

Foreword

Further help and advice

If you need general advice or more copies of HM Revenue & Customs notices, please ring the **National Advice Service** on **0845 010 9000**. **You can call between 8.00 am and 8.00 pm, Monday to Friday.**

If you have **hearing difficulties**, please ring the **Textphone** service on **0845 000 0200**.

If you would like to speak to someone in **Welsh**, please ring **0845 010 0300**, **between 8.00 am and 6.00 pm, Monday to Friday.**

All calls are charged at the local rate within the UK. Charges may differ for mobile phones.

Other notices on this or related subjects

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1. Introduction

1.1 What is this notice about?

It explains how you may be able to obtain duty relief on goods imported from outside the EC that are processed and re-exported/exported from the Community using the inward processing relief (IPR) simplified authorisation procedures. If you are or intend to be a regular user of IPR, it will be of more benefit to obtain a local or specific IPR authorisation. Details can be found in Notice 221 – Inward Processing Relief.

This notice is not the law. It is our view of what the law says and nothing in this notice takes the place of the law.

1.2 The purpose of IPR

It is a duty relief procedure, which helps industry in the EU to import goods for processing and re-export/export them either without the payment of duty and VAT (suspension) or with the repayment of duty paid at import (drawback). It aids Community processors to compete on an equal footing in the world market.

Section 8 of this Notice contains a list of EC and non-EC territories for the purposes of customs duty and VAT. More details about authorisations for regular users and for certain 'sensitive goods' can be found in Notice 221.

The simplified authorisation only applies to an individual import entry (C88) and you apply for it by the use of certain CPC's on the entry declaration. The acceptance of the entry by customs grants the authorisation. However if the C88 is later discovered to be incorrect, the authorisation may be annulled and the suspended duty becomes payable.

Any person who makes a false declaration or provides untrue information about goods entered to Inward Processing Relief (IPR) may be liable to penalties under the Customs and Excise Management Act 1979.

1.3 How IPR works

There are two methods of duty relief, suspension or drawback. In either case:

- there must be an intention to re-export suspension (or export drawback) goods from the EC; goods must be processed within a certain period, normally six months if you are using a simplified authorisation; and
- records are kept for all operations carried out.

If you use suspension you will also be required to submit a bill of discharge detailing your receipts and disposals.

Suspension

Customs duties are suspended when the goods are imported into the EU. Import VAT and excise duty is not due unless the goods are released to the Community market.

Compensatory interest may also be due if you release the goods to the Community market.

If you intend to use IPR Suspension see Sections 2 and 3.

Drawback

Customs duties, excise duty and import VAT are paid when the goods are entered to IPR. You claim the import duty back only if you export the goods or products, transfer them to an IPR suspension authorisation holder or dispose of them in one of the other ways listed in 5.3. You may be able to reclaim the import VAT as input tax. You will not be able to reclaim duty on goods you destroy under Customs supervision or on any waste and scrap that results from that destruction.

Goods which are listed in paragraph 5.1 cannot be entered to drawback.

Drawback goods are deemed to be in free circulation so there are no additional charges if the goods are not subject to an eligible disposal.

If you intend to use IPR drawback see Section 5.

1.4 Why should I use a simplified authorisation?

Normally prior authorisation is required if you wish to use IPR but if you intend to use the relief occasionally and the processing of the goods only takes place in the UK, you may choose to use a simplified authorisation.

The simplified authorisation procedure allows traders to import most goods for processing without the need for a prior authorisation. It is designed for use by traders who do not import goods for processing on a regular basis and the goods will remain within the UK until re-export. The acceptance of the entry under the Customs Procedure Code and economic code you quote will be your authorisation.

1.5 Who can be authorised for IPR?

An authorisation to use IPR can be issued to any person who processes goods or arranges for them to be processed on their behalf. The person does not need to be the owner of the goods but they must be established within the EC.

A person established outside the EC cannot be authorised for IPR unless the imports are of a non-commercial nature and security will be required. However, an authorisation can be issued to a person established in the EC who acts on behalf of a person established outside the EC provided that person:

- actually carries out the processing on the goods: or
- arranges for the processing to be carried out on their behalf.

Agents will not be eligible for authorisation by simply completing import/export/re-export declarations on behalf of persons not established in the EC.

1.6 What law covers this notice?

The law on IPR is published in the Official Journal of the European Community under Council Regulation (EEC) No 2913/92 establishing the Community Customs Code and Commission Regulation (EEC) No 2454/93 which lays down the provisions for its implementation.

EC law on import VAT relief is contained in the 6th VAT Directive which is interpreted into UK law in the Value Added Tax Act 1994 under which authority for the Value Added Tax Regulations 1995 were made. Other National provisions and VAT Directives may also apply.

1.7 Customs Supervising Office

The National Import Reliefs Unit (NIRU) is the supervising office responsible for imports under the simplified IPR authorisation procedures.

All queries and correspondence in respect of goods imported under these procedures must be sent to NIRU.

NIRU address is:

The National Import Reliefs Unit
HM Revenue and Customs
Custom House
Killyhevlin Industrial Estate
ENNISKILLEN
Co Fermanagh
Northern Ireland
BT74 4EJ

Tel: 02866 322298

Fax: 02866 324018

Email: niru@hmrc.gsi.gov.uk

General queries on all other customs matters must be made to the National Advice Service on 0845 010 9000.

