

### **Example:**

Company "A" discharges inward processing per system of refund, in a way that on February 10, 2011 it places the end product to the customs storage, with intention to export it later from the customs territory of the Republic of Serbia. The holder of approval for the procedure of inward processing submits to the supervising customs office a request for refund of paid import duties on February 12, 2011. Supervising customs office approves a refund on February 20, 2011. End product which is placed in customs storage for later export from the customs territory of the Republic of Serbia is released for free circulation on June 27, 2011 and customs debt is the amount of refunded import duties with which compensatory interest rate for period from March 1, 2011 to June 30, 2011 is charged.

Compensatory interest rate will not be charged in the following situations:

- If a compensatory interest rate must be calculated for a period shorter than one month,
- If an amount of calculated compensatory interest rate per one incurred customs debt does not exceed EUR 20 in RSD equivalent,
- If customs debt incurs in order to enable payment of more favourable customs duty, in accordance with signed contract with other country, when importing goods to that country,
- When releasing refuse and residues from the destruction of goods for free circulation,
- When releasing by-products, which are prescribed, for free circulation if their quantity is proportional to the quantity of major end products,
- If, in accordance with Article 156, section 4 of the Customs Law, customs debt incurred when releasing for free circulation and debt amount is still not refunded or released,
- If a holder of approval requests the release of the goods for free circulation and provides evidence that due to special circumstances which are not consequence of holder's negligence or frauds, he/she could not, economically justified or not, to conduct re-export under the conditions he/she requested and credibly proved when he/she submitted an

approval of procedure,

- When customs debt incurred and a security was deposited for such debt

When end products or goods in an unaltered condition are placed under some other customs-approved treatment or use by which inward processing procedure is discharged per system of storage (e.g. in the procedure of customs storing), compensatory interest rate must also be paid in case when thus produced end products or goods in an unaltered condition (e.g. from the procedure of customs storing) are released for free circulation. In this case, the interest rate will not be calculated for the period during which the goods were in customs storing procedure.

## **10. SYSTEM OF REFUND**

### **10.1. Conditions for the system of refund**

The procedure of inward processing per system of refund might be approved if a holder of approval attends to export or re-export end product, as well as if other conditions prescribed by customs and other regulations are fulfilled. When applying system of refund, holder of approval wants to ensure the right to refund customs debt if the goods for which he/she paid customs debt is exported from the customs territory of the Republic of Serbia as end products.

System of refund might be applied to all goods, unless at the time of accepting declaration for releasing the goods for free circulation:

- 1) Imported goods are subjected to quantity import restrictions,
- 2) Imported goods are subjected to tariff quotas,
- 3) Submitting of import or export licence or certificate is prescribed for imported goods within measures of agriculture policy,
- 4) Export customs duty or other customs duty regarding an export is prescribed for end products.

In the system of refund, refund of import duties is not possible if at the time of accepting import declaration for end products, those products are not subjected to submitting import or export licence or confirmation in accordance with measures of agriculture policy; or export or some other customs duty is prescribed for them.

Note on applying a system of refund and conditions from the approval are entered in a declaration for releasing the goods for free circulation.

Customs office may request that the approval for inward processing procedure is enclosed with a declaration for releasing the goods for free circulation.

In the system of refund, provisions of Article 144, section 1, subsection 2, paragraphs 3 and 5 (relating to equivalent goods), Article 14, section 3, Articles 148 and 149 and Article 150, section 1, subsection 3) of the Customs Law do not apply.

### **10.2. Conditions and manner of import duties' refund or exemption**

A holder of approval for inward processing procedure may request a refund (or import duties exemption) if he/she proves to a customs office that imported goods which were released for free circulation within the system of refund in a form of end products or goods in an unaltered condition is:

- a) Exported, or
- b) Placed, in order to be re-exported, under a transit procedure, a procedure of customs storage, a temporary import procedure or an inward processing procedure per system of storage, or in a free zone if other prescribed conditions for placing the goods under the relevant procedure are prescribed.

In this situation end products and the goods in an unaltered condition are considered foreign goods.

Processing procedure outside the customs territory of the Republic of Serbia is not considered an export, unless those products are re-imported to the customs territory of the Republic of Serbia within the time period determined by the customs office.

If end products or the goods in an unaltered condition, which were placed under the customs procedure or in a free zone, are released for free circulation, the amount of import duties which is refunded, i.e. which is exempted will be considered a customs debt amount.

