

Foreword

This notice cancels and replaces Notice 221A (June 2006). Details of any changes to the previous version can be found in paragraph 1.2 of this notice.

1. Introduction

1.1 What is this notice about?

It explains how you may be able to suspend Custom Duty on goods imported from outside the EU that are processed and re-exported from the Community using the Inward Processing (IP) simplified authorisation procedure. If you are or intend to be a regular user of IP, it will be of more benefit to obtain a local or specific IP 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 What has changed

IP drawback using a simplified authorisation was withdrawn from 1 April 2010. Its withdrawal was announced in CIP(09)70.

Changes to some exclusions to goods entering IP using a simplified authorisation including goods in Tariff Chapter Headings 93 and 97 and goods with a valuation in excess of £500,000.

1.3 The purpose of IP

It is a duty suspension procedure, which helps industry in the EU to import goods for processing and re-export them without the payment of duty. It aids Community processors to compete on an equal footing in the world market. The processing operation must predominate over the storage of the goods. If storage does predominate over the processing, (and some simple forms of processing can take place in a Customs Warehouse), a Customs Warehouse may be more suitable.

Section 8 of this Notice contains a list of EU and non-EU 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 (IP) may be liable to penalties under the Customs and Excise Management Act 1979.

1.4 How IP works

You may only use IP suspension with a simplified authorisation and:

- there must be an intention to re-export suspension goods from the EU,
- goods must be processed within six months of the date of entry,
- and the goods are processed and re-exported from the UK; and
- records are kept for all operations carried out.

You will also be required to submit a bill of discharge detailing your receipts and disposals.

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.

1.5 Why should I use a simplified authorisation?

Normally prior authorisation is required if you wish to use IP but if you intend to use the procedure 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 businesses 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.

1.6 Who can be authorised for IP?

An authorisation to use IP 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 EU.

A person established outside the EU cannot be authorised for IP 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 EU who acts on behalf of a person established outside the EU 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/re-export declarations on behalf of persons not established in the **EU**.

1.7 What law covers this notice?

The law on IP 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.

EU law on import VAT relief is contained in Council Directive 2006/112/EC, 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.

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

1.8 Receiving an adverse Customs decision from HMRC - right to be heard

When you receive an adverse decision from HMRC you will first be issued with a pre-notification communication explaining the reasons why the adverse decision has been made. This pre-notification is called your right to be heard and once issued, you will have a period of 30 calendar days in which you may make further representations or provide further information to HMRC concerning the decision.

1.9 Procedure for appealing against a customs decision

If you do not agree with any decision issued to you there are two options available. Within 30 days of the date of the decision you can either:

- Request a review of the decision by someone not involved in making the disputed decision. Your request must be in writing and should set out the reasons why you do not agree with the decision.
Please write to:
Customs and International
Review and Appeals Team
7th Floor South West
Alexander House
21 Victoria Avenue
Southend-on-Sea
Essex
SS99 1AA, or
- Appeal direct to the Tribunal who are independent of HM Revenue & Customs.

If you opt to have your case reviewed you will still be able to appeal to the Tribunal if you disagree with the outcome.

Further information relating to reviews and appeals is contained in leaflet HMRC1 HM Revenue & Customs decisions - what to do if you disagree which can be obtained from our website, go to www.hmrc.gov.uk/factsheet/hmrc1.pdf or by phoning **0845 900 0404**.

1.10 Customs Supervising Office

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

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

NIRU address is:

The National Import Reliefs Unit
HM Revenue and Customs
Abbey House
Head Street
ENNISKILLEN
Co Fermanagh
Northern Ireland
BT74 7JL

Tel: 02866 344557

Fax: 02866 344571

Email: niru@hmrc.gsi.gov.uk

General queries on all other customs matters must be made to the Customs and Excise Helpline on Tel **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 IP.

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 IP authorisation:

- use economic codes 01,10,11,12 and 99 (other reasons)
- import any goods under Chapter 93 or Chapter 97 of the Tariff
- any goods where the value of the goods exceeds £500,000
- use equivalence, prior export equivalence or triangulation
- use simplified procedures for transferring IP goods within the UK or to other Member States
- transfer the goods to another simplified IP authorisation holder
- use the simplified procedures for the aircraft industry and building of satellites
- use simplified procedures to process IP suspension goods in a customs warehouse
- 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 IP 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 IP using a simplified authorisation?

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

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

The Customs and Excise Helpline (phone **0845 010 9000**) should be contacted for further advice.

2.3 How do I import to IP 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 IP 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 Authorising third parties to act on your behalf

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 IP and you are aware of the conditions associated with this procedure.

