

GUIDELINES

ON

INWARD

PROCESSING

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1. Introduction

1.1 What are these guidelines about?

These guidelines explain how to obtain duty relief on goods imported from outside Kosovo that are processed and re-exported/exported from Kosovo using Inward Processing Relief (IPR).

These Guidelines are not the law. It is UNMIK Customs' view of what the law says and nothing in this notice takes place of the law.

Any person who makes a false declaration or provides untrue information about goods entered to IPR may be liable to penalties under the Customs Code of Kosovo.

1.2 The purpose of IPR

IPR provides relief to promote exports from Kosovo and assist Kosovo processors to compete on an equal footing in the world market.

Duty is relieved on imports of non-domestic goods which are processed in Kosovo and re-exported/exported provided the trade does not harm the essential interests of Kosovo producers of similar goods (economic conditions). It can provide relief from customs duty, VAT, anti-dumping duty, countervailing duty and excise duties.

Processing can be anything from repacking or sorting goods to the most complicated manufacturing.

Relief may also be obtained if IPR goods are received from another approved trader in Kosovo. If a trader disposes of the finished goods other than by re-export/export, he may still be able to claim relief (see Part 9).

1.3 Who can use IPR

- Individuals, partnerships or corporate bodies established within Kosovo, acting on their own behalf or representing a non Kosovo body;
- individuals, partnerships or corporate bodies established outside Kosovo provided imports are of a non commercial nature.

1.4 How IPR works

There are **two systems of duty relief**, suspension system or drawback system. In either case there must be an intention to re-export/export the obtained compensating products from Kosovo and an authorisation to enter import goods to IPR will be required. Goods must be processed within a certain period and records kept for all operations carried out. If the suspension system is used a return (bill of discharge) detailing the receipts and disposals will also be required.

1.5 Suspension system

a) General

Import duties are suspended when the goods are first entered to IPR in Kosovo. If it is planned to re-export all the IPR goods or products, transfer them to another IPR authorisation holder or dispose of them in one of the other ways listed Part 9, suspension is likely to be the most suitable system.

If it is planned to export or transfer only a percentage, suspension can be used for that percentage of the imports/receipts, based on a reasonable estimate. The remainder should be entered for free circulation with full payment of import duty (unless another duty or VAT relief is available).

If more goods under IPR suspension are imported/received than needed for the export market or other eligible disposals, the surplus goods will have to be diverted for free circulation. The suspended import duty will have to be paid and compensatory interest on that duty will also be charged from the date the goods were imported to Kosovo (see Part 11).

The goods listed in paragraph 1.6 (c) must be entered to the suspension system.

b) Conditions for using the suspension system

The following is a list of some of the main conditions which the authorisation holder must meet if he imports, exports, processes or holds goods under IPR suspension system. Failure to comply with any of these conditions could result in payment of duty, prosecution, seizure of the goods, and refusal of relief or withdrawal of his authorisation.

Conditions of IPR suspension	
1	There should be an intention to re-export the goods imported to the suspension system
2	If goods are transferred to an authorisation holder approved for IPR drawback the suspended import duties and compensatory interest must first be paid
3	A return (bill of discharge) must be sent to the supervising office within thirty days of the expiry of a quarter
4	Equivalence must not be claimed unless it is authorised. Equivalence should not be claimed between goods which are not of the same 8 digit commodity code, commercial quality and technical characteristics
5	Customs must be allowed to examine the authorization holder's records and goods at any reasonable time
6	The goods must be re-exported or otherwise disposed of within the time limit (period for discharge) set in the authorization IPR or an extension of the time limit must be applied for

1.6 Drawback system

a) General

Import duties are paid when the goods are entered to IPR. Import duty may be claimed back only if the goods or products are exported, transferred to an IPR suspension authorisation holder or disposed of in one of the other ways listed in Part 9. He will not be able to reclaim duty on goods destroyed under Customs supervision or on any waste and scrap, which results from that destruction.

This system usually suits a person who does not know how much of the goods he receives will be exported because he will not be charged compensatory interest on any goods he releases for use on the Kosovo market.

b) Conditions and restrictions of IPR drawback system

The following is a list of some of the main conditions, which an authorisation holder must meet if he imports, exports, processes or holds goods under IPR drawback system. Failure to comply with any of these conditions could result in his prosecution, seizure of the goods, refusal of relief or withdrawal of his authorisation.

Conditions and restrictions of IPR drawback	
1	a claim must be sent to the supervising office every quarter and within six months of disposing of the goods.
2	equivalence must not be claimed unless it is authorised or between goods which are not of the same 8 digit commodity code, commercial quality and technical characteristics. Prior export equivalence cannot be used.
3	the customs duties cannot be reclaimed from Customs if the goods are he transfered to another IPR drawback trader
4	Customs must be allowed to examine the authorization holder's records and goods at any reasonable time.

c) Goods excluded from the drawback system

- goods subject to quantitative import restrictions;
- goods subject to tariff measures within quotas ;
- goods subject to presentation of an import or export licence ;
- goods for export under prior export equivalence.

1.7 The law on Inward Processing

The law on IPR is contained in the Customs Code of Kosovo and in the Administrative Instruction No. 8/2004 laying down provisions for customs procedures.

2. General information about authorisation

2.1 General

A person needs to be authorised to import or receive IPR goods to be eligible for duty relief. Authorisations are issued to the person who processes the goods or arranges for them to be processed on his behalf. If the holder of the authorisation subcontracts processing, the subcontractor must either hold his own authorisation or be named on the authorisation holders.