In order to confirm the amount of import duties which submit to a refund or an exemption, provision of Article 150, section 1, subsection 1) of the Law is applied

accordingly.

Holder of approval may submit the request for a refund of import duties, in three copies, to a customs office upon the export of end products or the goods in an unaltered condition, within the six months from the expiry of the time period for the completion of processing procedure.

The request should contain data prescribed by Article 287, section 3 of the Regulation and a copy of a request form is in Attachment 5 to this regulation and is its integral part.

Supervising customs office, controls information in the request, and if agreed with the request certifies section C of the request. Otherwise, it does not fill out this section, but writes on the back of a request reasons for not accepting the request. After that, supervising customs office submits the request, with all necessary documents (JCI, norm and other) to a customs house for reaching a decision on it in a regular governing procedure.

## **11. PROCESSING OUTSIDE THE CUSTOMS TERRITORY OF THE REPUBLIC OF SERBIA**

End products or the goods in an unaltered condition may be partially or completely temporarily exported for further processing outside the customs territory of the Republic of Serbia, with the approval of a customs office, which enables the processing to be partially preformed in the Republic of Serbia and partially outside the Republic of Serbia.

Approved procedure of production outside the customs territory of the Republic of Serbia will be conducted in accordance with the regulations which refer to outward processing procedure, which indicates that it is necessary to hold the approval for an outward processing procedure which can be a special approval referring to the approval of the inward processing procedure for the goods, in which case an existing approval for inward processing must be filled out with data on issued approval for outward processing or outward processing might be approved by amending an existing approval for inward processing.

During the temporary export of the goods, declaration C2 is submitted, which in section 44 states the number and the date of the approval for inward processing and the approval for outward processing, unless the approval for inward processing does not already approve an outward processing as well.

If the goods will be placed under an inward processing or some other storing procedure after their re-import to the territory of the Republic of Serbia, customs debt will not incur by a re-import and the procedure is further conducted in accordance with the rules of inward processing or some other requested customs storing procedure in which the goods were placed when they were re-imported.

If when re-imported, the goods are released for free circulation in the Republic of Serbia, after outward processing, the following will be charged:

- 1) Import duties for end products or the goods in an unaltered condition calculated in accordance with provisions of Articles 149 and 159 of the Customs Law and
- 2) Import duties for re-imported goods, after processing outside the customs territory of the republic of Serbia, calculating the amount in accordance with provisions which regulate an outward processing procedure, under the same conditions which would be applied if products were exported in accordance with such procedure were released for free circulation before the export.

### **Example:**

Company "A" imported on January 1, 2012, as per inward processing procedure, cotton yarns worth EUR 10,000 per customs tariff of 5% for the production of end product – print dyed cotton fabric. On the customs territory of the Republic of Serbia, weaving and dyeing of cotton fabric have been performed, while a holder of approval for inward processing asked for an approval for outward processing for printing fabric and conducted a temporary export of goods (dyed fabric with customs rate of, for example, 10%) in the amount of EUR 11,000. After the outward processing, re-import to the customs territory of the Republic of Serbia of end product – print cotton fabric (customs rate 10%) at EUR 12,000 is conducted.

If end product – print cotton fabric, after re-import to the customs territory of the Republic of Serbia is placed under an inward processing procedure, customs debt does not

incur by a re-import and the procedure is further conducted in accordance with the rules of inward processing. If end product – print cotton fabric, after re-import to the customs territory of the Republic of Serbia is released for free circulation on April 30, 2012, then customs debt incurs by a re-import and calculation is performed in the following manner:

Import duties for cotton yarn:  $\text{EUR } 10,000 \times 5\% = \text{EUR } 500$

Import duties for print cotton fabric:  $\text{EUR } 12,000 \times 10\% = \text{EUR } 1.200$

Import duties for dyed cotton fabric:  $\text{EUR } 11,000 \times 10\% = \text{EUR } 1.100$

Difference:  $\text{EUR } 1,200 - \text{EUR } 1.100 = \text{EUR } 100$

Total import duties:  $\text{EUR } 500 + \text{EUR } 100 = \text{EUR } 600$

This explanation applies from June 18, 2012.

Customs Administration Act No. 148-03-030-01-114/2012 of May 21, 2012.