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 IP 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 EORI (ie private importers) 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 IP 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 IP entries must quote an economic code to indicate the economic reason for using IP.

This Code allows the Commission and the authorities in EU Member States to monitor imports using IP 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 ie 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 eight 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 eight 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
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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 IP. 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 IP, 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. In exceptional circumstances the throughput period may be extended. You should write to NIRU advising them of the import entry details and evidence of the exceptional circumstances.

2.10 VAT only IP

Although IP is primarily concerned with the relief of duty, VAT only IP 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. All the requirements of the suspension system detailed in this notice are applicable to VAT only IP 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 IP 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 IP must be retained for 4 years.

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

You can discharge your IP 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 IP trader who already holds a full IP authorisation

- declare the goods to another customs procedure eg customs warehousing (CPC 7151000).
- transfer the goods to another EU Member State. Suspension goods will travel under Transit. The status of the goods must be shown as T1, or
- suspension goods may remain in the UK with the prior approval of NIRU. They will 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 Preferences: export 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 IP other than export. In these circumstances you must prove to NIRU that export is either impossible or uneconomic.

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 IP was not fulfilled at the time the goods were declared for IP
- through a failure to meet an obligation that is a requirement under IP, eg failure to submit a bill of discharge, or
- if IP goods are not re-exported or placed under another customs procedure that discharges IP (the suspended debt liability becomes due at the time the goods are diverted).

If you fail to meet an obligation required under your IP 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 the Customs and Excise Helpline or on our website, go to www.hmrc.gov.uk.

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

For more information see Notice 199 Imported goods: Customs procedures and Customs debt.

3. Suspension

This section contains information about Inward Processing Relief (IP) 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 IP 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 (C99) 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 IP suspension procedure.

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

5100001: duty and VAT relief on direct import

5100003: VAT relief only on goods which have a nil rate of duty

5144001: goods previously entered to IP drawback in another Member State

5154001: goods previously entered to IP suspension in another Member State

5171001: duty and VAT relief on goods removed from a customs warehouse for processing purposes

5171003: VAT relief only on goods removed from a customs warehouse for processing purposes

or

5191000: Goods previously entered to PCC.

3.3 How do I re-export IP suspension goods?

Once the processing or the repair work has been completed, you must make an re-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 3151000 (IP goods for re-export).

Failure to quote this CPC may result in disallowance of the original relief and you may 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 re-export documents submitted by agents in your name.

On completion of the re-export, send your Bill of Discharge (C99) to NIRU.

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

Goods using any IP procedure must enter the UK with the intention of the re-exportation of the processed goods. The standard throughput period using simplified suspension authorisation is 6 months.

All entries to IP using the a simplified authorisation procedure should undergo processing which can be completed within six months. If exceptional circumstances arise during the throughput period, the processor should write to NIRU with supporting evidence and request an extension to the processing period.

Goods not undergoing active processing should be transferred to a Customs warehouse, after six months, as storage must not predominate over processing under Inward Processing.

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 IP 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 Bill of Discharge. You must retain all Customs declaration for 4 years.

The Bill of Discharge documentation 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 IP suspension using a simplified authorisation must be accounted for on the Bill of discharge (C99).

Failure to render Bill of discharge 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 must ask permission from NIRU to divert the goods to free circulation prior to the diversion taking place.

Once permission has been granted you can send a diversion SAD (C88) under CPC 405100 with payment or deferment details to NIRU, or arrange for the diversion entry to be input to CHIEF via your agent.

An aide memoir is available with information on how to complete a diversion entry or you can ask your agent to complete the entry for you.

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 IP 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.

If you are VAT registered, the VAT will usually be 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 IP Suspension procedure

Bills of Discharge, the forms C99, are used to complete the procedure relating to IP (suspension) using a simplified authorisation. The form is available on the HMRC website. It needs 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 disposed of using an eligible method, a demand note for the suspended charges will be issued.

If you hold a full IP authorisation, you should send bills of discharge relating to the simplified IP entry 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 should be completed as follows:

- **Company Name and Address Box**
You need the company name and address followed by the EORI number. This is GB followed by an 12-digit number.
- **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. The entry number details will be on your letter from NIRU reminding you to complete a C99.

- **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.
- **Transferring IP goods**
When you send your goods to another trader in the UK, their authorisation number should be included on the C99.
- **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 IP.
- **Description of Any Compensating Products Box**
Compensating products are all products resulting from processing operations under IP including by-products. You will need to provide details of these compensating products including the quantity produced.
- **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. 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.

5.1 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. You will have to pay all the charges suspended on entry plus compensatory interest.

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.

You must request permission from NIRU to divert IP goods to free circulation.

