

**DIRECTIVE No.12**  
**OUTWARD PROCESSING**

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

## **1. Introduction**

Outward Processing (OP) is a duty relief procedure. It allows goods to be exported for processing or repair in a third country and then to be re-imported with full or partial relief from import duties. Outward processing allows businesses to take advantage of cheaper labour costs outside of the UK – CDs Customs Union. It also encourages the use of UK – CDs Customs Union produced raw materials to manufacture the finished products. Goods may be also temporarily be exported to undergo processes not available within the UK - CDs Customs Union.

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### 3. Definition

In the context of this Directive

“Customs Union” means goods

- Entirely obtained in the UK – CDs Customs Union, without the addition of goods from countries or territories outside of the UK – CDs Customs Union.
- From countries or territories not forming part of the UK – CDs Customs Union which have been released for free circulation.
- Obtained in the UK – CDs Customs Union either from the goods referred to exclusively in the second indent or from the goods referred to in the first and second indents.

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

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

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

“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.

“Compensating Products” means the products obtained outside of the Customs Union and resulting from the manufacturing, processing or repair of goods for which the use of the outward processing procedure is authorized.

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

“Declaration” means a declaration made using CAESAR.

“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;
  - 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.

“GST” means Goods and Services Tax

“import duty” means:

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

“Processing Operations” means anything from repacking and sorting to the most complicated manufacture - the repair of goods, including restoring them to their original condition and putting them in order;

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

“Temporary Export Goods” means goods placed under Outward Processing relief arrangements.

“Standard Exchange System” means the import of goods to replace defective domestic goods that are to be, or have been, declared for an outward processing procedure and “replacement goods” means the goods that are imported for that purpose; replacement goods must have the same classification code, commercial quality and technical characteristics, as the domestic goods would have when required; and where the domestic goods have been subject to the same use.

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

Article 6(1A)(b) of the Customs Law provides for the Agent of the Impôts to implement the UK - CD's 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 customs 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. Outward Processing**

Outward Processing is granted only to natural or legal persons established in Jersey.

Persons applying must be carrying out the process or arranging for it to be carried out and have Authorisation to do so.

## **6. Restrictions on the use of Outward Processing**

Outward Processing may not be used for goods which:

- a) The export gives rise to a refund or remission of import duties.
- b) Prior to export, were released for free circulation wholly free of import duties by virtue of their use for particular purposes, for as long as the conditions for granting relief continue to apply:

- c) The export gives rise to export refunds.
- d) The export gives rise to an export refund as stipulated in UK S.I. 1249 2018 Chapter 3 Article 30 (b).
- e) The equivalent goods are sensitive goods as provided in the UK Government website.
- f) You cannot replace organic goods with conventionally produced goods or conventionally produced goods with organic goods.

## **Application for Authorisation**

### **7. Making a standard application**

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

The trader should use their trader account to submit the application. A fully completed application entered by the Companies authorised signatory must be submitted to the Agent of the Impôts. Applications for Authorisation to use Outward Processing, for all processes other than repair or where goods of a non-commercial nature are involved, should be made before exportation of the goods concerned. Authorizations are generally issued for a three-year period. The application should be made by the person who is arranging to have the processing operation carried out.

Applicants must be established in Jersey.

For further guidance contact:

Customs and Immigration Service, Goods Control

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

### **8. Authorisation by declaration - simplified**

Traders who only occasionally enter goods to OP may opt for a simplified Authorisation in place of a standard Authorisation. This simplified Authorisation procedure may also be used in respect of repairs where the standard exchange system is used.

The following information should be included in the simplified declaration for Outward Processing:

- Name and address of the applicant, the declarant and the operator.
- Nature of the processing or use of the goods.
- Technical description of the goods and compensating or processed products and means of identifying them.
- Estimated rate of yield or method by which that rate is to be determined.
- Estimated period for discharge.
- Proposed office of discharge.