2. General

The section contains details on what goods can be entered using the simplified authorisation procedures, the information that must be included in box 44 of your declaration and the general rules applicable to IPR.

2.1 Are there any goods/ processing/ procedures that cannot be used if I have a simplified authorisation?

Yes. If you want to carry out or use any of the following procedures or goods, you will have to hold a local or specific IPR authorisation:

- use economic codes 01,10,11,12 and 99 (other reasons);
- import firearms, ammunition or nuclear materials;
- use equivalence, prior export equivalence or triangulation;
- use simplified procedures for transferring IPR goods within the UK or to other Member States;
- transfer the goods to another simplified IPR authorization holder;
- use the simplified procedures for the aircraft industry and building of satellites;
- use simplified procedures to process IPR suspension goods in a customs warehouse or free zone;
- use simplified procedures for commissary stores;
- cut, slice or cook meat for airline meals;
- use a simplified import or export procedure such as CFSP and NES LCP/SDP;
- import catalysts, agents or production accessories to assist in the manufacture or processing of Community goods for export;
- process ozone depleting substances;
- process or use drug precursor chemicals;
- import goods where the RPA have issued a document permitting entry to IPR within the limits determined on the basis of a supply balance under Council Regulation (EC) No. 3448/93 Article 11;
- goods listed in Annex 44c of Commission Regulation (EEC) No 2454/93 where a guarantee is required; or
- excisable goods.

Details on all the above can be found in Notice 221 – Inward Processing Relief.

2.2 Can I enter retrospectively to IPR using a simplified authorization?

No. You can only obtain a retrospective authorization by applying for a full IPR authorization and being able to demonstrate that you met the conditions of the authorization at the time of importation of the goods.

If a retrospective authorization is granted, you may be able to obtain a refund of charges paid.

The National Advice Service (Tel: 0845 010 9000) should be contacted for further advice.

2.3 How do I import to IPR using a simplified authorisation?

When you decide to use this procedure to import your goods, you (or your Customs agent) will need to present an entry to Customs, either electronically through the CHIEF systems or manually using a C88 (SAD). The person completing the entry must have the importer's permission to use the Customs Procedure Code (CPC) relating to the use of this procedure and the following details:

- shipment details including purchase invoices;
- the Customs Procedure Code (see paragraph 3.2);
- the economic reasons for the application; quoted as a statement identifier code ECO in Box 44 of the import declaration (see paragraph 2.5)
- the type of process to be carried out on the imported goods; quoted as a statement identifier code PRO in Box 44 of the import declaration (see paragraph 2.6);
- any change of commodity code between the imported goods and the main compensating products. Quoted as a statement identifier code MCP in Box 44 of the import declaration and a description of the processed goods (see paragraph 2.7);
- the rate of yield – the quantity of processed products made from a unit quantity of IPR imported. In the case of goods for repair, this will be 1:1; quoted as a statement code identifier ROY in Box 44 of the import declaration (see paragraph 2.8); and
- a description of the processed goods.

2.4 Customs Agents

If you decide to use a customs agent to complete the import entry, it is advisable to provide them with written instructions so they are aware you are importing to simplified IPR and you are aware of the conditions associated with this relief.

If an agent does not have the importers instructions to use the procedure, and the conditions relating to the entry are not fulfilled, the agent may be liable for the customs debt if the authorisation is annulled.

Agents who import to IPR on behalf of their client must inform the importer they have done so. This enables the importer to enter goods into their records and ensure an audit trail to re-export.

The customs agent should also ensure that any import entries to this procedure from importers without a valid TURN (i.e. private importers or unregistered VAT traders) should ensure that the importers name and address are included in Box 44 of the SAD. If this information is not included and the agent cannot provide it, the agent may be liable for the duties and taxes suspended.

2.5 Economic Codes – What are they?

One of the conditions of IPR is the use of the imported goods should not damage the economic interests of EU producers of similar goods. This is the economic test.

All IPR entries must quote an economic code to indicate the economic reason for using IPR.

This Code allows the Commission and the authorities in EU member states to monitor imports using IPR procedures to assess their impact on home producers. The code must be entered in box 44 of the import declaration under the statement identifier code ECO.

You can only use the simplified authorisation procedure if your goods and process qualifies under one of the following economic codes:

Economic Code	Scope	Identifier Code
Code 30 (1)	Any goods of any value involved in operations of a non-commercial nature i.e. goods which are privately owned and for personal use.	31
Code 30 (2)	Any goods of any value involved in operations carried out under a job-processing contract.	32
Code 30 (3)	Any goods of any value involved in usual forms of handling (UFH) such as labelling, repacking, decanting, ventilation and testing to control the compliance with technical standards.	33

Code 30 (4)	Any goods of any value being entered for the purpose of repair.	34
Code 30 (6)	Processing Durum Wheat falling within CN code 1001 10 00 to produce pasta falling within CN codes 1902 11 00 and 1902 19	36
Code 30 (7)	Any goods for any process where: In the case of goods listed in Annex 73 of Regulation 2454/93, <ul style="list-style-type: none"> • The value of the goods to be entered, per 8 digit commodity code, per calendar year is not in excess of 150,000 EUROS; and • economic codes 30(1), 30(2), 30(5), 30(6) and 31 do not apply; or in the case of all other goods, <ul style="list-style-type: none"> • the value of goods to be entered, per 8 digit commodity code, per calendar year is not in excess of 500,000 EUROS; and • economic codes 30(1), 30(2), 30(3), 30(4), 30(5) and 30 (8) do not apply. 	37
Code 30(8)	Building, modification or conversion of civil aircraft or satellites or parts of them.	38

If none of these codes applies, you will need to apply for a local or specific authorisation on Form C&E810. Further details can be found in Notice 221 - Inward Processing Relief which is available from www.hmrc.gov.uk

2.6 Types of process

As different risks are associated with different goods and processes, you must enter a code indicating the type of process involved. This is entered as a PRO code in Box 44 of the SAD.