**Attachment 1**

**Request for issuing an approval for using customs procedure  
with economic impact**

<b>1. Applicant</b>	For official use only				
<b>2. Customs procedure</b>	<b>3. Type of request</b>			<b>4. Additional form</b> • YES • NO	
<b>5. Place and manner of bookkeeping/records</b>					
<b>6. Approval validity period</b> a     b					
<b>7. Goods placed under the procedure</b>	<b>Description of the goods</b>	<b>Quantity</b>	<b>Measure unit</b>	<b>Value</b>	<b>Currency</b>
<b>Tariff number</b>					
<b>8. End or processed products</b>	<b>Description of the goods</b>			<b>Norm</b>	
<b>Tariff number</b>					
<b>9. Information about planned activities</b>					
<b>10. Economic conditions</b>					
<b>11. Customs office(s)</b>	of the beginning of a procedure:				
<b>a.</b>					
<b>b.</b>	of the end of a procedure:				
<b>B.</b>	supervising:				
<b>12. Identification</b>	<b>13. Time period for completion of a procedure (in months)</b>	<b>14. Simplified procedures</b> a     b		<b>15. Transfer of goods</b>	
<b>16. Additional information</b>					
<b>17.</b>					
			<b>Signature:</b>		
<b>Date:</b>	<b>Stamp here</b>		<b>Name:</b>		

**Note:**

Appearance of the form is not obligatory. However, ordinal numbers and appropriate text are.

**Request for issuing and approval for customs office' operations  
Additional form**

**18. Type of storage**

**19. Storage or storage spaces (type E)**

**20. Deadline for submitting list of goods in stock**

**21. Loss rate**

**22. Storing of goods which are not in the procedure of customs storing**  
**Tariff number                                      Description of goods                                      Customs**  
**procedure**

**23. Common manners of treatment of goods**

**24. Temporary transfer of goods (purpose)**

**25. Additional information**

**26. Date, Signature, Name, stamp here**

**Request for issuing an approval for inward processing procedure  
Additional form**

**18. Equivalent goods**  
**Tariff number**

**Description of goods**

**19. Prior export**

- YES •  
NO

**20. Release for free circulation without customs declaration**

- YES • NO

**21. Additional information**

**22. Signature, Date, Name, stamp here**

**Request for issuing an approval for outward processing procedure  
Additional form**

**18. System of standard replacement:**

- without prior import
- with prior import

**19. Replacement product**

**Tariff number      Description of goods**

**20. Application of Article 174, section 2 of the Customs Law**

**21. Application of Article 359, section 3 of the Regulation**

**22. Additional information**

**23. Date, Signature, Name, stamp here**

## **MANNER OF FILLING OUT A FORM OF A REQUEST AND AN APPROVAL FOR PROCEDURES WITH ECONOMIC IMPACT**

### **Part1**

#### **Information which are entered in sections of a form of a request/an approval**

**Section 1 (Applicant)** – information about the applicant (TIN, name, head office and address) are entered. The applicant, i.e. a holder of approval, is the person to whom approval is issued in accordance with customs regulations.

**Section 2 (Customs Procedure)** – appropriate customs procedure or procedures under which the goods from Section 7 are planned to be placed, are entered as follows:

- Customs storing
- Inward processing – system of storage
- Inward processing – system of refund
- Processing under customs control
- Temporary import
- Outward processing
- Temporary export

*Note:*

*If an applicant requests an approval for several customs procedures (unique approval) and the form does not comply with it, separate forms are used (e.g. goods, which would be entered into customs procedures, is not the same for each procedure).*

**Section 3 (Type of request)** – one of the following codes for the type of request is entered:

1 = first request

2 = request for amendment or extension of approval (also state the number of issued approval)

3 = request for successive (repeated) approval (with inward processing)

**Section 4 (Additional form)** – it should be marked if additional form is used.

*Note:*

*Additional forms are submitted for the following customs procedures:*

- *Customs storing*
- *Inward processing (if necessary) and*
- *Outward processing (if necessary)*

**Section 5 (Place and manner of bookkeeping/records)** – place where bookkeeping of an applicant is performed (Article 263, section 1, subsection 9 of the Regulation) is entered. This section should also include a type of system which is used for bookkeeping. Type of records (stock records) which is used for customs procedure should also be entered. Records contain data with all necessary information and technical details which enable customs office to supervise and control customs procedure.