2.2 What types of authorisation are there?

There are two types of authorisation:

- a) Simplified: can only be applied for where the processing operations concern only repair or one of the usual forms of handling listed in Part 13;
- b) General: for all operations other than those of a) (see Part 5).

2.3 How long does authorisation take?

If the person concerned applies for a simplified authorization referred to under paragraph 2.2 a), when Customs accept the declaration.

If the person concerned applies for a general authorisation referred to under paragraph 2.2 b) he should be informed of the decision to grant or reject the application within 30 days of UNMIK Customs receiving the application. However, this period will not start until all the necessary information required is received. When an authorisation is issued the person concerned will only be approved to receive goods under IPR that are specified in his authorisation.

2.4 How long does an authorisation last?

The length of time an IPR authorisation can be used will depend on the type of goods and processing involved. Except for simplified authorisations, where the period of authorisation is limited to the period required to process and re-export/export the goods (see Part 4), a general authorisation will not normally exceed 2 years from the date the authorisation takes effect.

2.5 Responsibilities of the authorisation holder

The authorisation holder will be responsible for the duty and associated charges on all goods entered under his authorisation, whether or not he owns them. Other companies included as named processors may only receive, process, dispose or transfer IPR goods as specified in the authorisation.

The authorisation holder will be responsible for ensuring:

- entries on SAD are correctly completed using the appropriate IPR customs procedure codes (CPC) (see Part 6);
- that any processor named on his authorisation or third party such as agents or freight forwarders, who enter IPR goods under the authorisation, are given clear written instructions of the goods to be entered and procedures to be followed (see Part 6);
- the correct transfer procedures are used for IPR goods received or transferred (see Part 7);

- records are kept of all operations carried out under his approval (see paragraph 3.5);
- goods are entered at export, using the appropriate IPR export CPC and for keeping evidence of their disposal (see Part 9);
- the payment of import duty (and compensatory interest) for suspension goods diverted for free circulation (see Part 9);
- returns of receipts and disposals of IPR suspension goods and requests for repayment of IPR drawback goods are made by their due date (see Part 10);
- amendments or alterations to his authorisation are notified in writing to the Director General of UNMIK Customs (see paragraph 2.8);
- for applying to renew his authorisation (see paragraph 2.9);
- security by bank guarantee is provided where required (see paragraph 2.6).

2.6 Does the authorization holder need to provide security?

Security will only be required where import goods are placed under the suspension system.

2.7 Refusal of an application for authorisation

UNMIK Customs are required to issue a decision on the application within 30 days of receipt of all necessary information. 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.

2.8 Can the authorisation be altered or amended?

Yes - if any details of the authorisation holders business (ie name, address or ownership) change, he must advise the Director General of UNMIK Customs. If it involves a change of name or ownership he has to re-apply for authorisation in the new name. As the authorisation holder he must ensure that all details relating to the authorisation remain current and correct.

If he needs to make any changes to the terms and conditions of his authorisation, he must contact the Director General of UNMIK Customs. If appropriate, a new authorisation will be issued.

2.9 How does the authorization holder renew his authorisation?

He should apply in writing to the Director General of UNMIK Customs no later than one month before his authorisation expires. He must advise if any of the relevant facts (on the original application), have changed.

The **authorisation holder** is responsible for applying for a renewal if it is still required. The supervising office does not issue reminders.

2.10 How does the authorization holder cancel his authorisation?

He can cancel his authorisation at any time by writing to the Director General of UNMIK Customs. In his letter he must give the date by which all of his IPR goods will have been correctly disposed of.

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

2.11 Customs checks

The authorisation holder may receive a visit from his supervising office to ensure that his records and systems are adequate for Customs purposes and to clarify details of the goods that he enters and process. During the period of authorisation further visits may be made to inspect his records and to ensure that he is complying with all conditions of the authorisation.

3. Application – conditions and requirements

This Part gives guidance on the various aspects of IPR that need to be considered when completing an application.

3.1 Period for discharge

The period for discharge starts either from the date the authorisation holder imports to IPR or the date goods were transferred to him. He needs to specify on his application the period he requires to meet his business needs. As a general rule the period should not normally exceed one year but in certain industries longer periods may be required (eg for aircraft). Where there are sound business reasons longer periods will be approved. It must be remarked that under the suspension system, it is in the interest of the person concerned to keep the period of discharge as short as possible (for the payment of compensatory interest). **For Simplified authorisations (see section 4) a standard 6 months will apply unless the person concerned indicates a different period on the document that accompanies the declaration for entry for the procedure.**

If, after authorisation, the authorization holder finds he need a longer period he should apply in writing for an extension to the Director General of UNMIK Customs.

The period for discharge ends when the compensating products (see paragraph 3.2) or goods in an unaltered state are re-exported/exported or assigned another customs approved treatment or use which discharges the IPR procedure.

3.2 Compensating products

Compensating products are all the products resulting from processing operations under IPR, including byproducts. When the person concerned applies for an authorisation he must state all the products he obtains from the goods he imports/receives under IPR and indicate which of those products are his main compensating products (MCPs) **and** any secondary compensating products (SCPs). He will also need to state how the IPR goods will be identified in the compensating products.

All products which are a necessary by-product of producing the MCP(s) are secondary compensating products (SCPs), they are not to be treated as waste or scrap. They are not the same as production losses which must be taken into account when establishing the rate of yield for the processing operation being carried out (see paragraph 3.4).

If the person concerned uses production accessories, catalysts or agents etc, see Part 12.

For IPR purposes the term "waste and scrap" only applies to goods destroyed under Customs supervision, see Part 9.

