

GUIDELINES

ON

OUTWARD

PROCESSING

Contents

1. Introduction and overview	4
1.1 What are these guidelines about?	4
1.2 The purpose of OPR	4
1.3 The law	4
1.4 How OPR works	4
1.5 Eligible goods	4
1.6 Eligible persons	5
1.7 The Standard Exchange System (SES)	5
2. Duty relief	6
2.1 Claiming duty relief	6
2.2 Putting IPR goods into OPR	6
a) General	6
b) IPR processes	6
c) Repair	6
2.3 Other duty reliefs	7
3. Authorisation	8
3.1 Types of OPR authorisation	8
3.2 Simplified authorisation for repairs	8
3.3 General authorisation	9
a) General	9
b) How does the person concerned apply for a general authorisation?	9
c) When to apply	9
3.4 The Standard Exchange System	9
a) Using the Standard Exchange System	9
b) When must the goods be exported when using prior importation?	9
c) Conditions on replacement goods	10
3.5 Identification of the exported goods	10
3.6 The period for discharge (time limit for re-import or also throughput period)	10
3.7 When does the discharging period begin?	10
3.8 The “rate of yield”	10
3.9 The “economic conditions”	11
3.10 Security	11
3.11 Keeping records	11
3.12 Import and export licensing	12
4. Applying for authorisation	13
4.1 When to apply for authorisation	13
4.2 What happens after a person applies?	13
4.3 Period of validity of the authorisation	13
4.4 Altering or amending an authorisation	13
4.5 Changes to business name or legal status	13
4.6 How to renew an authorisation	14
4.7 Cancelling an authorisation	14
5. Exporting OPR goods	15
5.1 Declaring goods for export under OPR	15

5.2 Type of goods	15
5.3 How to enter goods to OPR	15
a) Completion of the declaration	15
b) Evidence of export	15
5.4 Discharge table	16
5.5 Authorising a third party to act on the authorisation holder's behalf	17
5.6 Selling the temporarily exported goods	17
5.7 Can the exported goods be sold to another person in Kosovo	17
5.8 Simplified (repair) procedure	18
6. Importing OPR products	19
6.1 Re-importing goods after processing.....	19
6.2 How to re-import compensating products	19
6.3 Accompanying documents	19
6.4 Claiming preferential duty rates on OPR goods	20
6.5 Claiming the preference rate	20
6.6 Claiming End-use relief on OPR products	20
6.7 Exporting goods qualifying for end-use	21
6.8 Calculating the customs value of OPR goods	21
6.9 Claiming the relief	22
6.10 Re-importation of temporary export goods in the unaltered state	22
6.11 Calculation sheet	23
7. Calculating the duty relief	25
7.1 Goods exported for repair	25
7.2 Goods repaired free of charge	25
7.3 Goods exported for processing.....	25
a) Added value method	25
b) Duty differential method	26
7.4 Example of added value duty relief calculation	27
7.5 Examples of differential duty relief calculations	28
8. Application for authorisation to use the outward processing procedure	31
9. Authorisation for outward processing	34

1. Introduction and overview

1.1 What are these guidelines about?

These guidelines explain how to be able to obtain relief from import duties when re-importing domestic goods that have previously been exported from Kosovo for processing, or for repair, using Outward Processing Relief (OPR). They explain the conditions under which the relief can be claimed.

1.2 The purpose of OPR

OPR provides duty relief on imports from foreign countries of goods which have been produced from previously exported domestic goods. It enables businesses to take advantage of cheaper labour costs outside Kosovo, while encouraging the use of domestic produced raw materials to manufacture the finished products. Goods may be also temporarily exported to undergo processes not available within Kosovo.

The procedure also enables faulty goods to be returned to a foreign country for repair, or for replacement with equivalent goods under the Standard Exchange System (SES), (see paragraphs 1.7 and 3.4).

1.3 The law

The law on OPR is contained in the Customs Code of Kosovo and in the Administrative Instruction No. 8 of 10 June 2004 laying down provisions for Customs Procedures.

These guidelines are not the law. They are UNMIK Customs' view of the law, and nothing in this notice takes the place of the law.

Anyone who makes a false declaration, or gives untrue information about goods temporarily exported or re-imported under this procedure may be liable to penalties under the Customs Code.

1.4 How OPR works

When a person imports goods from outside Kosovo he normally has to pay import duty on the full customs value of the goods. When domestic goods are exported outside Kosovo they lose their domestic status, and if they are later re-imported they are treated in the same way as non-domestic goods, and are liable to import duty on the full customs value.

When a person uses the OPR procedure it will enable him to claim relief from import duty on the domestic goods which have been exported for process, as long as he can show that the exported goods were used to produce, or are incorporated into, the products he is importing. Before he can claim duty relief under OPR, however, he must be authorised to use the procedure.

1.5 Eligible goods

To qualify for duty relief under the OPR procedure, the exported goods must be domestic goods. Domestic goods are goods which either originate in Kosovo, or have been imported for free circulation within Kosovo with all customs formalities completed and import duties having been paid. There are also special arrangements for putting goods held under the Inward Processing Relief (IPR) procedure, into OPR (see paragraph 2.2).

When a person exports goods under the OPR procedure he may not claim any refund or remission of import duties, or any refunds or other financial benefits. He must also pay any export levies or other amounts in full.

1.6 Eligible persons

To qualify

a person must...	and be a	which means
be authorized by UNMIK Customs	"natural" person	any person normally resident in Kosovo
	"legal" person or an association of persons	any person that has in Kosovo its registered office, central headquarters or a permanent business established
normally be the person arranging the processing operation to be carried out		

1.7 The Standard Exchange System (SES)

This is a variant of OPR that allows a person to import replacements for faulty goods which he exports from Kosovo, if it is not practical to have them repaired. The replacement goods must be of equivalent commercial condition and value. A full explanation of SES can be found at paragraph 3.4.

2. Duty relief

2.1 Claiming duty relief

To obtain duty relief, compensating products or replacements must be entered for free circulation by, or on behalf of, the holder of the authorisation within the period of discharge.