The PRO codes are in the following table:

Identifier Code	Manufacture/process of
01	Alcoholic goods
02	Tobacco goods
03	Chemicals & pharmaceuticals
04	Motor vehicles & parts
05	Maritime vessels & parts

06	Aircraft, satellites & parts
07	Other industrial goods
08	Milk and milk products
09	Sugar and sugar products
10	Other agricultural goods

2.7 Main compensating products.

Customs need to know whether the processing of the imported goods will result in goods with a different 8-digit commodity code being re-exported. This information is entered as an MCP code in Box 44 of the SAD.

Identifier code	Scope
01	Same as import goods
02	Change of 8 digit code

2.8 Rate of yield

Customs also require information on the rate of yield. This is whether the same quantity of the goods imported will be re-exported, or whether because of the processing operation, the rate of yield will be other than 1:1. The rate of yield is the quantity of processed products (compensating products) made from a unit quantity of goods entered to IPR. Production losses should be accounted for before setting the rate of yield.

This information is entered as an ROY code in Box 44 of the SAD.

Identifier code	Scope
01	Rate of Yield = 1.1
02	Rate of yield to be established through processing records.

2.9 Throughput Period

The throughput period is the time it takes to import, process and dispose of the goods. With simplified IPR, the throughput period is a standard six months commencing at the date of acceptance of your declaration. Therefore POD = 06 should be entered in box 44 of the SAD. If you are aware at the time the declaration is made that a longer period will be required, you should write to NIRU advising them of the entry details to enable them to update their system.

2.10 VAT only IPR

Although IPR is primarily concerned with the relief of duty, VAT only IPR is also available for goods on which there is no import duty. Such goods are usually imported from Special Territories such as the Channel Islands. VAT only IPR is available under suspension but not under drawback. All the requirements of the suspension system detailed in this notice are applicable to VAT only IPR unless otherwise stated.

2.11 What records do I need to keep when using this procedure?

Until the goods have been re-exported or disposed of in another eligible manner you are liable for duty and/or VAT which was suspended at time of entry.

You must ensure that you can account for these imports to Customs at any given time.

Record the transaction in your stock records showing the entry number as the first point in your audit trail. You can then allocate a stock number that dovetails with your stock system.

Do not close an IPR account until you have correctly disposed of the goods and reported them to NIRU on your Bill of Discharge, which is required to be completed and sent to NIRU within 30 days of the ending of the throughput period (See Section 4).

All documents relating to IPR must be retained for 4 years.

2.12 What are eligible ways to dispose of goods imported using IPR?

You can discharge your IPR liability on suspension goods if you dispose of the goods in one of the following ways:

- re-export the goods from the EU;
- transfer the goods to another IPR trader who already holds a full IPR authorisation;
- declare the goods to another customs procedure e.g. customs warehousing (CPC 715100), Free Zone (CPC 785100);
- transfer the goods to another EU Member State. Suspension goods will normally travel under Transit. However, if your customer has LCP approval, you may be able to use the 3 copy SAD procedures. Drawback goods must always move under Transit. The status of the goods must be shown as T1; or

- suspension goods that remain in the UK require a diversion SAD (C88) to enter the goods to free circulation. This diversion entry should be sent to NIRU with the payment or deferment account details.

You must not issue preference certificates for the goods unless the preference rules allow you to. Further information on this can be found in Notice 827 – European Community Preference Procedures.

2.13 What are production losses?

Production losses are those import goods that are lost or used up during processing such as loss through evaporation, desiccation, venting as gas or leeching.

2.14 Can I claim relief on secondary compensating products?

Yes, in certain circumstances. It is dependant upon how you dispose of the main compensating products and what your secondary compensating products are. See Notice 221 – Inward processing Relief.

2.15 Can I destroy my goods?

- **Suspension goods.** If goods are found on or after entry, to be defective, contaminated, obsolete or otherwise unusable or you have processed goods which you wish to destroy, you may do so without payment of the duty provided you have the prior agreement of NIRU. If waste and scrap resulting from destruction has a commercial value, duty and import VAT will be charged on the value and at the rate applicable to the waste and scrap.

If destruction of goods is prohibited on environmental grounds, you may be able to discharge your liability by assigning the goods to another treatment or use that discharges IPR other than export. In these circumstances you must prove to NIRU that export is either impossible or uneconomic.

- **Drawback Goods.** No relief is available for goods destroyed unless they are defective or do not comply with the terms of contract. In such cases, you will need to contact NIRU who will advise on the procedures for repayment.

Always contact NIRU before you destroy goods. If you fail to do so, you may incur a customs debt.