5.2 How do I release my goods to free circulation?

For suspension 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 51 000
Goods initially entered to drawback, moved to suspension and now being released to free circulation	40 51 001

5.3 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 Inward Processing Relief or contact NIRU before you release the goods.

5.4 What is compensatory interest?

Compensatory interest is charged on IP 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 is not charged when a cash security has been taken at the time of import.

5.5 How is compensatory interest calculated?

Compensatory interest is calculated from the first day of the month following the date of first entry to IP suspension in the EU, 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 IP suspension goods that were previously entered to IP 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 IP suspension goods are transferred to a custom warehouse or a TA relief before diversion, any time spent in the other suspensive procedure is included in the charging period.

5.6 Compensatory interest rate

The UK and Euro Zone Member State interest rates are available on our website, go to www.hmrc.gov.uk or by contacting the Customs and Excise Helpline.

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 IP suspension in another Member State, the rate for that country will apply.

5.7 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 D10. The interest payment is not subject to VAT, neither is the potential VAT at import subject to interest.

5.8 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 Preferences: export procedures and Notice 829 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 NIRU 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
or
- goods are placed under TA relief with partial relief from import duties see Notice 200 Temporary Admissions

5.9 Stolen goods

If your goods are stolen you will still have to pay the suspended duty and compensatory interest on suspension goods unless the goods are recovered and returned to customs control.

When you receive an adverse decision from HMRC you will first be issued with a pre-notification communication explaining the reasons why the adverse decision has been made. This pre-notification is called your right to be heard and once issued, you will have a period of 30 calendar days in which you may make further representations or provide further information to HMRC concerning the decision.

6. List of territories inside/outside the EU for customs duty and VAT purposes

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

6.1 Territories inside the EU for Customs Duty and VAT purposes

Austria
Azores
Balearic Islands
Belgium
Bulgaria
Italy
Latvia
Luxembourg
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
Madeira
Malta
Monaco
Netherlands
Poland
Portugal
Romania
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).

6.2 Territories inside the EU 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' IP. However, it will not discharge IP suspension where duty or duty and VAT were relieved on entry to the EU.

6.3 Territories outside the EU 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.

7. 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.

8. Glossary of terms and abbreviations

Term	Description
BIS	Department for Business, Innovation and Skills
C88	The UK version of the Single Administrative Document (SAD) for making import/export/transfer declarations.
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 IP processing operations.
Compensatory Interest	Interest charged when IP 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, re-exportation from the EU, 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, IP, PCC, TA 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
EU	European Union
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	<p>Goods imported from outside the EU are in Free Circulation within the EU when:</p> <p>(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.</p> <p>Goods that originate in the Community are also in free circulation.</p>
Intra-Community	Between Member States of the EU.
IP	Inward Processing Procedure
LCP	Local Clearance Procedure that traders must be authorised to use.
Main compensating products (MCP)	Compensating products, the production of which the use of IP was authorised.
NES	National 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 EU 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 (PCC)).
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 EU 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 EU 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 IP authorisation. This is NIRU if you are using IP under a simplified authorisation.
Suspension	Method of IP where charges suspended at import are discharged on re-export or authorised disposal.
T1 status	Goods not in free circulation.
Tariff	The Integrated Tariff of the United Kingdom.
TA relief	Temporary Admission. 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

Your rights and obligations

Your Charter explains what you can expect from us and what we expect from you. For more information go to [Your Charter](#).

Do you have any comments or suggestions?

If you have any comments or suggestions to make about this notice, please write to:

HM Revenue & Customs
Customs & International
10th Floor South
Alexander House
21 Victoria Avenue
Southend-on-Sea
SS99 1AA

Please note this address is not for general enquiries.

For your general enquiries please phone our Helpline **0845 010 9000**.

Putting things right

If you are unhappy with our service, please contact the person or office you have been dealing with. They will try to put things right. If you are still unhappy, they will tell you how to complain.

If you want to know more about making a complaint go to **www.hmrc.gov.uk** and under quick links, select Complaints and appeals.

How we use your information

HM Revenue & Customs is a Data Controller under the Data Protection Act 1998. We hold information for the purposes specified in our notification to the Information Commissioner, including the assessment and collection of tax and duties, the payment of benefits and the prevention and detection of crime, and may use this information for any of them.

We may get information about you from others, or we may give information to them. If we do, it will only be as the law permits to:

- check the accuracy of information
- prevent or detect crime
- protect public funds.

We may check information we receive about you with what is already in our records. This can include information provided by you, as well as by others, such as other government departments or agencies and overseas tax and customs authorities. We will not give information to anyone outside HM Revenue & Customs unless the law permits us to do so. For more information go to **www.hmrc.gov.uk** and look for Data Protection Act within the Search facility.