The holder of the authorisation may arrange for another person established in Kosovo, to declare OPR goods for free circulation, and to claim the duty relief using his authorisation number at re-importation. He must give them written authority to do so. However the authorisation holder must keep records of all exports and imports under his authorisation. He will also remain responsible for any customs debts that may arise through the use of an authorisation in these circumstances.

2.2 Putting IPR goods into OPR

a) General

If the person concerned has IPR goods in Kosovo which he needs to export temporarily, for further process or for repair, he can obtain duty relief on the costs of the process when he re-imports them, by exporting them under the OPR procedure. However, to be eligible for OPR when he re-imports the processed goods, he must put them back into IPR - he may not enter them for free circulation. To do this he will need to be authorised for both OPR and IPR.

b) IPR processes

If the person concerned is exporting IPR goods for an OPR process other than repair, he must obtain an authorisation.

When he re-imports the compensating products of exported IPR goods, any duty due as a result of the further process carried out outside Kosovo, will be dealt with as follows:

IPR suspension	IPR drawback
If he re-imports OPR goods to the IPR suspension system, any duty due on the OPR compensating products will be added to the duty already suspended under the IPR procedure. This will be discharged when he re-exports the IPR goods. However, if he diverts any of the IPR goods for free circulation, he will have to pay compensatory interest on the additional duty due as a result of the OPR process, as well as on the duty suspended when the goods were originally put into IPR.	If he re-imports OPR goods to the IPR drawback system, he must pay any duty due on the OPR compensating products, but he can reclaim this when the IPR procedure is discharged.

c) Repair

If the person concerned has an occasional need to export goods under the IPR procedure for repair, he may use the OPR simplified procedure (see paragraph 3.2). There are special customs procedure codes (CPCs) to enable him to do this. The CPC he needs to use will depend on whether the IPR goods are under the drawback or suspension system.

Note: If he uses the OPR procedure for IPR suspension goods and decides at a later stage to divert these goods for free circulation, the time the goods spend under the OPR procedure will be included in the calculation of the amount of compensatory interest payable on the suspended customs charges.

2.3 Other duty reliefs

If a person re-imports goods in the same state as they were exported, or they undergo only unforeseen minor treatment outside Kosovo, for example, to keep them in working order, they may be eligible for Returned Goods Relief.

If a person finds that goods he imports are defective, or not in accordance with the contract, he may be able to claim relief under the terms of Rejected Imports (repayment or remission of import duty).

3. Authorisation

This Part explains the different types of authorisation, how and where a person should apply and other aspects of the authorisation.

3.1 Types of OPR authorisation

There are two types of authorisation:

Type of authorisation...	which can be used for goods...
simplified authorisation (repairs only)	exported for repair. The person concerned must apply for authorisation at the time of export. This type of authorisation is available for persons who only occasionally need to use the OPR procedure and cannot be used for SES (see paragraph 3.3 (a)).
general authorisation	exported for any kind of process or repair but the person concerned must apply for authorisation before he exports the goods.

3.2 Simplified authorisation for repairs

If a person only occasionally needs to export goods for repair, he may use the simplified OPR authorisation procedure. This procedure may only be used for the repair of faulty goods, not for any other type of process. He must make the goods available for customs examination before they are exported and present an export declaration EX 2.

The following procedure codes should be used:

For	in box 37 on the export declaration should be entered procedure code (CPC)
Domestic goods	2100
Export of IPR goods under OPR	2141 (drawback goods) or 2151 (suspension goods)

The person concerned must also complete a discharge table (see paragraph 5.4) and present this to Customs together with the export declaration. In box A of the discharge table should be entered "Simplified Authorisation". If Customs accepts the export declaration and discharge table they consider this as the granting of the authorisation.

When the repaired goods are returned, the person concerned must complete an import declaration using the CPC 61 21 in box 37 of the SAD, and present this to Customs along with the certified discharge table and copy 3 of the export declaration EX 2.

If, after export, the repairer decides to replace the faulty goods instead of repairing them, the person concerned may import equivalent replacement goods under this procedure. He should advise Customs that this is the case when he imports the replacements.

3.3 General authorisation

a) General

A general authorisation can be used for any specified type of process or repair operation, and in addition the person concerned can apply for authorisation to use one or both of the following special methods:

- Standard Exchange System (SES) without prior importation; or
- SES with prior importation.

b) How does the person concerned apply for a general authorisation?

He must complete the form in Part 8. The completed and signed form must be sent to the Director General of UNMIK Customs. If the application is acceptable, Customs will issue an authorisation number and a letter detailing the conditions and requirements of the authorisation.

If, exceptionally, the person concerned wishes to export goods to OPR before the result of his application for authorisation is known, he should contact UNMIK Customs.

c) When to apply

The person concerned should apply at least one month before he needs to use the authorisation. UNMIK Customs is required to make a decision within thirty days of receiving a satisfactory application, but they will need some time to consider it. Customs may contact the applicant to seek additional information as necessary, and may also visit him, to check that his records and systems are adequate for Customs purposes.

3.4 The Standard Exchange System

a) Using the Standard Exchange System

SES can be used to import replacements for goods that have been exported for repair.

Note: If the person concerned needs the replacement goods, for example, machinery, only for a short period while his own goods are repaired and returned to him, it may be more convenient for him to use the Temporary Importation (TI) - replacement means of production – procedure.

The person concerned may need to import replacements before he exports the faulty goods. This is called “prior importation”. If he wants to use SES with prior importation, customs will ask him to provide security to cover the potential duties due on the goods he imports (see paragraph 3.10).

b) When must the goods be exported when using prior importation?

When using prior importation, faulty goods must normally be exported within two months of importing their replacements. In exceptional circumstances customs can extend this two month period within reasonable limits. If such an extension is needed, the person concerned should contact the customs office concerned as soon as possible. If he wants to discharge the security arrangements by assigning the faulty goods to a customs approved treatment or use, other than export, for example by entering them to a customs warehouse or free zone, or destroying them, he must contact Customs to make the appropriate arrangements.

c) Conditions on replacement goods

Replacements imported under the SES arrangements must fall within the same sub-heading (eight-digit code) of the Tariff, be of the same commercial quality and have the same technical characteristics as the exported goods after repair.