2.16 Customs debt

A customs debt will be incurred:

- if a condition governing the placing of the goods under IPR was not fulfilled at the time the goods were declared for IPR;
- through a failure to meet an obligation that is a requirement under IPR eg. failure to submit a bill of discharge, use of an incorrect CPC; or
- if IPR goods are not re-exported or placed under another customs procedure that discharges IPR (the debt is incurred at the time the goods are diverted).

If you fail to meet an obligation required under your IPR authorisation you may be denied relief of duty. Interest for late payment will be charged on any customs duty debt that is not paid in full within 5 days of the due date. Interest will be calculated on a daily basis from the due date and is subject to a minimum charge of £25. The current rate of interest can be obtained from our National Advice Service or on our website.

This should not be confused with compensatory interest which is due on IPR suspension goods diverted to free circulation, see paragraph 6.4.

For more information see Notice 199 – Customs Procedures and Customs Debts.

3. Suspension

This section contains information about Inward Processing Relief (IPR) suspension entries using a simplified authorisation.

3.1 Are there any conditions that apply to using suspension?

The following general conditions apply to this procedure:

- there must be an intention to re-export the goods that have been imported;
- suspended duties and taxes including interest must be paid prior to transferring the goods to an authorised IPR drawback trader;
- any transit documents must not show the status of the goods as T2 (free circulation);
- preference certificates cannot be issued unless the preference rules allow it. Notice 827 can provide more information on this;
- within thirty days from the end of the throughput period, a bill of discharge must be sent to NIRU;

- you must keep a record of all goods imported using this procedure and an audit trail tracking the goods from import to process and re-export; and
- Customs officers must be allowed access to your records and goods at any reasonable time.

3.2 The Customs Procedure Code (CPC)

The code input in box 37 of the C88 (SAD) will be used to indicate your application to use the simplified IPR suspension procedure.

The CPC's for IPR suspension using simplified authorisation are:

510001: duty and VAT relief on direct import;

510004: VAT relief only on goods which have a nil rate of duty;

514401: goods previously entered to IPR drawback in another Member State;

515401: goods previously entered to IPR suspension in another Member State;

517101: duty and VAT relief on goods removed from a customs warehouse for processing purposes;

517103: VAT relief only on goods removed from a customs warehouse for processing purposes;

517801: goods removed from a Free Zone;

517803: VAT relief only on goods removed from a Free Zone; or

519100: Goods previously entered to PCC.

3.3 How do I re-export IPR suspension goods?

Once the processing or the repair work has been completed, you must make an export entry, which must be submitted, either manually on a C88 or electronically to the CHIEF NES System at the port of export.

You must declare the goods to CPC 315100 (IPR goods for re-export).

Failure to quote this CPC will result in disallowance of the original relief and you will be issued a demand for the suspended duty and VAT.

It is your responsibility to ensure that the consignment is declared properly to Customs and we would recommend that you always request copies of any import or export documents submitted by agents in your name.

On completion of the re-export, send your Bill of Discharge to NIRU.

3.4 Is there a time limit within which the goods have to be re-exported/exported?

Goods using any IPR procedure must enter the UK with the intention of the re-exportation/exportation of the processed goods. The standard throughput period using simplified suspension authorisation is 6 months. If, when you enter the goods to the procedure, you know the processing operation will take more than six months, you should advise NIRU immediately so they can adjust the throughput period on their records.

However, if during the processing period you become aware of exceptional circumstances which result in the goods not being re-exported within the six months, you may request an extension to this period by writing to NIRU quoting the Import entry number and date. The circumstances outlined in your request will be considered and NIRU will advise you of the outcome.

3.5 When do I have to complete the Bill of Discharge?

Bills of Discharge must be made to NIRU within 30 days following the end of the throughput period for all entries using the simplified IPR suspension authorisation procedures.

You must be able to support any declaration made on your Bill of Discharge in the event of a Customs audit, but you do not have to send supporting documentation to NIRU with your return. You must retain all Customs declaration for 4 years.

The bill of discharge should be submitted on Form C99 or C99M (See Section 4)

A declaration in the form of a letter, spreadsheet or commercial document may be acceptable provided it contains the same information and NIRU can identify and match it with the original import entry.

All imports that have been entered to IPR suspension using a simplified authorisation must be accounted for on the return.

Failure to render returns within 30 days following the end of your throughput period will result in the issue of a demand for outstanding duty and VAT plus compensatory interest.

3.6 What happens if I do not re-export goods previously entered to suspension?

If, after the importation of the goods to the suspension procedure, you do not re-export or dispose of the processed goods by an eligible method, you must pay all suspended charges to NIRU.

You can do this by sending a diversion SAD (C88) under CPC 405100 with payment or deferment details to NIRU.

In addition to any duty and VAT charges, compensatory interest on the duty will be charged. The interest will be calculated from the first day of the month following the date of first entry to IPR suspension in the EU, to the last day of the month in which the goods were diverted and the customs debt is incurred. Information on the compensatory interest rate is available on our website or from your local office.

If you are VAT registered, the VAT will be usually reclaimable as input tax using VAT certificate C79 as evidence of payment.

4. Bills of Discharge

4.1 Bills of Discharge for goods entered to the IPR Suspension procedure

Bills of Discharge, the forms C99 and C99 (M), are used to complete the procedure relating to IPR (suspension) using a simplified authorisation. Both these forms are available on the HMRC website. They need to be completed and sent to NIRU within 30 days of the ending of the throughput period. If NIRU do not receive this form or sufficient commercial documentation to provide evidence that the goods have been eligible disposed of, a demand note for the suspended charges will be issued without further warning.

