

**DIRECTIVE No. 11**  
**INWARD PROCESSING**

**Issued by the Agent of the Impôts on the 1<sup>st</sup> January 2021**

## **1. Introduction**

Inward processing (IP) is a duty relief procedure. It allows third country goods to be imported into Jersey for processing, with suspension of import duties as well as certain non-tariff trade policy measures.

The processed products which result from the processing can either be re-exported or released for free circulation. If the goods are released for free circulation within the UK - CDs Customs Union, then duties must be paid on either the originally imported raw material or on the processed products.

A process can be anything from repacking or sorting goods to the most complicated manufacturing.

Inward processing can be used by the following:

- Individuals, partnerships or corporate bodies established within Jersey.
- Individuals, partnerships or corporate bodies established outside of Jersey but only if importing non-commercial goods.

## **2. Content**

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### **3. Definitions**

“Agent of the Impôts” means Head of the Jersey Customs and Immigration Service.

“CAESAR” means the Customs and Excise System for Administering Revenue.

“Third Country” means any country outside the United Kingdom - Crown Dependencies Customs Union.

“UK – CD’s Customs Union” - means Jersey, UK, Guernsey and the Isle of Man.

“Main processed Products” means the processed products for which the Authorisation for inward processing (IP) has been granted.

“Secondary Processed Products” means processed products which are a necessary by-product of the processing operation other than the main processed products.

“Goods in the unaltered state” means goods in the same condition as when they were placed under the IP procedure.

“import duty” means:

- Customs duties that are not excise duty.
- Charges having equivalent effect to Customs duty.
- GST and Excise duty.

“Import goods” means third country goods which have been placed under an IP arrangement.

“Processing operations” means any of the following:

- Working of goods, including erecting or assembling them or fitting them to other goods.
- Processing of goods.
- Destruction of goods.
- Repair of goods, including restoring them and putting them in order.
- The use of goods which are not to be found in the processed products, but which allow or facilitate the production of those products, even if they are entirely or partially used up in the process (production accessories).

“Goods Control” means, Maritime House, La Route du Port Elizabeth, Jersey.

“Rate of yield” means the quantity or percentage of processed products obtained from the processing of a given quantity of goods placed under the processing procedure.

“Usual forms of handling” means such handling operations as are needed to ensure preservation of goods or to improve packaging or marketable quality. Details of such handling operations is provided on the UK Government website.

“Release for free circulation” means released on to the UK – CDs Customs Union market for sale and consumption.

“Customs approved treatment or use” means any use to which goods are put which is approved by customs, for example re-export, entry into warehouse, destruction, release for free circulation, entry to another Inward Processing Procedure and so on.

Organic has the meaning as given in Council Regulation (EC) N0.834/2007 of 28 June 2007 on organic production and labelling of organic products.

“Period for discharge” means the time by which goods placed under a special procedure or the processed products, must be placed under a subsequent customs procedure (for example exported, released for free circulation, destroyed).

“Customs Law” means the Customs and Excise (Jersey) Law 1999.

“Customs Order” means the Customs and Excise (Customs Tariff and Import Duty) (Jersey) Order 2019.

“Non-commercial goods” means:

- (a) which are provided by one individual to another.
- (b) where no payment is made, directly or indirectly for the goods by the recipient.
- (c) which are for the personal use of the recipient, and
- (d) which do not form part of a series of consignments of goods made between the individuals.

“Established in Jersey means”

- (a) in the case of an individual, where the individual is resident in Jersey, or
- (b) in all other cases, where the person,
  - a. has a registered office in Jersey, or
  - b. has a permanent place in Jersey from which the person carries out activities for which the person is constituted to perform.

“Equivalent goods” means “equivalent domestic goods”

“Domestic goods” is to goods as per Article 1(3) of the Customs and Excise (Customs Tariff and Import Duty) (Jersey) Order 2019.

“Equivalent domestic goods” means goods that are of the same, or substantially the same, description as the imported goods.

“Non-tariff trade policy measure” means a provision made by or under any enactment relating to government policy in respect of international trade in goods, other than provisions relating to the amount of import duty.

#### **4. Legal basis**

Article 6(1A)(b) of the Customs Law provides for the Agent of the Impôts to implement the UK - CDs Customs Arrangement.