3.3 Reduced rates of duty on secondary compensating products (own rates)

If, as a result of his processing operation, the authorisation holder has SCPs and put them on the Kosovo market, he will generally pay duty at the rate appropriate to the goods originally imported. He may however be able to pay a reduced or nil rate of duty ie the rate applicable had the SCP itself been imported. This rate is referred to as the "own rate" but can only be considered in proportion to the quantity of MCPs exported from Kosovo.

The authorisation will state whether any SCPs he produces may be eligible to an own rate. The list of SCPs to which own rates of duty could be applied are set out in Annex 3 of the Administrative Instruction No. 8/2004 laying down provisions for Customs Procedures.

To find the duty rate he should look in the Kosovo Customs Tariff under the tariff code for the SCP.

3.4 Rate of yield

Rate of yield is the quantity of compensating products made from a unit quantity of import goods entered to IPR. This can include production accessories or catalysts not found in the compensating product, see Part 12.

The expected rate of yield or the method by which it will be calculated must be specified in the application. How the rate will be established will be confirmed in the authorisation. If his application includes more than one processing operation, the person concerned must give the rate of yield for each processing operation taking account of:

- the quantity of main compensating products (MCPs) produced ie products for which use of IPR is applied for;
- the quantity of any other products that are a necessary by-product of producing the MCP(s) ie secondary compensating products;
- goods lost or used up during processing (production losses) such as loss through evaporation, desiccation, venting as gas or leaching; and
- (if applicable) the quantity of production accessory used to aid the production of IPR goods.

If the person concerned disposes of the same goods as he receives, the rate of yield is 1:1. This is likely for goods for repair or for minor activities under **usual forms of handling** (see Part 13).

If the person concerned receives many different IPR goods to make a single product, then the rate of yield is expressed as so many of each IPR item to one product he exports or disposes of, for example, 1 metre of cloth, 0.75 metre of cotton and 6 buttons to each shirt. It will also help if he provides a “bill of materials” for each compensating product. The bill of materials should show the quantity of each type of import good used to produce one unit of each type of compensating product. This will also enable Customs audit staff to check his records more quickly and accurately.

If the person concerned receives one IPR item which is split up into many different products, the rate of yield is expressed as the quantity of IPR item that produces so much of each product (main compensating products) and what is left as a result of producing those products (secondary compensating products) eg. 1000 kg of timber produces 14 tables, 12 chairs and 2 bookcases (MCPs) and 50 kg of wood/waste/cuttings/sawdust (SCP).

In certain cases the rate of yield may be explained in an “explanatory note” on the compensating products. An explanatory note will indicate the type and quantity of import goods used for the production of 1 unit (1 specimen, 100 litres, 100 kilo’s. etc.) of compensating product at serial production and in normal circumstances. The rate of yield from the authorization may in that case refer to the explanatory notes on the compensating products

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 his production records

as the basis for establishing the rate. If he has entered the rate of yield on the application form and the rate of yield changes or is incorrect, he must inform the Director General of UNMIK Customs immediately.

3.5 Records

The authorisation holder must keep records of all goods he enters to IPR. These must show:

- details of the quantities of import goods entered to IPR. If the authorisation restricts the quantity or value of goods on which he may claim IPR, it will be his responsibility to ensure that he does not exceed those limits. He will therefore need to ensure that his records enable him to monitor the amount of goods he enters to IPR;
- what import goods are entered ie the commercial or technical description of the goods sufficient to identify them (this should correspond to the description of goods that will be stated in his IPR authorisation);
- when and where import goods were entered to IPR, including transfers received and documents relating to their entry;
- where all import goods and compensating products held under the authorisation are held at any time, including any movement of import goods and compensating products to or between operators specified in the authorisation;
- what processing is carried out on the import goods;
- locations where processing takes place;
- how import goods entered to IPR are identified in the compensating product, for example manufacturer's marks, serial numbers, plumbs, seals, clip marks, other marks fixed to the compensating product, samples, illustrations, technical descriptions, analysis or other supporting documents that clearly show the compensating product has been manufactured from the IPR goods;
- production data that establishes the rate of yield achieved ie how many products are produced, including any secondary compensating products (by-products); and
- when and where goods were exported or disposed of, including documents relating to their disposal.

3.6 Using normal commercial records

The authorization holder can normally use his commercial records but Customs may ask him to adapt them to provide the information needed to claim relief.

If he intends to keep computerised records he must advise Customs when he applies for authorization, to ensure that these records meet the requirements of IPR. He will be required to provide any technical information and assistance Customs may need in order to check.

3.7 How long records must be kept for

The authorisation holder must keep his records for three years after he disposes of the goods.

4. Simplified authorisation

4.1 When can a simplified authorisation be used?

This may suit a person if he only makes occasional imports to IPR and processing operations concern:

- one of the usual forms of handling (see Part 13); or
- repair (including overhaul and adjustment).

It can also be used to remove goods from a customs warehouse in order to carry out the above processing operations.

Application is made on an import declaration IM 5 or IM 4, accompanied by a document (see paragraph 4.3).

4.2 Are there any other restrictions on the use of simplified authorisation procedures?

The simplified procedure of paragraph 4.1 cannot be used where the application involves equivalent goods (see Part 8).

4.3 How does the person concerned apply?

Application prior to entry to IPR is not necessary

Each time the person concerned enters goods to IPR he will need to complete a SAD (IM5 – suspension or IM 4 - drawback) accompanied by two copies of a document containing at least the following information:

- the name and address of the applicant, the declarant and the operator;
- the nature of the processing of the goods;
- a technical description of the import goods and compensating products, and the means of identifying both of them;
- the estimated rate of yield or the method by which that rate is to be determined;
- an estimated period for the discharge of the procedure;
- the place of processing;
- the proposed transfer formalities, if any.