If you hold a full IPR authorisation, you should send bills of discharge relating to the simplified IPR entries to NIRU. Your bill of discharge relating to imports under your full authorisation should continue to be sent to your supervising office.

4.2 How to complete a C99

The C99 is used for entries, which did not consist of more than one item line on the original entry. It should be completed as follows:

- **Company Name and Address Box**
You need the company name and address followed by the Turn number. This is a 12-digit number, usually your VAT registration number followed by 000.
- **Entry Detail Box**
You will need to enter the entry number. This is made up of the 3-digit EPU number where the entry was made, followed by the actual entry number and the date of the entry.

- **Range of Option Boxes**
You need to select a box that matches the disposal method the goods subjected to. If the goods were disposed of using more than one method, you will need to enter a percentage for each of the eligible disposal methods used.
- **Rate of Yield Box**
This box will need to be completed if you used the Code ROY = 02 on the original entry. The use of this code means that you were not able to establish the rate of yield on entry and it would be established through your processing records. The rate of yield is the quantity of processed products (compensating products) made from a unit quantity of goods entered to IPR.
- **Description of Any Compensating Products Box**
Compensating products are all products resulting from processing operations under IPR including by-products. You will need to provide details of these compensating products including the quantity produced.

4.3 How to complete the C99 (M)

The C99 (M) is used when an entry consists of a number of different item lines. There can be any number from 2 to 99. You will need to use this form in conjunction with the C99 but you may also use your own commercial documentation or schedule to provide the information provided it contains all the information to enable NIRU to discharge the entry.

- **Entry Number**
You need to enter the entry number.
- **Entry Item Number**
Enter the item number. You may require more than one line for the item if it has been disposed by a number of different eligible disposal methods.
- **Disposal Method**
Select one of the numbers from the eligible disposal methods box
- **Disposal Document Reference**
Enter the reference number of the document used to dispose of the goods ie. export declaration number.
- **Disposal Date**
Enter the date the goods were disposed of. This information is required, as each item may have been disposed of on different date. It could impact on any duties and taxes charged.

- **Authorisation Number of Recipient**
When you send your goods to another trader in the UK, their authorisation number should be placed here in the format shown on the C99 (M)
- **Percentage of original import entry**
A percentage of the goods declared on the import entry for each method of eligible disposal used.
- **Value and Quantity for each method of disposal (if more than one method used at item level)**
This box is only for use if, at item level, you have used various methods of disposal of the goods.

5. Drawback

This section contains information about Inward Processing Relief (IPR) drawback entries using a simplified authorisation.

5.1 Can I import all types of goods to Drawback?

Most goods are eligible to use this procedure provided there is an intention to export the goods. However the following types of goods are excluded from IPR drawback:

- goods subject to quantitative import restrictions ie. Tariff quota goods;
- goods requiring a CAP import or export licence;
- agricultural products which are subject to CAP payments; or
- goods subject to an export refund on the processed product.

If you have goods that fall into one of the above categories, you may wish to consider using the suspension procedure.

You should also be aware that if you issue transit documents for the goods showing a T2 (free circulation) status, you would not be able to make a drawback claim.

5.2 The Customs Procedure Code (CPC)

The Customs Procedure Code in box 37 of the SAD (C88) will allow Customs officers to identify the entry and recognise your eligibility to a potential claim.

The CPC's for declaring goods to drawback using a simplified authorisation are:

410001 - duty and VAT (if applicable) are paid on direct import;

414401 - for goods previously entered to IPR Drawback in another Member State;

415401 - for goods previously entered to IPR Suspension in another Member State;

417101 - duty and VAT (if applicable) are paid on removal from a warehouse: and

417801 - for goods removed from a Free Zone.

Goods entered to this procedure will be deemed to be in free circulation if they remain in the EU after the throughput period, as duty and VAT have been paid on import.

5.3 What are eligible ways to dispose of goods using IPR?

The following are the methods that are considered as eligible ways of disposal in support of a claim:

- export the goods from the EU See paragraph 5.4;
- transfer to another Member State of the EU using the Transit procedure;
- transfer the goods to another customs procedure (other than PCC) using the declaration procedure;
- transfer the goods to another IPR drawback authorised trader using the declaration procedure. This does not entitle you to a repayment. You are transferring the right of re-payment to your customer. This allows the receiver to submit a drawback claim after they have exported the goods; or
- transfer the goods to armed forces, NAAFI or ships stores.

5.4 How do I export Drawback goods?

Once the processing or the repair work has been completed, you must make an export entry to Customs either electronically to CHIEF NES or on a SAD (C88).

You must declare the goods to CPC 10 41 02 (IPR Drawback goods for export). Failure to quote this CPC will result in disallowance of any subsequent claim.

5.5 How do I make a Drawback claim?

All claims for repayment of duty on goods entered to IPR drawback under the simplified authorisation procedure are made to NIRU. You will need to complete form C&E813 which is available on the HM Revenue and Customs web site www.hmrc.gov.uk>Businesses and Corporations>Imports and Exports>Forms>C&E813. If you have a claim for multiple entries you will need to attach a schedule of each entry showing an individual entry number and amounts of duty to be repaid.