*Note:*

*If the use of customs storage type B is planned, Section 5 is not filled out. In case of a temporary import, Section 5 is filled out only if customs office requests it.*

**Section 6 (Approval's validity period)**, subsection a) – requested approval's effective date (day/month/year) is entered. Actually, an approval will come into force on the day of its issuing and in that case "issue date" is entered. In Subsection 6) of this section, approval's validity date is entered.

**Section 7 (Goods placed under the procedure)** – the following information are entered:

- *Tariff number:* Fill out in accordance with the Customs Tariff (ten-digit number),

- *Description of goods*: Description of goods is a trade and/or technical description. The trade and/or technical description should be clear and detailed enough to enable reaching of a decision on approval,
- *Quantity*: Enter a provided quantity of goods which will be placed under the customs procedure
- *Measure unit*: prescribed measure unit is entered
- *Value*: Enter a provided value of the goods which will be placed under the customs procedure
- *Currency*: Currency code is entered

*Note:*

#### Customs storage

*If a request contains more than one type of goods, a word "miscellaneous" is entered in a column "Tariff number". In that situation, name of goods for storage is entered into a column "Description of goods". It is not necessary to enter details on quantity and value of the goods.*

#### Inward and outward processing

*Four-digit tariff number may be entered into a column "Tariff number" but ten-digit tariff number must be entered:*

- *If equivalent goods or a system of standard replacement is going to be used*
- *When using Article 359, section 3 of the Regulation*
- *If a customs office requests it in accordance with Article 266, section 1 of the Regulation*

*Description: If a use of equivalent goods or a system of standard replacement is planned, it is necessary to enter information about commercial quality and technical characteristics of the goods.*

*Quantity: This information regarding an inward processing is not necessary, unless equivalent goods are going to be used. Quantity should be entered when ten-digit tariff number must be entered.*

*Value: This information should not be entered if information about quantity is not requested.*

**Section 8 (End or processed products)** – the following data are entered:

- *Tariff number and description*: See explanations for section 7
- *Norm*: Enter an estimated norm or method per which it will be established.

If all necessary data relevant for establishing a norm cannot be entered into a form, it is necessary to enclose a norm on expenses to the request.

*Note: Information about all end products which are a result of production, i.e. both major end product (MEP) and by-product (BP) are entered if they exist.*

**Section 9 (Information about planned activities)** – type of planned activities (e.g. information about production activities according to the contract on performing inward and outward processing or type of common forms of treatment) which will be performed on the goods within customs procedure is entered. The place where such activities will be performed is also entered.

If several customs procedures are entered in Section 2, it must be clear from the description how the goods will be placed under such customs procedures.

*Note: In case there is more than one person in charge of a procedure, their name, address and function are entered as well.*

**Section 10 (Economic conditions)** – an applicant must enter reasons by which the fulfilment of economic conditions is justified in a procedure of:

- *Customs storing*: there is an economic need for storing
- *Processing under customs control*: control confirms if the use of foreign goods enables the relevant processing sector in the Republic of Serbia to be developed or sustained.

Note:

In case of:

- *Temporary import, it is necessary to enter articles of the Regulation which require issuing of an approval and information about the owner of the goods stated in Section 7;*
- *Inward processing, it is considered that economic conditions are fulfilled;*
- *Outward processing, Section 10 is filled only if customs office requests it in accordance with Article 358 of the Regulation.*

**Section 11 (Customs office)** – the following customs office should be stated:

- a) Customs office of the beginning of a procedure,
- b) Customs office of the completion of a procedure,
- c) Supervising customs office.

**Section 12 (Identification)** – means for confirmation of the identity of the goods are entered. At least one of the following codes is entered:

- 1 – serial or production number
- 2 – placement of customs seals or other identification labels
- 3 – informative form (INF)
- 4 – taking samples, drawings or technical descriptions
- 5 – performing analysis
- 6 – other means for confirmation of the identity of the goods (they should be explained in Section 16 – Additional information)
- 7 – without evidence for confirmation of the identity in accordance with Article 166 of the Customs Law (temporary import is applied).