The declaration IM 5 or IM 4 has to be completed in accordance with the provisions of Part 6 Acceptance of the declaration will be the authorisation, the authorization number will be the declaration number. A third party who has the written permission of the person concerned to enter the import goods on his behalf may also complete and sign the declaration (see paragraph 6.2).

A person entering goods on a regular basis to IPR for repair or one of the usual forms of handling may also apply for a general authorization (see Part 5).

5 General authorisation

5.1 When might a general authorisation be needed?

This type of authorisation may be applied for if the processing operations concern operations other than those from Part 4 or processing operations from Part 4 which are carried out on a regular basis.

5.2 Basic conditions for authorization

Before UNMIK Customs grants an IPR authorization they must be satisfied that:	
1	the applicant is established in Kosovo
2	the import goods can be identified in the compensating products (for example by means of samples, illustrations, technical specifications and so on)
3	the economic conditions are fulfilled
4	the applicant has the intention of re-exporting/exporting the main compensating products
5	they have sufficient resources to oversee the setting up of the IPR procedure and also to carry out the necessary checks on the authorization holders control systems and records and on the goods entered for the procedure

5.3 How does the person concerned apply for a general authorisation?

He should apply at least two months in advance.

He needs to complete the form in Part 14. The completed and signed application must be sent to the Director General of UNMIK Customs. If the application covers more than one company in Kosovo, details of the goods to be entered and operations to be carried out by each processor, including the sequence and locations must be given.

If exceptionally he wishes to import or receive goods before the result of his application is known, he should contact UNMIK Customs.

If agreed he will be issued with an authorisation detailing any conditions relating to its use and an IPR authorisation number. The authorization shall be made out on the form in Part 15. The Customs office responsible for the authorisation will be the supervising office.

The authorization number should be quoted on all official IPR documents and in any correspondence with UNMIK Customs.

5.4 Customs visits

UNMIK Customs will arrange to visit the applicant to confirm and clarify the information he has given them on his application form. This gives them the opportunity to explain the inward processing procedure in more detail by advising the applicant of what he has to do, for example, keeping records. In turn, this visit enables the applicant to raise any points that he does not fully understand.

During the period of the authorisation further visits may be made to inspect or audit the records to ensure that the authorization holder is complying with all the conditions of his authorisation.

6. Importation and entry procedures

This Part explains how to import/enter goods using IPR suspension system and IPR drawback system.

6.1 How to enter goods to IPR?

An entry on a SAD with the following information must be completed:

Box	Information to enter
1	in the first subdivision "IM" and in the second subdivision the code 5 for the suspension system and the code 4 for the drawback system
8	the name, address and VAT number of the holder of the authorisation
31	the detailed description of the goods as required to be given in the authorization
33	the tariff code for the goods entered in box 31
37	a Customs Procedure Code (CPC) in the 51 (suspension system) or 41 (drawback system) series. The second two-digit code (previous procedure) used will depend on whether the goods are imported directly from outside Kosovo (00) or subsequent to another procedure (for example customs warehousing 71, another inward processing procedure-suspension system 51)
44	the references (number and date) of the IPR authorization and the code of the supervising office
47	the calculation of the duty. In the suspension system a security for that amount must be provided, in the drawback system that amount must be paid
54	the type of representation (direct or indirect), see paragraph 6.2
D/J	the identification measures applied, the period for discharge (period for re-export/export) according to the period given in the authorization and where appropriate, the prolongation of this period. This data will be inserted by a Customs officer and supported by the Customs stamp

If goods are entered to the drawback system a valuation declaration D.V. 1 will be required if the value of the imported goods in a single consignment exceeds €5,000.

If goods are entered to IPR under a simplified authorisation an accompanying document will also need to be completed (see paragraph 4.3).

6.2 Authorising a third party to act on the authorization holder's behalf

The authorization holder can use a third party, such as an agent or freight forwarder, to complete the entries on his behalf, but he must ensure that he gives **clear written instructions** for the goods to be entered to IPR. Representation may be either direct or indirect:

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

The authorization holder must ensure that the third party sends him a copy of the entry to check that the details and IPR CPC used are correct.

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

6.3 Can an entry be amended?

Yes, if goods are entered in error to another customs procedure or to free circulation instead of IPR the person concerned may be allowed to amend the entry provided:

- the application for amendment is received as soon as he becomes aware of the error and within 3 months of the date of entry;
- he was authorised at the time of entry;
- use of the goods has not contravened the conditions of IPR, and
- the goods will immediately be entered to IPR.

6.4 How does the person concerned amend an entry?

He needs to contact the customs office where the original entry was made and send a copy of the original documentation together with any evidence, including a copy of his IPR authorization, to support his request.

6.5 Goods subject to preference, import licensing or other import restrictions

If preference is available at importation it cannot be claimed when goods are entered to IPR, suspension system. Any preferential rate of duty may however, be claimed if goods are diverted to free circulation provided preference is also available at the time of diversion (see paragraph 9.7 (d)).

Licensable goods subject to quantitative restrictions, goods subject to tariff quotas or other quantitative import restrictions etc. cannot be entered to IPR drawback system, they must be entered under IPR suspension.

6.6 What about goods that need an import licence?

If goods, which normally require an import licence, are imported they can be entered them to IPR suspension system without presentation of a licence. However, the person concerned will need to obtain a licence if he diverts licensable goods to free circulation, see paragraph 9.6 (c).

7. IPR transfers

7.1 General

The IPR authorization shall specify whether and under which conditions the movement of goods placed under the inward processing procedure between different places may take place (transfer). These transfers shall be subject to the keeping of records.