All claims for the repayment of duty must be submitted within 6 months of the expiry of the throughput period.

5.6 How long does it take to get a re-payment?

Provided we are satisfied with the claim and your evidence of disposal, NIRU will process your claim within 5 working days of receipt and, once authorised, will pass it for payment. The claim will be sent to our National Payment Centre at Southend who should issue the payment to you within 5 working days of receipt of the form from NIRU.

5.7 What happens if there are errors on my claim?

We will write to you explaining the error, and if you can resolve the issue, we will either request a new claim or written authority to amend it at this office.

If the claim cannot be resolved by such communication, we will reject it.

6. Releasing Goods to free Circulation and Compensatory Interest.

This section explains how, in exceptional circumstances, you may release your goods to free circulation and how compensatory interest is paid.

6.1 When can I release my goods to free circulation?

If, for reasons outside your control, you cannot re-export your goods, you may release them to free circulation. If the goods were declared to suspension, you will have to pay all the charges suspended on entry plus compensatory interest. If the goods were declared to drawback, no repayment claim can be submitted.

If only a percentage of your goods are diverted and the remainder is re-exported, you will only pay the suspended charges on the diverted goods.

6.2 How do I release my goods to free circulation?

For suspension goods –and some drawback goods – you must submit a new declaration using one of the following CPC's:

Type of diversion	CPC
Goods entered to suspension being released to free circulation	40 51 00
Goods initially entered to drawback, moved to suspension and now being released to free circulation	40 51 41
Goods initially entered to suspension being released to free circulation at an end use rate	40 51 94
Goods initially entered to drawback being released to free circulation at an end use rate	40 41 94
Goods initially entered to suspension being released to free circulation at the rate of duty appropriate to the compensating products	40 51 91

Where goods have been declared directly to drawback and then released to free circulation, no declaration to free circulation is required.

6.3 How much duty do I have to pay?

Normally, you will pay all the charges that were suspended at entry plus any compensatory interest.

In certain circumstances, you may be able to claim either the end use duty rate or the duty rate applicable to the compensating product, both of which will be less than the full duty rate. If you think you are eligible to claim these rates, see Notice 221 or contact NIRU before you release the goods.

6.4 What is compensatory interest?

Compensatory interest is charged on IPR suspension goods to prevent operators who divert such goods to free circulation gaining a financial advantage over operators, who import directly to the Community market who will not have had the benefit of deferring the payment of duty due on the same goods at import.

Compensatory interest will also be due on ex IPR drawback goods that are re-entered to a customs procedure under which duty is suspended e.g. IPR suspension, customs warehousing, TI relief or Free Zone which are subsequently released to the Community market.

6.5 How is compensatory interest calculated?

Compensatory interest is calculated from the first day of the month following the date of first entry to IPR suspension in the EC, to the last day of the month in which the goods are diverted and the customs debt is incurred. If goods are not put to an eligible disposal by the end of the agreed throughput period and no extension has been requested and granted, the debt will be incurred on the day the throughput period expires. If you have IPR suspension goods that were previously entered to IPR drawback, the charging period starts from the first day of the month following the month in which the repayment claim under drawback was made.

Where ex IPR suspension goods are transferred to a custom warehouse, Free Zone or a TI relief before diversion, any time spent in the other suspensive procedure is included in the charging period.

6.6 Compensatory interest rate

The UK and Euro Zone Member State interest rates are available on our Internet website at www.hmrc.gov.uk or by contacting the National Advice Service.

The rate applied will be the rate shown on our website for the month in which a custom debt is incurred and applies to the whole period for which interest is due. If goods were first entered to IPR suspension in another Member State, the rate for that country will apply.

6.7 Payment of compensatory interest.

You must pay the compensatory interest on form C88 (SAD) when you pay the duty and import VAT, and show the amount of interest in box 47 using tax code 876. The interest payment is not subject to VAT, neither is the potential VAT at import subject to interest.

6.8 Circumstances when compensatory interest will not be due

No interest is due if:

- the period for interest is less than one month;
- the interest due on a diversion entry is less than €20;
- you release the goods to free circulation to obtain a preference certificate (EUR1, invoice declaration or suppliers declaration) for export to a preference-giving country (the rules are explained in Notice 827 European Community Preference Procedures and Notice 829 t Tariff Preference – Rules of origin for various countries including Cyprus;

- you destroy suspension goods under Customs supervision and the resultant scrap and waste is released to free circulation:
- you divert secondary compensating products which are eligible to be charged at their 'own rate' due to export of the main compensating products; or
- you can prove that a firm export order has been lost due to circumstances beyond your control. You must forward to your supervising office written evidence to support your claim.

If you wish to divert goods whilst your claim is being considered you must provide security to cover the full amount of potential interest unless:

- you paid cash security at least equal to the amount of duty due:
- goods are placed under TI relief with partial relief from import duties see Notice 200 Temporary Importation; or
- drawback goods are placed under the Transit procedure, customs warehousing, TI relief, IPR suspension or free zone, with a view to subsequent re-export from the EC, are released to the Community market but no repayment for the goods in question has been made.

6.9 Stolen goods

If your goods are stolen you will still have to pay the suspended duty and compensatory interest on suspension goods or will not be able to reclaim duty paid under drawback unless the goods are recovered and returned to customs control.