If the faulty goods have been in use for some time, then the replacements must also be previously used goods, and may not be new products. This condition will not apply if a replacement is supplied free of charge because the faulty goods are covered by a guarantee or warranty, or because of a manufacturing defect. SES may not be used specifically to obtain upgraded equipment, but, for goods under warranty, if a supplier is unable to provide an exact replacement (for example because the faulty goods have become obsolete), the closest equivalent may be imported.

3.5 Identification of the exported goods

Unless the Standard Exchange System is being used, to be eligible for duty relief under OPR, it must normally be possible to identify the exported goods in the compensating products when these are imported. Commercial documents may be used, for example invoices and correspondence, serial numbers and other distinguishing marks, samples, illustrations etc to identify the exported goods. The applicant must specify the means of identification to be used in his application.

3.6 The period for discharge (time limit for re-import or also throughput period)

The length of time required to export goods under OPR, process them and declare the compensating products for free circulation, is known as the period for discharge.

When a person applies for authorisation, he will be asked to give an estimate of the time required to process a batch of exported goods.

3.7 When does the discharging period begin?

It begins when the person concerned exports the goods. His OPR authorisation must be valid at this time if he wishes to claim relief on the products. Products re-imported after expiry of his authorisation will still be eligible for relief as long as they are re-imported within the authorised discharging period. It should be noted that there is no obligation to re-import the temporary exported goods (eg. when the goods can be sold abroad).

If there has been a delay in re-importing the products, a person may apply for an extension of the period of discharge. Provided he can explain the delay, produce evidence of export under OPR, and the exported goods can be satisfactorily identified, Customs will normally grant an extension.

3.8 The “rate of yield”

The rate of yield is the quantity of compensating product produced from a given quantity of exported goods. It is used to calculate the amount of duty relief the person concerned can claim when he imports his compensating products. The expected rate of yield, or the method by which it is to be calculated, must be specified in his application. This must be expressed clearly, for example 1 for 1, or 1 dress per 2 metres. The rate of yield must not be expressed as a percentage, as wastage in production is included in the calculation of the quantity of exported goods used.

If the person concerned imports several different types of compensating product, or the compensating products he imports are made up from several different types of temporary export goods, it will help to clear his goods quickly, and possibly more cheaply if he provides a “bill of materials” for each compensating product. The bill of materials should show the quantity of each type of temporary export goods used to produce one unit of each type of compensating product. This will make it simpler for his agent, and Customs, to calculate the amount of duty relief available, and will also enable Customs audit staff to check his records more quickly and accurately.

In cases where the rate of yield is not known at the time of application, or the rate may vary, the person concerned should record on his application that he intends to use production records as the basis for establishing it. If he has entered the rate of yield on his application/authorisation form and the rate changes or is incorrect, he must inform UNMIK Customs immediately.

3.9 The “economic conditions”

Unless there is evidence that carrying out processing outside Kosovo is likely to cause serious disadvantages to Kosovo processors, UNMIK Customs will consider the economic conditions are satisfied.

3.10 Security

Normally, there are only two situations when Customs will require security for OPR goods. These are:

- when the person concerned is authorised to use the Standard Exchange System with prior importation (explained in paragraph 3.4) or,
- when the person concerned needs his goods cleared quickly by Customs, but he is unable to present the documentation necessary to support his claim for duty relief.

In these circumstances, the person concerned will have to provide security to cover all the potential import charges on the imported goods. This must be by means of a guarantee from a recognised provider, such as a bank.

For SES with prior importation, Customs will discharge the security when the person concerned produces a copy of the export declaration, (or evidence that the goods being replaced have been put to another customs approved treatment or use) to the customs office holding the security, and pays any charges due on the replacement goods. In other situations, security will be discharged when he produces the appropriate documentation.

3.11 Keeping records

The authorisation holder must keep records of all goods he exports under the OPR procedure. These must show what the goods were, when and to where he exported them, what processes were carried out on them, what the compensating products were, and when and where they were re-imported. He can normally use his commercial records, although Customs may ask him to adapt them to show the information he needs to claim the relief.

If he intends to keep his records on a computer, he must advise Customs when he applies for authorisation, so that they can check that the records meet the requirements of OPR. He must also provide any technical information and assistance Customs need to carry out these checks.

The authorisation holder must keep all records for three years after the re-importation of the compensating products.

3.12 Import and export licensing

OPR goods are subject to the normal import and export prohibitions, restrictions and licensing rules.

4. Applying for authorisation

4.1 When to apply for authorisation

Normally a person must apply for authorisation before he exports goods for processing or repair.

4.2 What happens after a person applies?

If the applicant has supplied all the information necessary for Customs to make a decision on his application, they will write to notify him of his authorisation number and any special conditions relating to its use. The authorisation shall be made out on the form in Part 9. Customs will contact the applicant if they need further information in order to process his application.

Customs staff may visit the applicant to check that his records and systems are adequate for audit purposes, and to find out more about his exports and processes. During the period of authorisation they may make further visits to inspect his records, and to make sure that he is complying with the conditions of the authorisation and claiming the correct amount of duty relief.

If his application is refused the person concerned will not be eligible to claim the relief. The applicant has the right to appeal against the decision.

4.3 Period of validity of the authorisation

The length of an authorisation will be determined by the needs of the applicant. Authorisation will normally be issued for a period not exceeding two years, unless the applicant has reasonable grounds for needing it for a longer initial period, for example, long-term contractual arrangements. When the authorisation expires, the authorisation holder must apply for it to be renewed (see paragraph 4.6) if he has a continuing need to use the procedure.

4.4 Altering or amending an authorisation

When the circumstances under which an authorisation was issued have changed, or the authorisation holder wishes to alter the details in any way, he must notify the changes in writing to the Director General of UNMIK Customs. As the authorisation holder, he must ensure that all the details in the authorisation remain current and correct. Amendments to the types of goods for process will take effect only from the date on which UNMIK Customs authorise the requested changes, so he must notify them before he exports the goods.

4.5 Changes to business name or legal status

If the authorisation holder changes the name of his business without changing its legal status, he should inform the Director General of UNMIK Customs. His authorisation can be amended to show the new business name. If he changes the legal status of the business, for example by becoming a limited company, or he takes over a business which already holds an authorisation, he will need to apply for authorisation for the new legal entity if he intends to continue using OPR.