- Place of processing or use.
- Proposed transfer formalities.

You cannot use authorisation by declaration where:

- You're using simplified customs declarations.
- You want to use equivalence or standard exchange systems.
- You're asking for a retrospective or backdated authorisation.
- Your goods are subject to anti-dumping duty.

## **9. Integrated Authorisation**

If you need an Authorisation to include use of other customs procedures (e.g. IP) as well as OP, you can apply for an integrated Authorisation. You will need to specify in your application under which procedure the goods will be entered and under which procedure the compensating products will be discharged.

## **10. Authorisation for Outward Processing of Textiles (OPT) – under review**

### **11. Method of identifying export goods on re-importation**

The benefits of Outward Processing can be allowed only where it is possible to identify the exported goods in the imported compensating products. One or more of the following methods may be suitable:

- (a) Statement or description of special marks or manufacturer's numbers.
- (b) Affixing of seals, clip marks, or other distinctive marks.
- (c) The taking of samples, illustrations or technical descriptions.
- (d) The carrying out of analyses.
- (e) The provision of supporting documents relating to the Outward Processing transaction (such as contracts, correspondence, invoices) which show that the compensating products are manufactured from the temporarily exported goods.

If the Standard Exchange system is being used the supporting documents should clearly show that the replacement being supplied falls within the same sub-heading of the UK Global Tariff, is of the same commercial quality and has the same technical characteristics as the exported goods if the latter had undergone repair.

Applicants for Outward Processing facilities are invited to indicate the method(s) that appear most suitable in their particular case. When it is issued, the Authorisation will specify the method(s) to be used. Where the nature of the processing operations does not allow it to be established that the compensating products have resulted from the temporary export goods, the Authorisation may nevertheless be granted in duly justified cases, provided the applicant can offer sufficient guarantees that the goods used in the processing operations share the same eight-digit CN code, the same commercial quality and the same technical characteristics as the temporary export goods. The Authorisation will lay down the conditions for using the arrangements.

## **12. Economic Conditions**

Provides for an examination of the economic conditions to establish whether carrying out processing outside of Jersey is likely to cause serious disadvantages for Jersey processors. However, unless there is evidence that this is likely to be the case, the economic conditions are deemed to be satisfied and an economic test will not normally be required. In cases where the exporter of the goods is not the person arranging for the process to be carried out an economic test will be necessary.

Any economic tests would be undertaken by JCIS in collaboration with Revenue Jersey.

## **ISSUE OF AUTHORISATION**

### **13. Visit by Customs**

When the application for Outward Processing is received, an Officer from Goods Control will visit or contact the trader and discuss the procedure and advise on what records must be kept. In particular the following will be discussed:

- The goods to be processed.
- The precise nature of the processing operation.
- The rate of yield.
- The approved means of identifying the goods in the compensating product.
- The time limit for re-importation.

### **14. Period of validity**

Authorisations are generally valid for a period of three years from the date of receipt of the application. In the case of a simplified application for OP the period of validity is limited to the time allowed to process and re-import the goods entered.

### **15. Recommendation**

The Officer who visits the premises will forward a recommendation to the Agent of the Impôts as to whether the Authorisation should be granted.

### **16. Issue of a Prior Authorisation**

In normal circumstances it will take approximately 4 weeks from the date of receipt of an application for an Authorisation to issue. Several factors may cause this period to be extended:

- Application for retrospection.
- Completion of the Economic Test.

In the case of a first application for OP the Authorisation will be delivered to you. A set of terms and conditions relating to the use of the Authorisation will have to be signed by the Managing Director in the case of a limited company, or by the owner or partner in the case of other traders.

### **17. Retrospective Authorisation**

In certain circumstances, it may be possible to obtain a retrospective Authorisation, but this will not be allowed as a regular means of approval. Application for retrospective Authorisation should be made to the Agent of the Impôts. Proof will have to be provided in the form of records showing export of the goods and that the exported goods were eligible for relief. Retrospective Authorisation may not extend to a period of more than a year before the application is made.