7. Appeals

7.1 Appealing against a Customs decision

There is an independent appeals mechanism for most Excise and Customs decisions. This involves a two-stage process:

- (1) the first stage is an independent Departmental review by us;
- (2) the second stage, if required, provides for an appeal to an independent VAT and duties tribunal.

The following time limits apply:

- you have 45 days from the date of the written notification of the decision by us to ask for a formal Departmental review;

- we then have 45 days from receipt of your letter in which to carry out the review and notify the outcome; and
- if following the formal review you still wish to pursue the matter, you have 30 days to lodge your appeal with the tribunal.

You can find full details in Notice 990 Excise and Customs Appeals, which is available through our National Advice Service or on our website.

8. List of territories inside/outside the EC for customs duty and VAT purposes.

The customs territory of the EC includes the territorial waters, inland maritime waters and airspace of Member States.

8.1 Territories inside the EC for customs duty and VAT purposes

Austria

Azores

Balearic Islands

Italy

Latvia

Lithuania

Cyprus (those areas under the control of The Government of the Republic of Cyprus and including UK Sovereign Base Areas of Akrotiri and Dhekelia)

Czech Republic

Denmark

Estonia

Finland

France

Germany

Greece

Hungary

Republic of Ireland

Isle of Man

Madeira

Malta

Monaco

Netherlands

Poland

Portugal

Slovakia

Slovenia

Spain

Sweden

United Kingdom

The release from customs supervision in any of the above territories will result in a demand for duty, import VAT and compensatory interest (if applicable)

8.2 Territories inside the EC for Customs duty purposes but not for VAT

Aland Islands
Andorra (only Tariff Chapter 25 onwards)
Canary Islands
Channel Islands
French Guyana
Guadeloupe
Martinique
Mount Athos (Agion Poros)
Reunion

The re-export under customs supervision of goods to any of the above territories will discharge 'VAT only' IPR. However, it will not discharge IPR suspension/drawback where duty or duty and VAT were relieved on entry to the EC.

8.3 Territories outside the EC for customs duty and VAT purposes

Andorra (Tariff Chapters 1-24)
Busingen
Cueta
Commune of Campine d'Italia
Commune of Livigno
Cyprus (those areas not under the control of The Government of the Republic of Cyprus)
Faroe Islands
French overseas territories (other than those listed in paragraph 8.2)
Greenland
Heligoland
Lake Lugano
Melilla
San Marino

And all other territories not listed in this Section.

9. Usual Forms of Handling

Referred to in paragraph 2.5.

Unless otherwise specified, none of the following handlings may give rise to a different eight-digit CN Code. Usual forms of handling listed below will not be permitted if, in the opinion of the Customs authorities, the operation is likely to increase the risk of fraud.

(a) Ventilation, spreading-out, drying, removal of dust, simple cleaning operations, repair of packing, elementary repairs of damage incurred during transport or storage insofar as it concerns simple operations, application and removal of protective coating for transport.

(b) Reconstruction of the goods after transport.

(c) Stocktaking, sampling, sorting, sifting, mechanical filtering and weighing of the goods.

(d) Removal of damaged or contaminated components.

(e) Conservation, by means of pasteurisation, sterilisation, irradiation or the addition of preservatives.

(f) Treatment against parasites.

(g) Anti-rust treatment.

(h) Treatment:

by simple raising of the temperature, without further treatment or distillation process;
or

by simple lowering of the temperature; even if this results in a different eight-digit CN code.

(i) Electrostatic treatment, uncreasing or ironing of textiles.

(j) Treatment consisting of stemming and/or pitting of fruits, cutting up and breaking down of dried fruits or vegetables, rehydration of fruits; or dehydration of fruits even if this results in a different eight digit CN code.

(k) Desalination, cleaning and butting of hides.

(l) Addition of goods or addition or replacement of accessory components as long as this addition or replacement is relatively limited or is intended to ensure compliance with technical standards and does not change the nature or improve the performances of the original goods, even if this results in a different eight digit CN code for the added or replacement goods.

(m) Dilution or concentration of fluids, without further treatment or distillation process even if this results in a different eight-digit CN code.

(n) Mixing between them of the same kind of goods, with a different quality, in order to obtain a constant quality or a quality which is requested by the customer, without changing the nature of the goods.

(o) Dividing or size cutting out of goods if only simple operations are involved.

(p) Packing, unpacking, change of packing, decanting and simple transfer into containers even if this results in a different eight-digit CN code; affixing, removal and altering of marks, seals, labels, price tags or other similar distinguishing signs.

(q) Testing, adjusting, regulating and putting into working order of machines, apparatus and vehicles, in particular in order to control the compliance with technical standards, if only simple operations are involved.

(r) Dulling of pipe fittings to prepare the goods for certain markets.

(s) Any usual form of handling, other than the above mentioned, intended to improve the appearance or marketable quality of the import goods or to prepare them for distribution or resale, provided that these operations do not change or improve the performance of the original goods.

10. Glossary of terms and abbreviations

C88: The UK version of the Single Administrative Document (SAD) for making import/export/transfer declarations.

C&E 813: Drawback Claim

CAP: Common Agricultural Policy

CHIEF: Customs Handling of Import and Export Freight. The HMRC declaration processing computer system.

