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**Duty Suspensions, Tariff Quotas
and other duty saving opportunities
in the EU**

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Outline

- Introduction – looking beyond classification / valuation / preferences to achieve savings

- The key systems:
 - Duty Suspensions
 - Tariff Quotas
 - Inward Processing Relief
 - Processing under Customs Controls
 - Temporary Importation
 - Outward Processing Relief

- Beware! Common pitfalls

- Which scheme suits your company best?

Duty Suspensions (DS)

- Partial or total suspension of import duties for components or materials not available within the EU (yet)
- 5-year validity in theory, but:
 - Can be ended prematurely
 - Renewable
- Requested by EU user industry or by EU customers or EU subsidiaries of non-EU manufacturers
- *Erga omnes* application – origin irrelevant
- Conditions attached
 - Processing in the EU
 - Minimum duty savings threshold
 - No exclusivity
- Consensus required by 27 Member States – dealing with oppositions by:
 - Narrowing product description
 - Attaching end-use restrictions and controls
 - Partially suspending duties
 - Seeking a Tariff Quota instead

Tariff Quotas (TQ)

- Partial or total suspension of import duties for components or materials not available within the EU in sufficient quantity/quality (yet)
- « Plan B » when DS not possible
- Quantitative limit applies
- Valid for 1 year (or 6 months)
- Renewable
- *Erga omnes* – origin irrelevant – first come first served
- End-use restrictions and controls may be applicable

DS & TQ pitfalls

- **Before applying:**
 - Are you doing your competitor a favour?
- **When applying:**
 - Confidentiality of data
 - Product description
 - Correct classification code used?
 - Get the facts right from the start – work with your Member State
- **National deadlines for applicants – only two « windows » per year**
 - It takes time (\pm 10 months) !
 - No retroactive effect for DS
- **TQ obtained – don't be late using it!**
 - Monitor the TQ database
 - Renewals!
- **End-Use Controls**
 - Authorisation obtained? Other parties/locations involved?
 - Discharge period respected?

Inward Processing Relief (IPR)

- Duty relief or refund of duties on imported materials used in products for export to non-EU countries (suspension or drawback system)
- Prior authorisation required – company specific
- Member State decides (EU-level involvement in certain cases)
- Proper examination of economic conditions in few cases (agri & fish)
- Repairs
- Flexibility
 - Use of equivalent goods, prior exportation, processing outside EU, release of unused goods with compensatory interest
- Pitfalls
 - Beware of « no drawback » rules for exports to FTA partner countries!
 - Deadlines for discharge period and for time limits in case of prior exportation
 - Deadlines for claiming repayment under the drawback system

Processing under Customs Control (PCC)

- Allows use of non-EU materials without duties followed by release for free circulation of the processed goods at the lower rate normally applicable for such goods at import
- Aim is to preserve / create jobs in EU processing industry
- Prior authorisation required – company specific
- Member State decides
 - **Economic conditions deemed fulfilled for:**
 - Operations to ensure compliance with technical requirements, processing into samples, putting up into sets, duty advantage < EUR 50,000 per year, ...
 - **Proper examination of economic conditions in certain cases – EU level**
- **Pitfalls**
 - **Import goods must be identifiable, no restoration after processing**
 - **Period of discharge**
 - **Customs value includes processing costs and value of EU goods used**

Temporary Importation

- **Allows use of non-EU goods in the EU with total or partial relief from duties if intended for re-export without having undergone significant changes**
 - Means of transport, pallets & containers
 - Replacement means of production, special tools & instruments
 - Goods for testing without financial gain, goods for acceptance tests under sales contracts
 - Samples in reasonable quantities for demo purposes
 - Measures to ensure compliance with technical requirements...
- **Authorisation required from Member State – company specific**
- **Pitfalls**
 - Discharge period for re-export respected
 - Used to destruction

Outward Processing Relief (OPR)

- Temporary export of EU goods for processing outside the EU with partial relief from duties on the processed re-imported goods by deducting the amount of duty that would apply to the EU goods had they been imported into the EU from the country of processing
 - i.e. only the value added outside EU is subject to import duties
- Repairs
 - Standard exchange system (allows replacement products, prior importation)
 - Total relief if repair is free of charge as a result of guarantee or in case of manufacturing defect
 - Partial relief if repair is against payment
- Prior authorisation required – company specific
- Member State decides (in most cases)
 - Examination of economic conditions only if indications that EU producers' interests are adversely affected
- Pitfalls
 - Deadline for re-importing
 - No total relief for repairs free of charge if the defect was already taken into account at first import