## **18. Amending an Authorisation**

If an applicant wishes to add goods to their Authorisation or to make any other change, they should apply to the Agent of the Impôts. This request is treated in the same way as an application. If the amendment is approved, the applicant will be advised.

## **Operation of the Procedure**

### **19. Export Procedures**

A declaration must be completed in respect of the goods being sent out from Jersey. The Authorisation number, the invoice numbers or range of numbers and details of any export licenses required should also be included.

A hard copy of the Authorisation need not be produced with each entry unless requested by Goods Control; an invoice showing the total value and quantity of goods in the consignment must be available and retained by the trader.

The declaration must be presented to Agent of the Impôts in sufficient time to enable any necessary official examination of the goods to be carried out before shipment. Copies of the export declaration, licenses and supporting documentation must be retained for a period of three years from the end of the year in which the goods to which they relate are discharged from the procedure.

### **20. Procedure for goods under an Inward Processing arrangement.**

For goods held under an Inward Processing arrangement, the trader should advise the Agent of the Impôts in advance of the intended Outward Processing operation.

The Inward Processing Authorisation number should be added to the export declaration together with the Inward Processing authorisation number to reflect the fact that the goods were previously held under an Inward Processing authorisation.

If the goods are re-imported to Inward Processing suspension, there will be no duty payable on the returned goods. If the goods are re-imported to IP, any duty due on the returned goods must be paid at the point of entry and a refund will only be due if and when the finished goods are exported.

### **21. Goods held under the authorised-use procedure and entered to the OP procedure.**



Goods originally imported at a reduced rate of duty (but not a zero rate) under an authorised-use arrangement may be entered for Outward Processing. You should advise Agent of the Impôts in advance of the intended Outward Processing operation. The authorised-use Authorisation number should also be quoted in the export declaration.

## **22. Time limit for the re-importation of the processed goods.**

There is a time limit within which the compensating products must be re-imported. This time limit will be set by the Agent of the Impôts having regard to the time required to carry out the processing operation and to transport the goods to and from the processor's premises. If at any stage, the trader requires more time they should ask for an extension of the time limit. This may be extended at the discretion of the Agent of the Impôts where circumstances so warrant.

## **23. Re-import Procedure**

An import declaration must be completed. The appropriate procedure code for goods re-imported after Outward Processing should be quoted together with the Authorisation number. The declaration should be accompanied by:

- An invoice for the compensating products.
- A document setting out the duty relief claimed and how it was calculated.

## **24. Deferred payment of import duties**

Payment of import duties may be deferred under the deferred payment arrangements. For further information email [rgc@gov.ie](mailto:rgc@gov.ie)

## **25. Postal Traffic**

At exportation, a declaration should be presented to the Agent of the Impôts, along with a certificate of posting. On re-importation, the declaration attached to the parcel should bear a conspicuous endorsement "Imported after processing in (name of country): Outward Processing relief claimed". A declaration must be made in respect of all transactions involving a claim to relief from import duties under Outward Processing arrangements, except where the value of the compensating products in a consignment does not exceed a threshold determined by the UK.

## **26. Records to keep**

Any person claiming duty relief under Outward Processing or Standard Exchange may be required to produce records, documents or other evidence to establish the accuracy of the claim. These records must be retained for a period of three years from the end of the year in which the goods to which they relate are discharged from the procedure and must be available for inspection by Goods Control. The records should include:

- The quantity and value of the goods.
- What the goods are.
- The dates of exportation.
- What processing took place.
- The dates of re-importation.
- That the compensating products are manufactured from the temporarily exported goods.

The records must be kept in such a manner as to permit easy verification of the details of the transactions.