4.6 How to renew an authorisation

If the authorisation holder wishes to renew an authorisation, he should apply in writing to the Director General of UNMIK Customs, no later than one month before expiry of his current authorisation. In his letter he must advise Customs if any of the relevant facts in his original application have changed.

Note. As the authorisation holder, it is his responsibility to apply for renewal if he still requires it. Customs does not issue reminders. If he does not hold a valid authorisation when he exports his goods he may have to pay duty when he imports his compensating products which he may not be able to recover at a later stage.

4.7 Cancelling an authorisation

If the authorisation holder no longer needs his authorisation, he should write the Director General of UNMIK Customs. In his letter he should confirm the date from which cancellation is requested.

UNMIK Customs may annul or revoke an authorisation if they find that it has been issued on the basis of incorrect or incomplete information, or when the conditions of OPR have not been met. If this happens the authorisation holder will be informed in writing.

5. Exporting OPR goods

This Part explains what must be done to export goods under the OPR procedure. This Part applies only if the person concerned holds a general authorisation.

Note: If goods for repair are exported using the OPR simplified procedure, the guidance in paragraph 3.2 must be followed.

5.1 Declaring goods for export under OPR

When a person exports goods he must enter details of the goods on an export declaration EX 2, and present it to Customs at the place of export. Customs may need to examine the goods before export, to confirm the identity of the exported goods

5.2 Type of goods.

The authorisation holder may only export the goods he is authorised for under OPR. The commodity code declared in box 33 of the export declaration must be one of the codes shown in the "export goods" section of his OPR authorisation. If he needs to export goods with tariff commodity codes different from those authorised, he should contact the Director General of UNMIK Customs and ask him to amend it to include the new codes.

5.3 How to enter goods to OPR?

a) Completion of the declaration

In addition to the normal details of the goods for export the following information must also be shown on the export declaration:

Box	Information to be entered
1	in the first subdivision "EX" and in the second subdivision the code 2
2	the name, address and VAT number of the person exporting the goods, This may be a person other than the authorisation holder
31	the detailed description of the goods as required to be given in the authorisation
33	the tariff code for the goods entered in box 31
37	One of the following Customs Procedure Codes: <ul style="list-style-type: none">- 2100 for normal domestic goods- 2151 for goods under the IPR suspension system- 2141 for goods under the IPR drawback system
44	the references (the number and date) of the OPR authorisation. If IPR goods are exported, the references of the IPR authorisation must also be quoted.
54	the type of representation (direct or indirect – see paragraph 5.5)
D	the identification measures applied, the discharging period (period for re-importation) according to the period given in the authorisation and where appropriate, the extension of this period. These data have to be inserted by Customs and supported by the Customs stamp

A discharge table (see paragraph 5.4) must be presented with the export declaration.

b) Evidence of export

The authorisation holder should ensure he keeps the certified copy 3 of the export declaration to prove the goods were exported under the OPR procedure with his records. This copy 3 and the discharge table will need to be presented with his import entry.

5.5 Authorising a third party to act on the authorisation holder's behalf

The authorisation holder can use a third party eg an agent or freight forwarder to complete entries on his behalf but he must ensure that he gives **clear written instructions** for the goods to be exported/imported.

Representation may be either direct or indirect:

- **Direct representation** – the third party makes an entry in the authorisation holder's name and on his behalf but he is still responsible for any customs debt that may arise if an entry is incorrectly made.
- **Indirect representation** – the third party makes an entry in their own name and they are jointly and severally liable with the authorisation holder for any customs debt that may arise if an entry is incorrectly made.

The third party must quote the OPR authorisation number on the export and import declaration forms. The authorisation holder must also make sure that his third party uses the agreed rate of yield for his compensating products, or uses the method agreed with Customs to calculate it.

He must always make sure that his third party sends him copies of the customs declarations for his records, and check that the correct CPC has been used and that the duty calculations are correct.

When the authorisation holder renews his authorisation, he must remember to tell the third party his new number. If he does not do this, his imports may be delayed, or Customs may require security for the release of the goods.

Note: Third parties who enter to OPR without written authority of the person in whose name entries are made, will be liable for any customs debt incurred.

5.6 Selling the temporarily exported goods

To obtain authorisation for OPR the person concerned does not necessarily has to own the exported goods, he needs only be the person arranging for the processing to be carried out. He may arrange to have goods exported from Kosovo by another person, without taking ownership of them first. If he does own the temporarily exported goods, he may sell them to the processor if he wishes to. He can buy back and re-import the compensating products, and still claim relief from duty on the exported goods. The exported goods may also be transferred between several processors in different countries abroad, provided that they can still be identified when the compensating products are re-imported.

5.7 Can the exported goods be sold to another person in Kosovo?

The person concerned may sell the exported goods to another person established in Kosovo, provided that:

- the compensating products are entered for free circulation by, or on behalf of, the authorisation holder, or with the holder's consent by another person established in Kosovo; and
- the conditions of the authorisation are fulfilled.

5.8 Simplified (repair) procedure

For the simplified procedure, an export declaration and a discharge table as described in paragraph 3.2 must be completed and the procedure described in paragraph 5.3 followed.

6. Importing OPR products

This Part explains what to do when importing compensating products using OPR.

6.1 Re-importing goods after processing

When the person concerned imports compensating products produced from domestic goods which have previously been exported under the OPR procedure, he must present an import declaration to Customs on a SAD. He may claim relief only for compensating products falling under Tariff commodity codes for which he holds an OPR authorisation.