7.2 Types of transfers and conditions

(a) Transfer between different places designated in the same IPR authorization may be undertaken without any customs formalities. The transfer must be entered in the stock records.

(b) Transfer from the office of entry for the procedure to the authorization holder's or operator's facilities may be carried out under cover of the declaration for entry for the procedure IM 5 (suspension system) or IM 4 (drawback system).

Where the transfer was authorized in accordance with Article 8.3 of the Administrative Instruction laying down provisions for Customs Procedures, a reference to that Article 8.3 should be given in box 44 of the IM 5 or IM 4.

(c) Transfer to the office of exit with a view to re-exportation/exportation may take place under cover of the inward processing procedure (export declaration EX 3). In this case, the procedure shall not be discharged until the goods declared for re-exportation have actually left Kosovo (see Part 9).

The proof that the goods declared for re-exportation have actually left Kosovo may be provided by copy 3 of the SAD, endorsed by the customs office of exit, certifying the physical departure of the goods. Where a simplified procedure for re-exportation is used, the office of exit may also certify the physical departure on a commercial or administrative document.

Where the discharge was authorized in accordance with Article 8.4 of the Administrative Instruction laying down provisions for Customs procedures, a reference to that Article 8.4 should be given in box 44 of the EX 3 or on the commercial or administrative document.

8. Equivalence

This Part concerns equivalence, including prior export equivalence and how it is used.

8.1 What is equivalence?

This is a procedure that can allow a person to use identical free circulation goods in place of IPR goods for processing and re-export/export. It must not be used to offset exports of free circulation goods in order to reduce import duty bills on non-domestic imports for use on the Kosovo market.

IPR and free circulation goods held in a common stock can make the use of IPR more flexible:

- removing the need to distinguish between IPR and free circulation goods;
- when the person concerned may not have IPR goods on hand but does have identical free circulation goods available;
- by enabling the person concerned to draw from a common stock of identical IPR and free circulation goods; and
- by simplifying the record keeping requirements, as the person concerned need only keep a balanced account of exported goods against IPR imports (provided he does not differentiate between the goods for any reason).

A variation of equivalence is available which permit a person to use equivalent goods before he imports goods under IPR. These is called prior export equivalence but can only be used by suspension traders who import/export goods, see paragraph 8.7.

8.2 What conditions apply to equivalence?

If the person concerned considers use of equivalence the following points must be taken into account:

- if he does not export any of his imports it must not be because his non-Kosovo or Kosovo customer differentiates between the goods, for any reason;
- he will need to provide evidence that clearly demonstrates that the free circulation goods are exactly the same. Only in certain situations may goods differ, any difference must not itself be a characteristic or factor that changes its use or affects its acceptability to his customer eg colour (where colour is a factor eg clothing, any difference would not be acceptable).

8.3 How does the person concerned know when goods are equivalent?

To be equivalent goods, must be exactly the same as the goods he is authorised to import to IPR. They must be of the same commercial quality, technical characteristics and Tariff sub-heading (ie they share the same first 8 digits of the commodity code). The goods which he substitutes for the imported IPR goods can be:

- imported goods from the same source which he has entered to free circulation;
- goods imported from other sources which he has entered to free circulation; or
- goods obtained from domestic sources which are already in free circulation.

To help the person concerned decide whether product A is equivalent to product B, he must consider the questions:

- are A and B mutually interchangeable?
- would a Kosovo and non-Kosovo customer ordering A (or a compensating product containing A) accept B (or a compensating product containing B) instead and vice versa?
- do you differentiate between A and B for any reason?

If the answer to the first two questions is "yes" and to the third "no", then assuming that A and B share the same first 8 digits of the commodity code, they will usually be equivalent for IPR purposes.

When the person concerned applies to use equivalence the information he provides must be sufficient for a comparison to be made between the goods. He must state factors common to the equivalent goods and the goods he enters to IPR and suggest how this can be checked eg technical specifications, samples.

8.4 Using goods at a more advanced stage of processing than the import goods

This can be allowed provided the person concerned carries out the essential part of the processing on the equivalent goods or it is carried out on his behalf by an operator named in his authorisation. He will need to demonstrate:

- the more advanced stage goods were manufactured from goods which would qualify as equivalent as the goods he is authorised to import;
- that he or an operator named on his authorisation carries out the same processing on the goods as the processing he is approved to do under IPR;
- that compensating products he obtains from the goods at a more advanced stage are the same as those he is authorised to produce under his authorisation; and
- the process takes place at his premises or at an operators premises named on his authorisation.

8.5 Authorisation to use equivalence

If the person concerned wants to use equivalence or prior export equivalence he must have prior authorisation to do so. Equivalence cannot therefore be used in conjunction with a simplified authorisation.

When he applies, he must complete Box 15 (and 16 where appropriate) on the application form, see Part 14. In all cases, equivalence is subject to Customs approval that the goods remain equivalent. When prior export is to be used the authorisation will also specify the period within which the replacement goods must be entered to IPR.

8.6 How equivalence can be used

- **Common stocking** – as the person concerned does not have to keep imported IPR goods separate from the equivalent goods they can be stored together, it does not matter if he cannot differentiate between them. Goods sent for export will still be counted against the stock record balance of IPR goods.
- **Replacement parts** - if the person concerned imports goods for repair etc he can export a replacement part which he has repaired previously.
- **Goods not held in common stock** – the person concerned can claim equivalence in other circumstances, that is where the goods are not in a common stock. If he differentiates between the goods for any commercial reasons, the supervising office will want to know why, in order to decide if they will qualify as equivalent to the IPR goods.