## **Special Arrangements**

### **27. Triangular Procedure – not applicable**

### **28. Standard Exchange**

Where the processing operation involves the repair of goods, Outward Processing provides for an arrangement called Standard Exchange. Under this arrangement the goods, which are exported for repair, are not, in fact, re-imported in the form of compensating products. Instead replacement goods, equivalent to the compensating products, are imported and given the benefit of Outward Processing relief as if they were the compensating products themselves.

Any application to use the Standard Exchange facility should normally be made at the time of application for Outward Processing. Where a Standard Exchange arrangement has been approved this fact will be indicated on the Outward Processing Authorisation. However, where circumstances so warrant, provision also exists to allow use of Standard Exchange even where this is not specifically provided for in the Authorisation; application in such cases must be made before the replacement products are imported.

### **29. Conditions governing Standard Exchange**

Standard Exchange relief may be allowed subject to the following conditions:

- The replacement goods must fall within the same sub-heading of the UK Global Tariff as the exported goods.
- The replacement goods must be of the same commercial quality and have the same technical characteristics as the exported goods if the latter had undergone the repair in question.
- Where the exported goods were used before export, the replacements must also have been used and may not be new products. However, compliance with this rule is not necessary when the replacement has been supplied free of charge, under guarantee or because of a manufacturing defect and Customs are satisfied as to the facts;
- Any customs duty chargeable on the exported goods or on materials used in their manufacture or on parts incorporated in them has been paid and has not

been nor will be refunded either wholly or in part (except in cases under Inward Processing relief).

### **30. Standard Exchange with prior importation**

A prior importation arrangement is an extension of a Standard Exchange arrangement where the replacement goods are imported before the exportation of the defective goods intended for repair. Operation of the arrangement is subject to provision of appropriate security (usually a deposit and enough to cover the potential duty involved) to guarantee the subsequent exportation of the defective goods, which must take place within specified time limits (usually two months).

Application to use the prior importation facility should be made at the time of application for Outward Processing. Where a prior importation arrangement has been approved this fact will be indicated on the Outward Processing Authorisation.

### **Calculating the Duty Relief**

#### **31. Calculating the relief on goods temporarily exported for repair**

Outward Processing relief is calculated by simply assessing the import duties on the repaired item, taking the repair costs as the basis for the customs value of the item. This is subject to the proviso that the repair costs represent the only consideration and are not influenced by any links between the Authorisation holder and the processor. Repair costs should include loading, transport and insurance costs incurred in moving the compensating products from the processor's premises to Jersey.

Where an item is repaired free of charge because of contractual or legal reasons arising from a guarantee, or because of a manufacturing fault, the repaired item may be released for free circulation totally free of import duties, provided account was not taken of the fault when the item was originally released for free circulation. Operation of this provision is subject to Customs being satisfied as to the position in any particular case. Appropriate documentary evidence from the repairer confirming the circumstances should be produced in support of any claim under this provision.

#### **32. Goods exported for further process**

There are two options for calculating duty relief for goods exported for processing under Outward Processing:

- Added value method.
- Duty differential method.

The trader generally has the option to decide which method of calculating the duty relief they will use. However, the added value method may not be used where the temporary export goods are not of UK – CDs Customs Union origin and have been released for Free Circulation at a zero rate of duty.

#### **Added value method**

Under this method duty is charged on the costs of processing the exported goods and transporting the compensating products back to Jersey. The duty rate applicable is the rate which applies to the compensating products. The costs are added to the value of the exported product, thereby coming to the total customs value of the compensating product. Duty is then charged on the difference between the total customs value and the value of the exported product.

### **Example**

Material is exported to produce ladies' skirts (compensating product). These skirts are liable at a 12% rate of customs duty. The value of the compensating products is based on materials, cost of process, freight and insurance.