The “Arrangement” which is the arrangement entered into between Jersey and the United Kingdom covers all trade in goods that includes the elimination between its members of customs duty on imports and exports, and the adoption of the UK Global Tariff in their relations with third countries; and requires the members of the customs union to keep their Customs Law correspondent with that of the United Kingdom.

Paragraph 11 of the “Arrangement” states - subject to any variations in practice and procedure which may be agreed between the Competent Authorities of the United Kingdom and Jersey, Jersey’s Competent Authority will adopt practices and procedures for the management of operations relating to Jersey Customs Law correspondent with those in the United Kingdom.

Article 2 of the Customs Order defines “import duty” and provides that such duty is to be collected and paid in accordance with the Customs Law.

Article 3 of the Customs Order creates an obligation to declare goods on importation for one of 2 customs procedures, either for release for free circulation in Jersey or for a “special customs procedure”.

Article 3 (5)(a) of the Customs Order provides for relief from import duty for a special custom procedure.

Article 5 of the Customs Order specifies the persons liable to pay import duty on imported dutiable goods.

Article 7 of the Customs Order gives effect in Jersey to the United Kingdom tariff regulations.

Article 8 and 9 of the Customs Order define, respectively, the value of goods and place of origin of goods for the purposes of import duty.

Article 15 of the Customs Law provides for goods which are under customs control may not be stored, manufactured, produced or otherwise processed except in premises approved by the Agent of the Impôts for that purpose.

Article 17 of the Customs Law provides that the Agents of Impôts may give directions, subject to conditions as he or she may impose, permitting the movement of goods which are under customs control.

## 5. Authorisations

Authorisation is required to be eligible for duty relief under inward processing (IP).

Authorisations are issued to the person who processes the goods or arranges for them to be processed on their behalf. If goods are subcontracted for processing, the subcontractor must either hold their own Authorisation or be named on the Authorisation. Where an application, including processing by other companies is approved, you will be the Authorisation holder. Other companies included as operators on your Authorisation may only receive, process, dispose or transfer IP goods as specified in your Authorisation.

To make an application for IP it is necessary to use CAESAR, at [www.customs.gst.gov.je](http://www.customs.gst.gov.je)

The trader must use their trader account to submit the application. Applicants must be established in Jersey.

For further guidance contact:

Customs and Immigration Service, Goods Control

Tel: 01534 448000

Email: [rgc@gov.je](mailto:rgc@gov.je)

## 6. Authorisation by declaration

Traders who only make occasional imports to inward processing (IP) may opt for a simplified application procedure rather than applying for and securing Authorisation in advance of importation. Under this arrangement, lodgement of the declaration entering the goods to IP constitutes an application. To supplement the declaration, additional information should be submitted to CAESAR, and must be completed and lodged with the import declaration.

Traders are restricted to using authorisation by declaration up to 3 times per calendar year and the value of the goods must not exceed £500,000 for each import.

You cannot use authorisation by declaration where:

- Equivalence is used;
- You intend to use 'sensitive goods' as provided on the UK Government website;
- You're using simplified customs declarations;
- You're asking for a retrospective or backdated authorisation;
- Your goods are subject to anti-dumping duty;
- You're importing and processing: -
  - Controlled goods like arms, ammunition or chemicals that will be made into drugs;
  - Works of art, collector's pieces and antiques;
  - Excise goods;
  - Meat for airline meals;

- Catalysts, agents or items that help to manufacture or process goods for export.

To enter goods to IP using this declaration facility the full amount of duty must be paid on deposit. The deposit will be refunded when the goods have been properly discharged. The period for discharge of goods placed under IP in this way is set at 6 months. A refund can be claimed via the import declaration on CAESAR following the discharge of the goods.

## 7. Issue of Authorisations

Once the application is submitted through the CAESAR trader portal, the Agent of the Impôts will arrange a visit to the premises or contact the applicant to arrange a meeting. The purpose of this visit is to confirm the following:

- The quantity of import goods required to produce a given quantity of finished products – rate of yield;
- Identify if there will be any waste or scrap by-products from the process;
- Confirm the time limit for completing the process – period of discharge;
- What the goods are;
- Period of validity;
- Details of processing;
- How goods are disposed of;
- Identification of goods.

## 8. Period of validity

Authorisations can be valid for a period of up to five years from the date of acceptance of the application. For certain agricultural goods the period can be up to three years. An Officer who visits the premises will forward a recommendation to the Agent of Impôts on whether the Authorisation should be granted.