CN Code: Commodity Code (Combined nomenclature). This is the term used to denote the code (either 4 or 8 digit level) that identifies the description of individual goods/items in the Tariff.

Compensating Products: All products obtained from IPR processing operations.

Compensatory Interest: Interest charged when IPR suspension goods are diverted to free circulation.

CPC: Customs procedure Code. A six-digit code used on entries on import, export and warehouse declarations, to identify the type of procedure for which the goods are entered and from which they came. Details of CPCs can be found in the Tariff, Volume 3.

CT: Community Transit

Customs approved treatment or use: Goods placed under a customs procedure, entry to a free zone, re-exportation from the EC, destruction.

Customs duty: An indirect tax that provides protection for Community industry raised on imported goods. This includes duty, agricultural charges and other import charges provided for under CAP. It does not include Excise duty or VAT.

Customs procedure: Release to free circulation, transit, customs warehousing, IPR, PCC, TI relief, OPR, exportation.

Customs Warehouse: A system or place authorised by the Customs authority for the storage of non-Community goods under duty and VAT suspension (see Notice 232 Customs Warehousing).

DEFRA: Department of Environment, Food and Rural Affairs.

Drawback: Method of IPR where all charges are paid at import and reclaimed at export.

DTI: Department of Trade and industry.

EC: European Community

End Use: Arrangements, which allow certain imported goods to be declared for free circulation in the Community at a reduced or nil rate of duty, provided they are put to a prescribed use under Customs control (see Notice 770 Imported Goods: end-use relief).

Euro: European Currency

Free Circulation: Goods imported from outside the EC are in Free Circulation within the EC when:

- (i) all import formalities have been complied with; and
- (ii) all import duties; levies and equivalent charges payable have been paid and have not been fully or partly refunded.

Goods that originate in the Community are also in free circulation.

Free Zone: A designated area into which non-community goods may be moved and remain without payment of customs duty and/or VAT otherwise due at importation (See Notice 334 Free Zones).

Intra-Community: Between Member States of the EC.

IPR: Inward Processing Relief

LCP: Local Clearance Procedure that traders must be authorised to use.

Main compensating products (MCP): Compensating products, the production of which the use of IPR was authorised.

NES: New Export Scheme.

NIRU: National Import Reliefs Unit.

OPR: Outward Processing Relief – A system of duty relief that gives full or partial relief from import duty when EC goods are exported outside the Community for process or repair and are subsequently re-imported (see Notice 235 Outward processing relief).

PCC: Processing under Customs Control. A system of import duty relief for goods imported or transferred from another customs regime for processing into products on which less or no duty is payable (see Notice 237 Processing under Customs Control).

Preference: Arrangements, which allows reduced or nil rates of customs duties to be claimed on eligible goods imported from certain non-community countries.

Rate(s) of yield: The quantity of processed products made from a given quantity of imported goods.

RGR: Returned Goods Relief. A system of duty relief for goods previously exported from the EC and re-imported in the same state as at export (see Notice 236 Importing returned goods free of duty and tax).

SAD: Single Administrative Document used through out the EC for making import and export declarations - The UK version is form C88.

Secondary compensating products (SCP): Compensating products that are a necessary by-product of a processing operation other than the main compensating products.

Supervising office: The Customs office that is responsible for supervision of the IPR authorisation. This is NIRU if you are using IPR under a simplified authorisation.

Suspension: Method of IPR where charges suspended at import is discharged on export or authorised disposal.

T1 status: Goods not in free circulation.

Tariff: The Integrated Tariff of the United Kingdom

TI relief: Temporary Importation. Goods imported to the Community subject to certain conditions e.g. exhibition etc that will be re-exported.

Third Country: Any country that is outside the Customs Territory of the European Community.

VAT: Value Added Tax.

Do you have any comments?

We would be pleased to receive any comments or suggestions you may have about this notice. Please write to:

**HM Revenue & Customs
Frontiers Customer Unit
6th Floor South
Portcullis House
27 Victoria Avenue
Southend-on-Sea
SS2 6AL**

Please note this address is not for general enquiries. You should ring our National Advice Service about those.

If you have a complaint or suggestion

If you have a complaint please try to resolve it on the spot with our officer. If you are unable to do so, or have a suggestion about how we can improve our service, you should contact one of our Regional Complaints Units. You will find the telephone number under 'Revenue & Customs' or under 'Customs and Excise' in your local telephone book. Ask for a copy of our code of practice 'Complaints and putting things right' ([Notice 1000](#)). You will find further information on our website at <http://www.hmrc.gov.uk>.

If we are unable to resolve your complaint to your satisfaction you can ask the Adjudicator to look into it. The Adjudicator, whose services are free, is a fair and unbiased referee whose recommendations are independent of HM Revenue & Customs.

You can contact the Adjudicator at:

**The Adjudicator's Office
Haymarket House
28 Haymarket
LONDON
SW1Y 4SP**

Phone: (020) 7930 2292

Fax: (020) 7930 2298

Email: adjudicators@gtnet.gov.uk

Internet: <http://www.adjudicatorsoffice.gov.uk/>

Update 1 issued September 2007

The main change in this Update is an amendment to paragraph 2.1.

Paragraph 2.1 second bullet point:

Delete: import firearms, ammunition or nuclear materials;

and **replace** with: any goods which have a Commodity Code within Chapter 93 of the Tariff;