Value of the material exported	£10000
Cost of process	£3000
Freight and Insurance on re-import	£700
Total customs value of the skirts	£13700
Added value on which duty is due	£3700
Duty @ 12%	£444

### **Duty differential method**

Under this method duty relief is based on the hypothetical amount of duty, which would have been due on the exported goods. To use this method, you must calculate the import duty on the full customs value of the compensating products and deduct from that figure the import duty which would have been payable on the exported goods, as if they had been imported at the same time and from the same country as the compensating product.

### **Example**

The material exported to make the ladies skirts has a customs duty rate of 9%. The ladies skirts (compensating product) have a duty rate of 12%.

Value of the exported material	£10000
Cost of process	£3000
Freight and Insurance on re-import	£700
Total customs value of the skirts	£13700
Duty on customs value of compensating product @ 12% (A)	£1644
Value of the material exported	£10000
Duty deductible on the material @ 9% (B)	£900
Net duty payable: A-B	£744

In the case of frequent exports for processing Customs may, on request of the holder, set an average rate of duty applicable to all those operations (aggregated discharge). This rate should be determined for a period not exceeding 12 months. At the end of each period, Customs will make a final calculation. This calculation will include any amount over and above the average rate of duty applied.

### **33. Charges that are not deductible**

In determining the amount to be deducted certain charges may not be taken into account. These charges include anti-dumping duties, compensating duties or monetary compensatory amounts.

### **34. Authorised-use**

Where temporarily exported goods could qualify on release for free circulation for a reduced or zero rate of duty by virtue of a particular authorised-use, that rate shall be taken into account when calculating the amount to be deducted provided that the goods underwent operations consistent with such an authorised-use in the country where the processing operation, or last such operation, took place.

### **35. Goods qualifying for preferential rates**

If the compensating product qualifies for preferential tariff treatment and similar treatment exists for goods of the same tariff classification as the temporarily exported goods, then the preferential rate must be taken into account when determining the amount to be deducted.

### **36. Inward Processing Goods**

Where goods, originally held under an Inward Processing arrangement, are re-imported after an Outward Processing arrangement they may again be placed under an Inward Processing arrangement provided the Inward Processing Authorisation covers the goods in question.

If, in the case of goods re-imported to an Inward Processing arrangement, payment of duties subsequently arises on the goods (e.g. on diversion to the UK - CDs Customs Union) the amounts payable are:

- The import duties on the original imported goods calculated under Inward Processing rules plus,
- The import duties on the re-imported goods calculated under Outward Processing rules, as if the temporarily exported goods had been released for free circulation before being exported under Outward Processing, and any compensatory interest due.

### **37. Proportion of temporarily exported goods in the compensating product**

Where only part of the compensating product (derived from the temporarily exported goods) is being re-imported. For the specific rules that apply refer to Goods Control.

### **38. Value of the temporarily exported goods**

The value of the temporarily exported goods should be determined in accordance with normal valuation rules. However, loading, transport and insurance costs incurred in moving the goods to the processor's premises should not be included in the value.

Where the value of the temporarily exported goods cannot be determined in this way it should instead be taken as the difference between the customs value of the compensating products and the processing costs (processing costs include loading, transport and insurance costs incurred in moving the compensating products from the processor's premises to Jersey).

## **Miscellaneous**

### **39. GST (Goods and Service Tax)**

1. GST Outward processing relief allows non-GST registered persons to:

a) Temporarily export goods from Jersey for processing or repair and to re-import the processed goods with total or partial relief from GST;

b) obtain relief from GST on goods imported as replacements for GST paid goods exported, or to be exported, from Jersey for repair (compensating products).

2. Private individuals may also use outward processing relief when re-importing goods which have been processed or repaired outside of Jersey or where faulty goods under warranty have been replaced with equivalent goods. Goods must be solely for the individual's own use or by the individual's immediate family and not be intended for any commercial purpose

Full details on the GST relief are provided [here](#)

### **40. Where to get more information**

Customs and Immigration Service, Goods Control

Tel: 01534 448000

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

Mark Cockerham  
Agent of the Impôts  
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