Conclusion

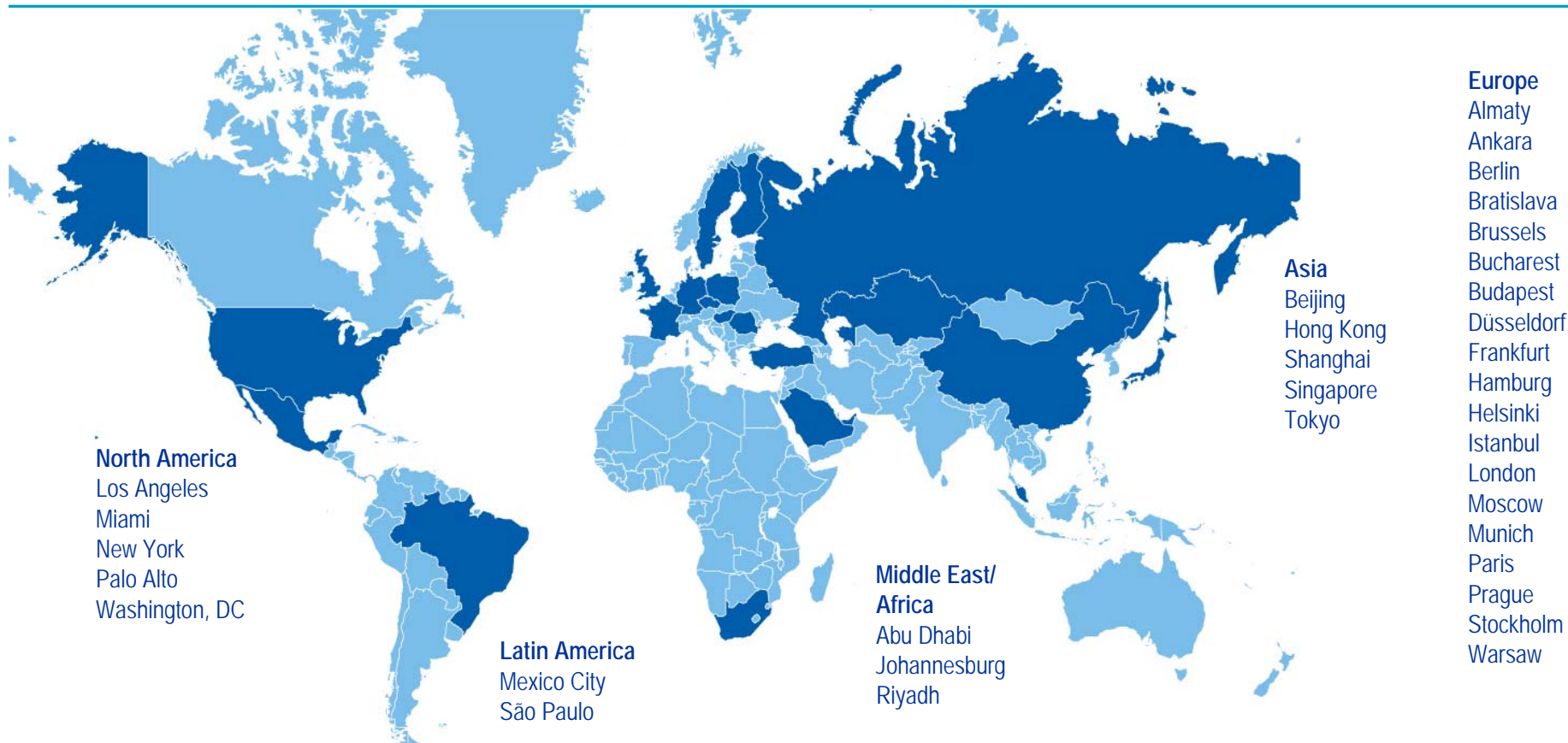
- **What is it you are doing in the EU?**
 - Type of processing or use?

- **What is the ultimate destination of the processed/used goods?**
 - FTA country or non-FTA country?
 - Intercompany transfers?

- **What are the options available?**
 - e.g. for goods for ultimate export:
 - IPR or DS/TQ?
 - IPR drawback or suspension system?
 - Is TI an option?

- **Is it worth it?**
 - Is the administrative effort justified?
 - Period of validity – predictability
 - Does this help your competitive position?

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