8.7 What is prior export equivalence (EX/IM)?

This is a procedure that allows the export of products made from equivalent goods to take place **before** the import of IPR goods ie export before import.

Prior export can be of use to the person concerned in a number of ways:

- **Urgent export** - if he receives an order but does not has any IPR goods in stock, he can (provided he is approved) export immediately, using equivalent goods drawn from his duty-paid stock. He can then import replacement goods to IPR and use them as he wishes without paying duty.
- **Occasional exports** - if he only occasionally has export sales, or export sales are a small proportion of his total sales, it may not be practicable to apportion imports in advance to IPR and free circulation. He can import goods to free circulation initially, wait until he has exported products and then import goods to IPR to replace the goods exported from his duty-paid stock.
- **Apportioning of imports** - if he is entering goods to IPR on the basis of a reasonable estimate of his export needs and he finds he has underestimated his IPR needs, he simply supplies export markets with products made from free circulation materials. When he next imports, he can enter a higher proportion to IPR, as he already has a "credit" of prior exports.

Prior export equivalence cannot be used for goods held under IPR drawback system.

8.8 How to export equivalent goods?

By presenting an export declaration EX 3 on SAD ensuring that "EX" is entered in Box 1 and CPC 31 51 is quoted in Box 37. In Box 44, the authorisation number and the code of the supervising office must be entered. Further information about completing the export declaration is given in Part 9.

8.9 Time limits for importing the replacement goods (EX/IM)

For most goods the person concerned must import within 6 months of export. If this proves difficult he can apply to the supervising office explaining the reasons for needing an extension. An extension can only be considered to a maximum total period of 12 months.

When the person concerned imports replacement goods to IPR he must present an import declaration IM 5 on SAD, quote CPC 51 00 in box 37 and complete as a normal IPR import entry (Part 6).

8.10 What is the customs status of the goods imported and exported under equivalence?

Equivalent domestic goods assume the customs status of IPR goods (non-domestic status), when the export declaration is accepted and IPR export procedures (EX 3) apply to them.

Under prior export equivalence (EX/IM), although in free circulation, the equivalent goods assume the customs status of IPR goods when the export declaration is accepted and IPR export procedures apply to them. The replacement goods change status and become domestic goods when the import declaration is accepted and they are released.

The use of equivalence or prior export equivalence does not change the origin of the exported goods, which retain their true origin.

9. Export and other eligible disposals

When the authorization holder or operators named on the authorisation enter goods to IPR, the authorization holder becomes responsible for the import duty on them. This Part explains the various ways the authorization holder can discharge his IPR liability.

9.1 Discharging IPR

When goods are entered to IPR drawback system the authorization holder pays import duty, when he enters goods to suspension, as the authorisation holder, he accepts responsibility for the unpaid import duty. This applies whether or not he takes ownership of the goods.

Accounting procedures

If the authorization holder has entered goods under several declarations and he is unable to determine which compensating product has been produced from which imported goods, he can discharge his duty liability on **a first in first out basis**.

9.2 Eligible disposals

The authorization holder can reclaim the duty on drawback goods or discharge his IPR liability on suspension goods, if he disposes of the goods in one of the following ways:

- export the goods from Kosovo;
- transfer the goods either to another customs procedure or to another operator authorised to use one of those procedures eg a Customs Warehousing (CW), Free zone (FZ), Processing under Customs Control (PCC), Temporary Importation (T.I.);
- transfer goods to another IPR authorisation holder in Kosovo;
- transfer the goods to a Customs approved use such as duty free shops at international airport, KFOR, Embassies, UNMIK, UNHCR, Red Cross and Red Crescent Societies and NGOs registered with UNMIK with public benefit status;
- divert goods to the Kosovo market with payment of import duty and compensatory interest (suspension goods);
- destroy goods under Customs supervision (suspension goods only).

For suspension goods the authorization holder will be required to complete a return of receipts and disposals (bill of discharge) to account for his goods periodically (quarterly). For drawback goods the authorization holder will need to complete a return detailing the receipt and disposal of goods (repayment claim) on which he is seeking a repayment of duty (see Part 10).

9.3 Exporting goods outside Kosovo

a) Completion of the declaration

To discharge the IPR procedure by re-export or export, an export declaration consisting of copies 1, 2 and 3 of the SAD must be presented to Customs at the office of discharge. In particular the following boxes must be completed with the following information:

Box	Information to enter
1	in the first subdivision "EX" and in the second subdivision the code 3
8	the name and address of the person or company concerned and their VAT number, if any. This can be a person/company other than the authorisation holder
31	the detailed description of the goods (compensating products or goods in an unaltered state) as required to be given in the authorisation
33	the tariff code for the goods entered in box 31
37	a Customs Procedure Code (CPC) in the 31 serial. For suspension goods 3151, for drawback goods 3141
40	the references (number and date) of the declaration IM 5 or IM 4 with which the import goods were entered for the IPR procedure
44	the references (number and date) of the IPR authorization and the code of the supervising office
54	the type of representation (direct or indirect) see paragraph 6.2

b) Evidence for re-export/export

Goods re-exported/exported are not to be written off in the IPR records until satisfactory evidence of re-export/export has been received. This evidence should be copy 3 of the export declaration endorsed by the customs office of exit, certifying the physical departure of the goods.

c) Moving goods to the office of exit under the IPR procedure

Customs can allow, as part of the IPR authorisation, the movement of goods from the premises of the authorization holder or the operator to the office of exit under the IPR procedure (see paragraph 7.2 (c)). This has the advantage of not requiring a Transit declaration to cover the movement of the goods to the point of exit from Kosovo.