Note:

*In case of customs storing, filling out is necessary only if customs office requests it. Section 12 is not filled out in case of inward processing with equivalent good and in case of outward processing with the system of standard replacement or in a case of application of Article 359, section 2 of the Regulation. In the aforementioned cases, Section 18 of the additional form for "inward processing" or Section 19 or 21 of the additional section for "outward processing" are filled out.*

**Section 13 (Time period for completion of a procedure – in months)** – estimated time, needed for completion of production activities or use within a requested customs procedure from Section 2 should be entered. The period starts on the day when the goods are placed under the customs procedure. The period ends when new customs-approved treatment or use, including the time needed for submitting a request for refund of import duties after inward processing (system of refund) is assigned to the goods or products, in order to get full or partial exemption from import duties when goods are released for free circulation after outward processing.

Note:

- *In case of customs storing the time is unlimited and this section is not filled out,*
- *In case of inward processing when period for finalization expires on a date set for all goods placed under the procedure within the time period, the approval may determine that the period for completion is extended for all the goods which are under the procedure at the same time. If this simplification is requested: "Article 308, section 2 of the Regulation" should be entered, and details must be stated in Section 16.*

**Section 14 (Simplified procedures)** – if simplified procedure for the beginning of a procedure is planned to be used, subdivision a) should include one of the following codes:

- 1 – incomplete declaration (Article 201, section 1 of the Regulation)
- 2 – simplified declaring procedure (Article 201, section 2 of the Regulation)
- 3 – declaring on the basis of bookkeeping documents (Article 201, section 3 of the Regulation).

If simplified procedure for the finalization of a procedure is going to be used, at least one of the above mentioned codes should be entered in Subdivision 6.

**Section 15 (Transfer of goods)** – information about planned transfer of goods, as well as proposed formalities during the transfer are entered, if possible. In case of a planned transfer of the goods or products, planned formalities of transfer are entered with one of the following codes:

- 1 – without customs formalities between different places stated in an approval,
- 2 – transfer of goods from customs office of the beginning of a procedure to user's or contractor's premises or to the place of their use, on the basis of declaration for placing the goods under the customs procedure,
- 3 – transfer of goods for re-import to the customs office of export within the relevant customs procedure.

*Note:*

*Transfer is not possible if the place of departure and reception of goods is storage type B.*

**Section 16 (Additional information)** – useful information which, due to lack of space, could not be entered in other sections, are entered here.

**Section 17** – the date of submitting the form, name and signature of authorized person, name of the applicant company and seal are entered.

If additional form is used instead of this section, only sections 22, 23 and 26 should be filled out.

## **PART 2.**

### **Notes relating to additional forms**

#### **Additional form for "customs storages"**

**Section 18 (Type of storage)** – one of the following types: A, B, C, D or E should be entered.

**Section 19 (Storage or places for storage – type E)** – the exact place which will be used as customs storage or when request relates to storage type E as a storage space are entered.

**Section 20 (Deadline for submitting list of goods in stock)** – a deadline for submitting the list of goods in stock (Article 293 of the Regulation) may be suggested.

**Section 21 (Loss rate)** – information about loss rate is entered when necessary.

**Section 22 (Storing of goods which are not in the procedure of customs storing)** – tariff number, description of goods and customs procedure are entered here.

*Tariff number and description:* When the use of joint storage is planned, ten-digit tariff number, trade quality and technical characteristics of goods are entered. In all other situations, trade and/or technical description are sufficient, or if stored goods which are not under the procedure of customs storing contain a certain number of various goods, then the column "tariff number" may contain a word "miscellaneous". In such situation, description of the stored goods should be entered in column "Description of goods" as well as customs procedure, if it exists, which goods comply with.

**Section 23 (Common forms of treatment of goods)** – filled out if common forms of treatment of goods are planned.

**Section 24 (Temporary transfer of goods – purpose)** – if it is provided, purpose of temporary transfer of goods is entered.

**Section 25 (Additional information)** – all additional information which are considered useful with regard to sections 18 to 24 are entered.

### **Additional form for “inward processing”**

**Section 18 (Equivalent goods)** – if use of equivalent goods is planned, ten-digit tariff number, trade or technical description of equivalent goods is entered in order to enable to custom office to perform necessary comparison between imported goods and equivalent goods. Codes which are prescribed for Section 12 are used. If equivalent goods are on a higher level of processing than imported goods, relevant information should be entered in Section 21 (“Additional information”).

**Section 19 (Prior export)** – if use of a system of prior export is planned, the period within which imported goods should be declared for procedure should be entered, taking into account time needed for procurement and transport to the Republic of Serbia.