## 9. Issue of an Authorisation

It takes approximately 30 days from the date of acceptance of a fully completed application to issue an Authorisation.

The Authorisation will be issued through CAESAR and a set of terms and conditions relating to the use of the Authorisation must be agreed in advance of the issue of the Authorisation. These conditions must be agreed by the Managing Director in the case of a limited company, or by the owner or partner in the case of other traders. These conditions will be attached to, and form part of, the Authorisation.

## 10. Retrospective Authorisations

A retrospective Authorisation may only be issued in **exceptional circumstances**.

An application for retrospection authorisation will only be considered when the details of the circumstances have been submitted.

The period of retrospection, either for a new Authorisation or amendment to an existing Authorisation, may not extend beyond one year before the date that the application for Authorisation or amendment was lodged.

No retrospection authorisation will be allowed if a retrospective authorisation has already been granted within the last three years.

Certain sensitive goods can only receive retrospection for three months. See UK Government website for 'sensitive goods'.

## **11. Guarantee**

A guarantee will not be required for inward processing if the holder has an authorisation.

A guarantee will be required for inward processing where goods are declared using the Authorisation by Declaration method. Authorisation by declaration can only be used up to 3 times per calendar year and the value of the goods must not exceed £500,000. It is not available for all goods.

## **12. Audit**

Traders must be able to account for all goods entered to the IP procedure, and be able to provide relevant information to the Agent of Impôts if required. The accounts and the operation may be subject to an audit by Goods Control at any time.

## **13. Discharge of liability**

The discharge of IP is regarded as complete when all conditions for use of the procedure have been complied with and the processed products or goods in the unaltered state are:

- Re-exported from Jersey;
- Transferred to another customs procedure or to another operator authorised to use one of those procedures, for example customs warehouse;
- Transferred to a customs approved use such as export shops, armed forces, embassies, ships stores;
- Used for the first time in the manufacture repair, modification or conversion of civil aircraft or spacecraft or parts thereof or related equipment;
- Released for free circulation to the UK – CDs Customs Union with payment of customs duty;
- Destroyed under customs supervision; or
- Abandoned to the Agent of Impôts.

## **14. Destruction under inward processing and goods not accounted for**

Destruction is a means of discharging the IP arrangements if the goods brought into the procedure or the processed products are destroyed with no waste remaining.

The Agent of Impôts must be informed of the intention to destroy the goods in advance of such destruction.

Customs and Immigration Service, Goods Control

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Import duties must be paid on any goods covered by an IP arrangement that are not satisfactorily accounted for.

## **15. Entry to the arrangements**

Goods may be entered to IP at the time of importation or be entered from another customs procedure, for example warehousing. Standard requirements regarding completion of the entry documentation apply.

## **16. Rate of Yield**

The "rate of yield" means the quantity or percentage of processed products obtained from the processing of a given quantity of goods placed under the inward processing procedure.

The expected rate of yield or the method by which it will be calculated must be specified in the application.

This rate will be verified by the Officer during the initial visit to the premises. In cases where the rate of yield is not known at the time of application or the rate may vary, this should be recorded on the application showing the production records as the basis for establishing the rate. If the entered rate of yield on the application/Authorisation and the rate subsequently changes or is incorrect, the Agent of Impôts must be informed.

Customs and Immigration Service, Goods Control

Tel: 01534 448000 Email: [rgc@gov.je](mailto:rgc@gov.je)

## **17. Period of Discharge**

The period for discharge is from the time the goods are entered to the procedure until either they, or the processed products are discharged. The Agent of Impôts will determine the period for discharge based on the time frame needed to process the goods and discharge them. The standard period for discharge is set at 6 months but can be extended if the trader provides evidence that the processing operations will need a longer period of discharge. The period for discharge cannot be used for storage of goods. Where goods are being held in storage rather than being processed then an Authorisation for warehousing must be considered.



## **18. Bill of Discharge**

A bill of discharge accounting for all goods imported to the IP procedure must be lodged within an agreed timeframe. The bill of discharge shall contain at least the following details:

- Authorisation reference number;
- Period for discharge;
- Quantity of each type of import goods in respect of which discharge, repayment or remission is claimed;
- CN code of the import goods;
- Customs value and the rate of import duties to which the goods which were placed under the special procedure are liable. This is the actual value declared on the declaration, not a standard or any other form of value used by the company;
- Particulars of the customs declarations entering the import goods to IP;
- Established rate of yield;
- Type and quantity of the processed product;
- CN code and the value of the processed product;
- Customs approved treatment or use assigned to the processed products as well as particulars of the relevant declarations or other documents used to discharge the goods or products from IP;
- Amount of Customs Duty to be paid on any imported goods released for free circulation;
- Quantities and values from the authorisation used and balance carried forward to next period for discharge.