6.2 How to re-import compensating products?

In addition to the normal details of the imported goods, the following information must also be shown on the import declaration:

Box	Information to be entered
1	in the first subdivision "IM" and in the second subdivision the code 6
8	the name, address and VAT number of the person concerned. This may be a person other than the authorisation holder
31	the detailed description of the compensating products as required to be given in the authorisation OPR
33	the tariff code for the goods entered in box 31
37	the Customs Procedure Code 6121
44	the references of the OPR authorisation
47	the amount of duty to be paid (see Part 7)
54	the type of representation (direct or indirect –see paragraph 5.5)

6.3 Accompanying documents

The person concerned must present sufficient documentation to prove that the goods for processing were exported under the OPR arrangements, and to allow Customs to identify the exported goods and check the rate of yield and the duty calculations. The following documents may be required as appropriate:

Form	Details
Copy 3 of the export declaration EX 2	To prove that the goods for process were exported under the OPR procedure the Customs certified copy 3 of the export declaration must be presented
Calculation sheet (see paragraph 6.10)	This form is always required when OPR products are imported. It is used to make a declaration as to the exact status of the re-imported goods. It is also used to show the calculation of the relief claimed and the net duty payable. Further information about the completion of Form can be found in paragraph 6.9 and some examples of duty calculations are given in paragraphs 7.4 and 7.5
Discharge table	This form is used to deduct the quantity of goods re-imported and to certify the remaining quantities where all the goods are not re-imported at once
Guarantee or warranty	If the person concerned is claiming total relief from import duties because the exported goods have been repaired or replaced free of charge under a guarantee or warranty, he must provide a copy of the guarantee or warranty document, or other contractual evidence to prove that no charge was, or

	will be, made for the repair or replacement.
Service contracts or “bought” warranties	Some companies have arrangements with a repairer outside Kosovo which allow them, for payment of a regular service charge, to send goods for repair. When such goods are returned after repair, the accompanying documentation may not indicate that any payment has been made for the repair facility. However, for Customs purposes these service charges are regarded as part of the value of the goods when they were originally supplied, and are therefore liable to import duties. Similarly, an extended warranty for which a “one off” payment is made, is liable to duty as the charge for this type of warranty is regarded as part of the original price of the goods. If the person concerned has goods repaired under arrangements similar to these, he will not be able to account for the customs charges on individual consignments. He must however, declare to Customs that he is being charged for the repair facilities, and make arrangements with UNMIK Customs to pay the import duty when he makes payments to the repairer for the service facilities.
Other supporting documents	The person concerned must also produce any other documents necessary to support his claim to relief for example invoices for processing costs, freight and insurance charges.

6.4 Claiming preferential duty rates on OPR goods

If the goods a person exports satisfy the rules of origin, and there is a preferential duty rate available for the type of products he is importing, he may claim this rate providing he can produce a valid preference certificates issued by the last processing country. If he claims the preference rate on his compensating products, and there is also a preference rate available under the same preference arrangements for goods of the same type as any of the goods he temporarily exported, he may claim duty relief on these goods, only at the applicable preference rate.

6.5 Claiming the preference rate

In most cases, a person will pay less duty by declaring eligible products under the preference arrangements, but if he chooses not to claim the preference rate on the compensating products, then he can claim relief at the full rate on the exported goods, even if a preference rate is available. In some circumstances for example, if the duty rate on the exported goods is higher than the duty rate on the compensating products, this may provide a greater amount of duty relief. The person concerned may need to work out both calculations to enable him to decide which procedure gives him the greater benefit.

6.6 Claiming End-use relief on OPR products

A person may export for processing under the OPR procedure, goods which were previously imported into Kosovo under the end-use procedure. He may also re-import compensating products of OPR for free circulation in Kosovo at a reduced rate of duty if they qualify for end-use after processing. Prior authorisation to use the end-use arrangements is required and certain restrictions may apply to the amount of duty relief which can be claimed under OPR.

If the exported goods were previously imported into Kosovo at a reduced end-use rate of duty, relief under OPR is restricted to the actual amount of duty paid on them when they were originally imported to end-use.

6.7 Exported goods qualifying for end-use

If the exported goods are of a type that could qualify for end-use on release for free circulation in Kosovo, and the process carried out on them was the same as the process which would qualify them for end-use relief if it had been carried out in Kosovo, relief is restricted to the reduced rate of duty which would apply to the goods if they were imported under the end-use procedure. An example of this is:

- a company exports hearing aid parts to Singapore, for manufacture into hearing aids and re-imports the completed aids to Kosovo. Because manufacture of hearing aids is the approved end use for the exported parts, duty relief on them is restricted to the end-use rate for which they would be eligible if they were imported from another country for the manufacture of hearing aids in Kosovo.

Note: If the end-use relief on the compensating products at a “nil” rate of duty can be claimed, there is no benefit to be gained from using OPR.

6.8 Calculating the customs value of OPR goods

The compensating products must be valued in the same way as any other imported goods and one of the methods described in the “Guidelines on Valuation of imported goods for customs purposes, VAT and trade statistics” must be used.

The value of the temporarily exported goods is the value of the exported goods as accepted at the moment of export.

If goods, which have been imported into Kosovo from another country are exported under the OPR procedure, any import duty paid when declared for free circulation must be included in their value at export.

The loading, transport and insurance costs for export to the processing country must be excluded from the value of the exported goods.

The cost of transport from the last country of process to the place where they enter Kosovo must be included in the import customs value of the imported products:

If the compensating products are sold prior to their entry for free circulation and two different invoices (one for the processing and one for the sale) exist the processing contract / invoice should be the normal method of establishing the customs value. If the processing invoice is not available the sales invoice may be used.

6.9 Claiming the relief

A calculation sheet (see paragraph 6.10) must be completed by initialling the statement(s) appropriate to the imported goods. The form must be presented to Customs along with the import declaration IM 6. The calculation sheet is part of the import declaration.

To calculate the net duty payable, the calculation sheet should be completed as follows:

Box no	showing...
4 - 8	the compensating product, following the normal rules for goods imported from outside Kosovo
9	the Tariff code of each type of exported goods used to make the compensating product.
10	the agreed rate of yield (see paragraph 3.8) for each type of exported goods used to produce the compensating product, for example fabric, lining material, buttons, zips.
11	the "quantity of exported goods" included in the imported product by applying the rate of yield to the quantity of compensating products for each type of exported goods.
12	the "value of exported goods" following the guidance in paragraph 6.8.
13	the duty rate must be the rate of duty which applies to each type of exported goods on the date when the compensating products are imported

If the 'added value' method of calculation (see paragraph 7.3 (a)) is used, boxes 4-8 should be completed. The processing, freight and insurance costs should be entered in box 6. Boxes 10, 11 and 12 should only be completed if the supporting documentation is not sufficient to show the details required.