However, the authorization holder remains responsible for the goods and his liability ends only when he obtains appropriate evidence that the goods have been re-exported/exported (see paragraph 9.3 (b)). This evidence should be retained by the authorization holder.

Otherwise, he must use the Transit procedure to move the goods from his premises or from the operator's premises to the office of exit (see paragraph 9.4).

9.4 Exporting goods from Kosovo using the Transit Procedure

The authorization holder may use the Transit procedure if he wants to move the goods to another place in Kosovo.

The Transit declaration needs to be presented at an office of departure (usually the office of discharge). The authorization holder must not allow goods to leave the premises until he has received evidence that Customs have accepted the Transit declaration and released the goods. The evidence is a copy of the Transit declaration certified by Customs.

Failure to provide this information will mean that the authorization holder has not fulfilled his responsibilities under his IPR authorisation and could make him liable to any duties due.

9.5 Transferring goods within Kosovo

When IPR goods are transferred within Kosovo, IPR liability will not be discharged until the goods have been received and entered to the new procedure/eligible destination. There must also be an intention to subsequently re-export/export the goods.

a) Transferring goods to Customs warehousing (CW), Free zone (FZ), Processing under Customs Control (PCC), Temporary Importation (TI), Inward Processing (IPR) and Duty Free Shops

To discharge the IPR procedure by one of the above transfers, a declaration consisting of copies 6, 7 and 8 of the SAD must be presented to Customs. In particular the following boxes should be completed with the following information:

Box	Information to enter
1	in the first subdivision "IM" and in the second subdivision the code 7 for CW (including Duty Free Shops) and FZ, 9 for PCC, 5 for TI and IPR
8	the name and address of the person or company receiving the goods and their VAT number, if any.
31	the detailed description of the goods (compensating products or goods in the unaltered state) 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 Code (CPC): - for CW (including Duty Free Shops): 7151 (suspension goods) or 7141 (drawback goods) - for FZ: 7851 (suspension goods) or 7841 (drawback goods) - for PCC: 9151 (suspension goods) or 9141 (drawback goods) - for TI: 53 51 (suspension goods) or 5341 (drawback goods) - for IPR: 5151 (suspension goods) or 5141 (drawback goods)
40	the references (number and date) of the declaration IM 5 or IM 4 with which the import goods were entered for the IPR procedure
44	- the references (the number and date) of the IPR authorization and the code of the supervising office - the status of the goods as IPR goods (IP/S or IP/D, as appropriate)
54	the type of representation (direct or indirect) see paragraph 6.2

If goods transferred to one of the above procedures are subsequently diverted to the Kosovo market, the period spent under the procedure concerned will be included for charging compensatory interest.

Before the authorisation holder allows the goods to be removed from his premises or from the premises of an operator, he must have evidence that they have been entered for the new procedure. This evidence will be a copy of the declaration IM 5, IM 7 or IM 9, certified by Customs.

b) Transferring goods to KFOR, UNMIK, UNHCR, Red Cross and Red Crescent Societies and NGOs registered with UNMIK with public benefit status;

The authorization holder will need to get a stamped receipt from the armed forces base or organization concerned, and keep the receipt with his IPR records as evidence of discharge.

c) Sales to Embassies, Consulates, etc.

For supplies made to Embassies within Kosovo, a receipt on embassy headed paper should be obtained and kept as evidence of discharge.

d) Use in tray type meals - (meals delivered direct for export from Kosovo on flights outside Kosovo).

The authorisation should state how the transfer should be made and what evidence of disposal will be required. This will usually be commercial documents with a stamped receipt from the aircraft noting the flight number.

9.6 Diverting IPR suspension goods to the Kosovo market

a) General

If the authorization holder supplies IPR suspension goods, including any products he makes from them, for use on the Kosovo market he must pay import duty and compensatory interest on the amount of customs duty (see Part 11). If only some of his compensating products are diverted for free circulation he will pay a corresponding proportion of duties suspended.

The authorization holder will need to present a diversion entry (SAD) using CPC 40 51 to the office of discharge and pay the amounts due. This can be done at the time of diversion or if he has been approved to release goods on a general basis, at the time his suspension return is due. Goods released for free circulation on a general basis, with periodic submission of diversion entries, may incur additional compensatory interest charges.

b) Completion of the declaration

To discharge the IPR procedure by diversion of suspension goods to the Kosovo market a declaration consisting of copies 6, 7 and 8 of the SAD must be presented to office of discharge. In particular the following boxes should be completed with the following information:

Box	Information to enter
1	in the first subdivision "IM" and in the second subdivision the code 4
8	the name and address of the person in whose name the duty will be paid and their VAT number, if any. This may be a person other than the authorization holder
31	the detailed description of the goods (compensating products or goods in the unaltered state) as required to be given in the authorisation
33	the tariff code for the goods entered in box 31
37	the Customs Procedure Code (CPC) 4051
40	the references (the number and date) of the declaration IM 5 with which the import goods were entered for the IPR procedure
44	the references (the number and date) of the IPR authorization and the code of the supervising office
47	the amount of duty, VAT and compensatory interest
54	the type of representation (direct or indirect) see paragraph 6.2

Note: In case of diversion of compensating products to the Kosovo market, boxes 15, 16, 34, 41 and 42 of the declaration IM 4 must refer to the import goods at the time of their first entry to IPR in Kosovo and not to the compensating products.