Failure to return bills of discharge or failure to return them on time is considered a non-compliance issue.

## **19. Movement of goods under inward processing**

Movement of goods may take place between different places in the Jersey without customs formalities, but your records must show the location of the goods and all information regarding the movement. Movement of goods to the customs office of exit with a view to discharging the IP procedure shall be carried out under the cover of the re-export procedure. However, the goods will remain under the IP procedure until they have been taken out of the UK – CDs Customs Union.

## **20. Transfer from the point of entry to the approved operator**

Transfer of the goods from the point of entry to the premises, or the operator's premises is covered by the entry declaration which declares the goods entered to the IP procedure.

An operator is someone who has been authorised to process IP goods in their own premises on behalf of the individual.

The goods may be transferred to the operator's premises for processing without any customs formalities.

The authorised business will always retain responsibility for the goods and all movements of the goods must be recorded in the accounts.

## **21. Goods released for free circulation**

Goods can be released for free circulation from the IP procedure in two ways:

- Processed products can be released for free circulation upon payment of customs duty on the finished product.
- The processed product can be released for free circulation upon payment of customs duty to the originally imported raw materials.

Goods intended for release for free circulation must be stated in the application and which method will be used. The method used will be set in the Authorisation. If both methods are chosen, then a breakdown of those goods should be given under each method used.

## **22. Payment of Duty**

Unless a special arrangement for deferred payment has been approved, an appropriate entry must be lodged, and the import duties must be paid before goods are placed on the UK – CDs Customs Union market.

## **23. Deferred payment arrangements**

Where goods are released for free circulation on a regular basis the Agent of Impôts may grant the use of a simplified procedure. This is subject to the provision of a deferred payment arrangement. Under this arrangement an entry in respect of the goods released for free circulation in any one month, together with the import duties, must be lodged on CAESAR by the fifteenth day of the month following release.

## **24. Special Arrangements – Equivalence**

Equivalence is a facility within IP that allows traders to use identical UK - CDs Customs Union goods in place of import goods for processing and export.

This facility must be specifically approved on the Authorisation as there are some goods and procedures excluded from equivalence. There are additional conditions attached to the use of equivalence. See UK Government website;

The equivalent goods must fall within the same subheading of the UK Global Tariff, be of the same commercial quality and have the same technical characteristics as the import goods;

Equivalent goods may be at a more advanced stage of manufacture than the import goods provided the essential part of the processing is carried out by or on behalf of the trader;

Equivalence can be granted either for specific products or for all products covered by an Authorisation;

In the case of repair, equivalence is allowed for new goods instead of used goods or goods in a better condition than the third country goods placed under the IP procedure;

Equivalence cannot be used with an Authorisation by Declaration.

## **25. Prior exportation**

This is an arrangement which allows the trader to manufacture products from equivalent goods and export the products before the import of the replacement goods. This is known as export before import. Prior exportation cannot be used unless specifically provided for in the Authorisation.

## **26. The 'No-Drawback' Rule**

Certain Preferential Trade Agreements concluded between the UK and third countries include a provision known as the "No Drawback" rule. Under this provision goods do not qualify for preferential tariff treatment on entry to the agreement country where materials used in their manufacture have benefited from "a drawback (refund) of Customs Duty or exemption from Customs Duty of whatever kind". Details of these countries may be obtained from Goods Control.

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## **27. Exportation for further processing**

All or part of the processed products or goods in the unaltered state may be temporarily re-exported for the further processing outside the UK – CDs Customs Union under the outward processing (OP) procedure.

## **28. Prohibitions and restrictions on goods**

Goods entering IP are not exempt from import and/or export prohibitions and restrictions.

Licensable goods subject to quantitative restrictions, goods subject to tariff quotas or other quantitative import restrictions and so on may be entered to IP suspension.

If goods are released for free circulation, they must comply with any non-tariff measures that apply.

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1<sup>st</sup> January 2021