**Section 20 (Release for free circulation without customs declaration)** – “Yes” is entered if it is requested that end products or goods in an unaltered condition are released for free circulation in accordance with Article 312 of the Regulation.

**Section 21 (Additional information)** – all additional information which are considered useful with regard to sections 18 to 20 are entered here.

### **Additional form for “outward processing”**

**Section 18 (System of standard replacement)** – when use of a system of standard replacement is planned, it should be entered if system of standard replacement without or with prior import is used.

**Section 19 (Replacement product)** – when use of a system of standard replacement is planned (possible only in case of repair), ten-digit tariff number, trade or technical description of replacement product is entered in order to enable to custom office to perform necessary comparison between temporary imported goods and replacement product. For the purpose of identity confirmation, codes prescribed in Section 12 may be used in order to suggest additional means which could be useful for this comparison.

**Section 20 (Application of Article 174, section 2 of the Customs Law)** – “YES” and relevant information are entered when an approval for outward processing procedure is given to the person who is not a person organizing processing procedure (if the goods are of domestic origin in view of rules on non-preferential origin) in accordance with Article 174, section 2 of the Customs Law.

**Section 21 (Application of Article 359, section 3 of the Regulation)** – “YES” and relevant information are entered when application of Article 359, section 3 of the Regulation is requested. When it is not possible to determine if end products were produced from temporary exported goods, the approval may, in special cases, be issued if an applicant proves to a customs office, in an appropriate manner, that the goods, used in an outward processing procedure, have the same ten-digit tariff number and the same trade and technical characteristic as temporary exported goods. In order to suggest additional means, codes prescribed for Section 12 may be used for this purpose.

**Section 22 (Additional information)** – all additional information which are considered useful with regard to sections 18 to 21 are entered here.

**ATTACHMENT 2**

**Form which is enclosed with customs declaration which represents  
request for approval of inward processing procedure**

<b>1. Applicant</b> (name, address, TIN):		<b>Customs office:</b> Number and date of JCI (filled out by customs house):			
<b>2. Imported goods:</b> Tariff number	Description of goods	Quantity	Measure Unit	Value	Currency
<b>3. End product</b> Tariff number	Description of goods	Quantity	Measure Unit	Value	Currency
<b>4. Type of production activities:</b>					
<b>5. Place of performing production activities:</b>					
<b>6. Prescribed norm or method for its confirmation:</b>					
<b>7. Method for confirmation of identity of goods:</b>			<b>8. Economic conditions:</b>		
<b>9. Deadline for the completion of a procedure:</b>			<b>10. Customs office of the completion of a procedure:</b>		
<b>11. Formality for the transfer of goods:</b>					
<b>12.</b> Place and date:			Authorized person's signature		
			Stamp here		

## Approval for customs procedure with economic impact

1. Holder of the approval		Approval number					
		The body that gave approval					
a. The approval was given based on your request							
Number: _____, date: _____							
2. Customs procedure		3. Approval type		4. Additional form • YES • NO			
5. Place and method of bookkeeping/records							
6. Approval validity period							
a   _____   b							
7. Goods placed under customs procedure: Tariff number	Description of goods			Quantity	Measure unit	Value	Currency
8. End or processed products: Tariff number	Description of goods				Norm		
9. Data on planned activities:							
10. Economic conditions:							
11. C: Customs bodies							
a. Of the beginning of a procedure:							
b. Of the completion of a procedure:							
c. supervising:							
12. Identification	13. Deadline for completion of a procedure (in months)	14. Simplified procedures a   _____   b		15. Transfer of goods			
16. Additional information (e.g.: data on the guarantee)							
17.  Date, signature, name stamp here							

**Note:**

Appearance of the form is not obligatory. However, ordinal numbers and appropriate text are obligatory.

**Approval for operations of the customs storage  
Additional form**

	<b>Number of approval:</b>
<b>18. Type of storage</b>	<b>Identification number of the storage</b>

**19. Storing space (type E)**

**20. Deadline for inventory of goods on stock**

**21. Loss rate**

**22. Storage of goods not under the procedure of customs storing**

Tariff number	Description of goods	Category/customs procedure
---------------	----------------------	----------------------------

**23. Regular ways of treatment of goods**

**24. Temporary transfer of goods (purpose):**

**25. Additional information**

**Signature.**

**Date**

**Name.**

.....