The duty due will be the value in box 6 x duty rate in box 7.

That amount should be transferred to box 8 and the figure in box 8 entered in box 16.

The other boxes should be completed as necessary.

6.10 Re-importation of temporary export goods in the unaltered state

If goods exported under the outward processing procedure return to Kosovo without having undergone the planned processing operations, the procedure for returned goods (Section 52 of the Customs Code) must be applied.

However, the quantities temporary export goods returning in the unaltered state have to be deducted in box F of the discharge table in order to maintain control of the quantities of goods, originally temporarily exported.

6.11 Calculation sheet

Outward Processing Relief - Calculation Sheet

This form must be submitted together with the appropriate import declaration if any import duty is due on the imported goods. It forms part of the declaration to which it is attached.

1(a) Importer's name:		VAT no:
Address:		
1(b) Agents's name:		VAT no:
Address:		
Contact tel no:		
2(a) OPR authorisation no: OPR- / / Issued by UNMIK Customs	2(b) Is the authorisation number at 2(a) held by: <input type="checkbox"/> the person named at 1(a) or <input type="checkbox"/> another person established in Kosovo	
3 Declaration		
I declare that the information given in this document is true and complete and that the imported goods are <i>(initial the appropriate statements)</i> :		
(Initials)		
..... Compensating products of goods exported under the authorisation number at item 2(a).		
..... Replacements for goods which will be exported from Kosovo within 2 months.		
..... Goods exported for repair under the simplified procedure		
..... If using the added value method the goods have not been entered to free circulation at a zero-rate of duty.		
Warning: There are heavy penalties for making false declarations		
Signature Name: (in BLOCK LETTERS)		
Status: (See Note 1 overleaf) Date:		

Duty calculations

Compensating product

(The full customs value of the imported goods must be stated here.)

4 Tariff code	5 Quantity	6 Value for customs duty	7 Duty rate	8 Gross customs duty
		€	%	€
		€	%	€
		€	%	€
		€	%	€
		€	%	€
		€	%	€
		€	%	€

Exported goods

(This part relates to the type and quantity of exported goods used to produce the quantity of compensating product declared in Box 5 above.)

9 Tariff code	10 Rate of yield (State rate for each type of goods used to produce goods at box 5)	11 Quantity of exported goods incorporated in quantity at box 5	12 Value of exported goods in column 11	13 Duty rate (See Note 3)	14 Duty applicable to goods in column 11
A			€		€
B			€		€
C			€		€
D			€		€
E			€		€
Import declaration number and date	Amount of duty relief claimed (total of column 14, rows A to E)			15	€
	Net duty due (box 8 less box 15)			16	€
	Duty relief previously claimed on IPR goods (See Note 4)			17	€
	Total duty due (box 16 plus box 17) - transfer to IM 6, box 47			18	€

Notes

(See paragraph 6.9)

1. Status of signatory. The signatory of the declaration at box 3 must be authorised to sign customs import declarations.
2. The details entered in boxes 4 to 8, must be identical to those entered in the appropriate boxes of the import declaration IM 6. A separate calculation must be shown for each type of compensating product (tariff code) imported.
3. If a preferential rate of duty has been claimed in box 7 on the imported goods, the rate of duty relief available on the exported goods may be restricted to a preferential duty rate. (See paragraph 6.4.)
4. If the exported goods were originally held in Kosovo under the IPR procedure, but IPR has been discharged in accordance with Section 41.12 of the Customs Code, the amount of duty previously suspended or reclaimed under IPR drawback, must be entered in box 17. (See paragraph 2.2.)
5. If using the added value method of calculation complete boxes 4 to 8. Enter the processing freight and insurance costs in box 6. Complete boxes 10, 11 and 12 if supporting documents are not sufficient. The duty due will be the value in box 6, multiplied by box 7. Transfer that amount to box 8. Enter the figure in box 8 in box 16 and complete the other boxes as necessary.

7. Calculating the duty relief

7.1 Goods exported for repair

If the person concerned is charged for the repair, import duty is calculated on the charge made for the repair or replacement, **plus** any inward freight and insurance charges made for the return of the repaired goods or replacements.

7.2 Goods repaired free of charge

When faulty goods are repaired free of charge under a guarantee or warranty, or because of a manufacturing defect, total relief from import duty can be claimed. Evidence to support the claim must be provided for example a guarantee or warranty document, or contractual evidence that the repair was free of all charges. If the repair is carried out under a service contract, or an extended warranty which has been purchased along with the goods or at a later stage, duty on the cost of the warranty arrangements must be accounted for (see paragraph 6.3).

7.3 Goods exported for processing

For processes other than repairs, there are two options for calculating the duty payable on OPR products. The amount of duty relief that can be claimed will depend on which calculation method is used, and the rates of duty which apply to the exported goods and the compensating products. Subject to certain conditions importers can use whichever method provides the greater amount of duty relief.

a) Added value method

Under this method duty is charged on the costs of processing the exported goods, and transporting the compensating products back to Kosovo. The duty rate applicable is the rate which applies to the compensating products. To apply this method the person concerned must:

- calculate the customs value of the imported products using one of the normal valuation methods;
- deduct from this the value of the exported goods used in the manufacture of the compensating products, applying the agreed rate of yield as appropriate;
- account for duty on the difference between the two values, at the rate which applies to the compensating products.

In most cases, where the exported goods are liable to a positive rate of duty, using this method will provide maximum duty relief. An example of the duty calculation can be found at paragraph 7.4.

The value added method cannot be used where, prior to their entry to OPR the temporary export goods have been released for free circulation at a zero rate of duty and are not of Kosovo origin. If any of the goods the person concerned exports for processing carry a 'zero rate' of duty, he will need to show that these goods are of Kosovo **origin** in order for the compensating products to benefit from relief using this method.

Where the value added method is requested covering several temporary export goods, and some of these are neither of Kosovo origin nor had been released for free circulation at a duty rate higher than zero, the value added method may nevertheless be applied by excluding these goods from the OPR procedure. For this purpose, the value of these temporary export goods must be added to the processing costs of the compensating products.

Example

The value added method is applied for a compensating product consisting of two different temporary export goods. The following simplified facts may be assumed:

- (a) compensating product: motor vehicles, tariff code 8703, duty: 10% customs duty and 15% VAT, processing costs: €15,000;
- (b) temporary export goods I: ball or roller bearings, tariff code 8482, value: €1,000
- (c) temporary export goods II: gearboxes, tariff code 8708, value: €1,000, which prior to their entry into outward processing had been released for free circulation at a zero duty rate, and do not have Kosovo origin.

In this case, the value added method may be applied by taking as the basis of the customs value, the processing costs for the motor vehicles (€15,000) plus the value of the gearboxes (€1,000) for calculating the duty due: $25\% \times (\text{€}15,000 + \text{€}1,000) = \text{€}4,000$.

If the compensating products do not qualify for the 'added value' method, the person concerned must use the alternative 'duty differential' method.

b) Duty differential method

This method provides relief based on the notional amount of duty which would have been due on the exported goods. To apply this method the import duty must be calculated:

- due on the full customs value of the compensating products less; and
- which would have been payable on the exported goods, if they had been imported at the same time and from the same country as the compensating products.

For example:

If a person exports 5,000 metres of fabric to Sri Lanka, and it is all used to make men's suits which he re-imports:

- (a) calculate the duty due on the quantity of suits at the rate which applies for Sri Lanka;
- (b) calculate the quantity of the exported goods used to produce the number of suits he is importing by reference to the agreed rate of yield (see paragraph 3.8);
- (c) calculate the amount of customs duty that would have been due on the fabric as if they had been imported from Sri Lanka on the same day as the suits;
- (d) the duty due will be (a) minus (c).

The customs value of the compensating products at (a) above must be calculated using the normal rules for goods imported from outside Kosovo (see paragraph 6.8). In some cases, if the duty rate on the temporary export goods is higher than the rate on the compensating products this may mean no duty at all has to be paid. If the amount deductible on the temporarily exported goods is greater than that due on the compensating products, a refund cannot be claimed.

The following charges, which might normally apply to the temporarily exported goods if they had been imported from the country where the last process took place, should not be included:

- anti-dumping duties; and
- countervailing duties.

Examples of these calculations can be found at paragraph 7.5.

In some circumstances, for example if the duty rate on the temporarily exported goods is higher than the duty rate on the compensating products, using this method may provide a greater amount of duty relief than using the “**added value**” method. The person concerned may need to work out the duty using both methods, to establish which provides the greater benefit.

7.4 Example of ‘added value’ duty relief calculation

All the exported goods, woven cloth of wool, are used to produce one type of compensating product, men’s suits (liable to a 10% rate of customs duty and to a 15% rate of VAT) which are all re-imported into Kosovo at the same time.

The value of the compensating product is based on the built-up method of valuation (computed value-see Section 14.2 (d) of the Customs Code).

“Added value” method of calculating duty

The same figures are used in Example 1 of paragraph 7.5 for purposes of comparison of the amounts payable using the different methods of duty calculation.

Value of the exported cloth	€5,000.00
Cost of process	€2,400.00
Freight and insurance (from the Processing country to Kosovov)	€484.00
Total customs value of the suits =	€7,884.00
Less: Value of exported cloth	€5,000.00
“Added Value” on which duty is due =	€2,884.00
Duty due at 25% =	€721.00

7.5 Examples of differential duty relief calculations

Example 1. All the exported goods, (woven cloth of wool- customs duty rate 10% and VAT rate 15%), are used to produce one type of compensating product, (men's suits - duty rate 10% and VAT rate 15%) which are all re-imported into Kosovo at the same time.

The value of the compensating product is based on the built-up method of valuation.

Duty on the built up value of the compensating product:

Value of the exported cloth		€5,000.00	
Cost of process		€2,400.00	
Freight and insurance (from the processing country to Kosovo)		€484.00	
Total customs value of the suits		€7,884.00	
Duty on total customs value of products at 25%	(a)		€1,971.00

Duty applicable to the exported cloth:

Value of the exported cloth		€5,000.00	
Duty deductible on exported cloth at 25%	(b)		€1,250.00
Net duty payable	(a-b)		€721.00

Note: Duty relief is calculated on the total value of the exported goods, as losses arising from the process are ignored.

Example 2. In this example only part of the compensating product are re-imported. The value is again based on the built-up method.

5,000 metres of fabric are exported, to be made into men's suits. The fabric costs €3.00 per metre and the rate of yield is 3.5 metres of fabric per suit.

1,000 suits are imported into Kosovo.

The rate of yield to the quantity of compensating product actually re-imported is applied, in order to calculate the quantity of exported goods used to produce the suits.

Duty on the built up value of the compensating product:

Value of the exported goods used: 1,000 suits x 3.5m/suit = 3,500m x €3.00/metre		€10,500.00	
Cost of process		€10,000.00	
Freight and insurance		€900.00	
Total customs value of the suits		€21,400.00	
Duty on compensating products at 25%	(a)		€5,350.00

Duty applicable to the exported goods:

Value of the exported goods		€10,500.00	
Duty deductible on exported goods at 25%	(b)		€2,625.00
Net duty payable	(a-b)		€7,875.00

Note: that in this case only 3,500 metres of the exported fabric have been imported. Customs will deduct this quantity from the 5,000 metres covered by discharge table (and export declaration),

Example 3. Two types of exported goods, suit fabric and lining materials, are used to produce one type compensating product, men's suits, which are all re-imported into Kosovo at the same time.

Duty on the built up value of the compensating product:

Value of the exported suit fabric		€8,000.00	
Value of the exported lining material		€2,500.00	
Cost of process		€10,000.00	
Freight and insurance (from the processing country)		€1,000.00	
Total customs value of suits		€21,500.00	
Duty on compensating products at 25%	(a)		€5,375.00

Duty applicable to the exported goods:

Duty on suit fabric at 25%	(b)	€2,000.00	
Duty on lining material at 25%	(c)	€625.00	
Total duty deductible on exported goods	(b+c)		€2,625.00
Net duty payable	(a-(b + c))		€2,750.00

Example 4. The exported goods are used to produce two different types of compensating product which are both wholly re-imported into Kosovo. Of the total quantity of goods exported, 60% is used to make product A which carries a duty rate of 25%, and the remaining 40% is used to make product B which has a duty rate of 25%. The exported goods are valued at €10,000 and carry a duty rate of 25%.