**stamp here**

**Approval for inward processing procedure  
Additional form**

**Number of approval**

<b>18. Equivalent goods</b>	<b>Description of goods</b>
Tariff number	

**19. Prior export**

- YES     NO

**20. Releasing for free circulation, without customs declaration**

- YES     NO

**21. Additional information**

**Signature.**

**Date.**

**Name.**

.....  
**stamp here**

**Approval for the outward processing procedure  
Additional form**

**Number of approval**

**18. System of replacement:**

- without previous export
- with previous export

**19. Products for replacement**

Tariff number	Description of goods

**20. Application of Article 174, section 2 of the Customs Law:**

- YES
- NO

**21. Application of Article 359, Section 3, of the regulation**

- YES
- NO

**22. Additional information**

**Signature**

**Date**

**Name**

.....  
**stamp here**

**TABLE OF BEGINNING AND COMPLETION OF THE PROCEDURE  
OF INWARD PROCESSING  
(monthly or quarterly consolidation of deadlines)**

Holder of approval.....Number of approval

**Calculation for . . . quarter/month**

		Name and tariff number of imported goods			
<b>1.</b>	Total quantity of goods placed under procedure during current period of time				
+	Transfer of the quantity of imported goods from previous period for which procedure is not finished				
=	TOTAL				
<b>2.</b>	Completion of procedure for imported goods during _____ quarter/month				
+	Added quantity of exported imported goods from previous accounting period which concludes the procedure				
=	TOTAL				
<b>3.</b>	<b>EXCESS EXPORT</b> (There were more exported goods than imported one in the current accounting period)				
<b>4.</b>	<b>LACK OF EXPORT</b> (quantity of imported goods for which the procedure is not finished)				

Guaranteeing for exactness of the data, responsible person in the company:

Signature of the responsible person and seal of the company:

Place and date:

## **Instructions for filling out**

For every type of exported goods, a special column is filled out with the name of the goods with tariff numbers from approval and measure unit.

### **Item 1. – Beginning of a procedure**

In the first line of this item 'Total amount of goods placed under the procedure in the current time period', the total amount of goods is entered for every type of goods that was imported in the period in question (quarter or month).

The next line of this item is filled out with the total amount of imported goods for which the deadline for finishing the procedure from the previous accounting period was prolonged to the current accounting period.

The 'TOTAL' section is filled out with the total amount of goods, and that is the debit of goods in that accounting period.

### **Item 2. – Completion of a procedure**

The first line of this item in the table is filled out with those amounts of imported goods for which, according to the submitted normative, the process was finished in that accounting period, whether in the form of end products or goods in an unchanged condition.

'Added amount' in the second line of this item is filled out with those amounts of imported goods that were imported in the previous accounting period, but were transferred to the current accounting period as an excess of export.

The 'TOTAL' section is filled out with the total amount of exported goods and goods for which another customs-approved treatment or use were approved, which discharges the imported goods from the current accounting period.

Sum from Item 2 is subtracted from the sum from Item 1

### **Item 3. – Excess of export (negative difference)**

This section is filled out with the negative difference, if there is any, between goods that were imported in that accounting period and the exported amount of imported goods (according to norm). This negative difference may happen (in most cases) in the first accounting period (month/quarter), since the calculation takes into account the goods placed in the procedure of inward processing in the first accounting period and export achieved in the first and second accounting period. Specifically, with monthly consolidation of deadlines, when it comes to export, the calculation takes into account the import achieved in January, and for export the export achieved in January and February (because for goods that were placed in the procedure of inward processing in January, the deadline for finishing the procedure is the end of February). The next accounting period takes into account import in February and export in March, etc., i.e. month for month. This excess from Item 3 is transferred to the next accounting period in the section 'Added amount of exported imported goods from the previous accounting period that closes the procedure', which is added in the next accounting period to the total amount of goods for finishing the procedure in that accounting period.

### **Item 4. – Lack of export (positive difference)**

Positive difference is the amount of import goods for which the procedure is not finished. This amount can be, at the request of approval holder, transferred to the next accounting period through extension of export deadline in the column 'Transfer of the amount of import goods from the previous period for which the process is not finished', and in the next accounting period it appears as export obligation. These goods can also be released for free circulation, thus resolving the export obligation.