Duty on product A

Value of the exported goods (60% of €10,000.00)		€6,000.00	
Cost of process		€9,000.00	
Inward freight and insurance		€1,200.00	
Total customs value of product A		€16,200.00	
Duty at 25%	(a)		€4,050.00
Duty deductible on exported goods (25% of €6,000.00)	(b)		€1,500
Net duty payable on product A	(a - b)		€2,550.00

Duty on product B

Value of the exported goods (40% of €10,000.00)		€4,000.00	
Cost of process		€5,000.00	
Inward freight and insurance		€800.00	
Total customs value of product B		€9,800.00	
Duty at 25%	(c)		€2,450.00
Duty deductible on exported goods (25% of €4,000.00)	(d)		€1,000.00
Net duty payable on product B	(c - d)		€1,450.00

8. Application for authorisation to use the outward processing procedure

	<p>UNMIK CUSTOMS SERVICE SHËRBMI DOGANOR I UNMIK-ut CARINSKA SLUŽBA UNMIK-a</p>	 <div style="display: flex; justify-content: space-around; margin-top: 5px;"> <div style="text-align: center;"> Police and Justice (UN)</div> <div style="text-align: center;"> Civil Administration (UN)</div> <div style="text-align: center;"> osce Institution Building (OSCE)</div> <div style="text-align: center;"> Economic Reconstruction (EU)</div> </div>																								
APPLICATION FOR AUTHORISATION TO USE THE OUTWARD PROCESSING PROCEDURE																										
<p>1. Applicant <i>Enter the full name and address of the applicant. The applicant is the person to whom the authorisation should be issued.</i></p>																										
<p>2. Type of application <i>Type of application must be indicated. The types are given below.</i></p> <p style="margin-left: 40px;"> <input type="checkbox"/> First application <input type="checkbox"/> Application for modified or renewed authorisation <i>(also indicate the appropriate authorisation number)</i> </p>																										
<p>3. Place and kind of records <i>Enter the place of records. Records mean: the data containing all the necessary information and technical details, enabling the Customs Service to supervise and control the outward processing procedure.</i></p>																										
<p>4. Period of validity of the authorisation <i>Indicate in(a) the date on which you wish the authorisation to commence. A date of expiry of the authorisation may be suggested in (b). If you do not suggest a date of expiry, the customs will supply one.</i></p> <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="border: 1px solid black; padding: 5px; width: 40%;">(a)</div> <div style="border: 1px solid black; padding: 5px; width: 40%;">(b)</div> </div>																										
<p>5. Goods to be placed under the outward processing procedure (temporary export goods) <i>- Tariff code: according to the Kosovo customs tariff (eight digits)</i> <i>- Description: the trade and/or technical description</i> <i>- Quantity: enter the estimated quantity of the goods to be placed under the procedure</i> <i>- Value: enter the estimated value in euro of the goods to be placed under the procedure</i></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;">Tariff Code</th> <th style="width: 40%;">Description</th> <th style="width: 15%;">Quantity</th> <th style="width: 20%;">Value</th> </tr> </thead> <tbody> <tr><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td></tr> </tbody> </table>			Tariff Code	Description	Quantity	Value																				
Tariff Code	Description	Quantity	Value																							

6. Compensating products		
- <i>Tariff Code and description: see comments on item 5</i>		
- <i>Rate of Yield: indicate the estimated rate of yield or method by which that rate is to be determined</i>		
Tariff Code	Description	Rate of yield
7. Details of planned activities and country where the outward processing operations are to be carried out		
<i>Describe the nature of the planned activities (e.g. details of the processing operations) to be carried out on the temporary export goods. Indicate also the appropriate place (country).</i>		
8. Rate of yield:		
<i>Indicate the estimated rate of yield or method by which that rate is to be determined</i>		
9. Customs office(s)		
<i>Indicate the suggested customs office(s)</i>		
(a) of entry		
(b) of discharge		
10. Identification		
<i>Indicate at least one of the following identification means:</i>		
<input type="checkbox"/> Serial or manufacturer's number <input type="checkbox"/> Affixing of plumbs, clip marks or other distinctive marks <input type="checkbox"/> Taking of samples, illustrations or technical descriptions <input type="checkbox"/> Carrying out of analyses <input type="checkbox"/> Other means of identification (to be specified)		
11. Period for discharge (months)		
<i>Enter the estimated period needed for the operations to be carried out within the outward processing procedure. The period starts when the temporary export goods are placed under the procedure. The period ends when the compensating products have been assigned a new customs approved treatment or use.</i>		

12. Simplified procedures

(a) At entry for the procedure

If it is intended to use a simplified entry procedure, indicate at least one of the following:

- Incomplete declaration**
- Simplified declaration procedure**
- Local clearance procedure**

(b) For discharging the procedure

If it is intended to use a simplified discharge procedure, indicate at least one of the following:

- Incomplete declaration**
- Simplified declaration procedure**
- Local clearance procedure**

13. System (only possible in case of repairs)

Where appropriate, indicate one of the following:

- Standard exchange system without prior importation**
- Standard exchange system with prior importation**

14. Replacement products

Where it is planned to use the standard exchange system (only possible in case of repair), state the eight-digit tariff code, commercial quality and technical characteristics of the replacement products to enable the Customs Service to make the necessary comparison between temporary export goods and the replacement products. The identification means of item 9 may be used to suggest supporting means, which might be useful for this comparison.

Tariff Code	Description

15. Application of section 44.11 of the Customs Code

Where it is planned to use the value-added method of taxation (processing cost as the basis of the value) for the calculation of the duty relief, enter "YES".

Signed

Date

Name

6. Details of planned activities		
Processing operations:		
Country(ies) where the processing operation may be carried out:		
7. Rate of yield:		
8. Customs office(s)		
(a) of entry		
(b) of discharge		
9. Identification measures		
(a) at entry:		
(b) at discharge:		
10. Period for discharge		
11 Simplified procedures		
12. System authorised		
13. Replacement products		
	Tariff Code	Description
14. Application of section 44.11 of the Customs Code		
Stamp	Signature Name	Date