There is no need for a separate diversion entry for each individual importation involved. However a separate continuation sheet section (Boxes 31 - 46) must be used for each different commodity code and country of origin. Only one calculation of taxes section (Box 47) needs to be filled in on each declaration. This may be in a skeleton format with worksheet(s) attached.

c) Diverting goods subject to import licence restrictions

If the authorization holder intends to divert IPR suspension goods or products which are subject to license restrictions (see paragraph 6.6), he must first obtain a licence. The licence must be presented with the diversion entry. Licensing requirements apply to the description by commodity code of the goods as first imported into Kosovo ie the "import goods" and not to their classification following inward processing (compensating product). Box 31 of the declaration IM 4 must be endorsed "Commercial policy" and "IP/S goods".

d) Duty due on IPR goods diverted to the Kosovo market

The import duty due will be determined on the basis of how much "import goods" are in the goods the authorization holder is diverting. He may be able to pay less duty if the imported goods qualified for preferential tariff treatment when they were imported, provided the same treatment is available for identical goods at the time he diverts to free circulation.

e) Charges for secondary compensating products (SCPs)

Where the authorization holder wishes to divert secondary compensating products (by-products) to the Kosovo market, he can benefit from "own rates" for the products which are taken up on the list contained in annex 3 of the Administrative Instruction laying down provisions for Customs Procedures.

The own rate may only be applied:

- to the quantity of SCPs that corresponds with the quantity of main products that is exported from Kosovo eg if the authorization holder exports 90% of his MCPs he can use the own rate for up to 90% of the SCP that he releases for use on the Kosovo market;
- to SCPs which result from the corresponding processing operations stated in column 3 of the list of the above annex.

SCPs not complying with the above conditions shall be subject to the duty rate applicable to the goods originally imported.

9.7 Destruction

(a) Suspension goods. If goods are found on or after entry to be defective, contaminated, obsolete or otherwise unusable, or the authorization holder has processed goods which he wishes to destroy, he may do so without payment of the duty if waste and scrap resulting from destruction has no commercial value. If waste and scrap resulting from destruction has a commercial value, customs duty and import VAT will be charged on the value and at the rate applicable to the waste and scrap.

To remove goods from IPR procedure for destruction, the authorization holder must declare the goods to the office of discharge on a SAD. In particular the following boxes should be completed with the following information:

Box	Information to enter
1	in the first subdivision "IM" and in the second subdivision the code 9.
8	the name and address of the person concerned and his VAT number, if any.
31	- sufficient description of the goods to enable them to be identified; - details of the intended place and means of destruction.
33	the tariff code for the goods entered in box 31
37	the Customs Procedure Code (CPC) 9351
44	the references (the number and date) of the IPR authorization and the code of the supervising office

Before the authorization holder allows the goods to be removed from his premises or from the premises of an operator, he must have evidence that they have been entered for the new procedure. The evidence is a copy of the declaration IM 9 concerned, certified by Customs and indicating whether or not they wish to attend the destruction.

(b) Drawback goods no relief is available for goods destroyed.

9.8 Customs Debt

A customs debt will be incurred:

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

If the authorization holder fails to meet an obligation required under his IPR authorisation he may be denied relief of duty.

Interest for late payment may 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 €10. This should not be confused with compensatory interest which is due on IPR suspension goods diverted to free circulation, see Part 11.

10. Suspension returns (bill of discharge) and Drawback repayment claims

This Part explains what returns must be made to Customs to discharge IPR suspension system and how to reclaim duty paid on drawback goods.

10.1 Suspension returns

The authorisation holder must complete a suspension return and send it to the supervising office to account for the goods he receives and disposes of under IPR.

If he entered goods using a simplified authorisation he must enter the details on the reverse of copy No. 8 of the declaration IM 5 that was completed when the goods were entered. The return must reach the supervising office within 30 days of the date the goods were disposed of.

For general authorisations he should use the form in paragraph 10.3 or any other document (own schedules, either manually or computer produced) providing identical information. The authorization holder must show quarterly what IPR goods he imported or received from other authorisation holders and where he sent them after processing. The form must reach the supervising office within or within 30 days of the end of each quarter. A form must be provided for each type of import good.

Import duty and compensatory interest is due if he fails to submit returns. It is his responsibility to ensure that returns are submitted in time. Customs will not send reminders.

Where he has failed to submit a return within the required time scale he may apply to the supervising office for an extension. However, approval is not automatic and he will need to show that there are special circumstances which warrant such an extension before it is granted.

10.2 Claiming repayment of customs duty on IPR drawback goods

After the authorization holder has dealt with the goods in one of the ways detailed in Part 9, he may fill in a claim on the form in paragraph 10.4 or any other document (own schedules, either manually or computer produced) providing identical information. The claim must be send quarterly to the supervising office. The form must reach the supervising office the latest within 6 months of export or eligible disposal of the goods.

It is the authorization holder's responsibility to submit his repayment claims in time. No reminders will be sent. Where he has failed to submit a claim within the required timescale he may apply to the supervising office for an extension. However, approval is not automatic and he will need to show that there are special circumstances which warrant such an extension before it is granted.

10.3 Suspension return

INWARD PROCESSING RELIEF – DUTY SUSPENSION RETURN

Authorization number:

Period of claim: fromYear.....
ToYear.....

Company name and address:
.....
.....

Import goods:(description) **Tariff code:**

Section A – Goods placed under IPR during the above period

References (number and date) of the declaration IM 5 (*)	Total quantity	Total value

Section B – Disposals eligible for duty relief during the above period

Description of compensating products including the tariff code	Total quantity	References (type, number and date) of the discharging declaration

Section C – Goods diverted to free circulation

Description/tariff code	Quantity	References (number and date) of the declarations IM4	Duty due	Compensatory interest due

DECLARATION: I declare that the information contained on this return is true and complete.

Signature

NameDate.....

Position in the company.....(Director/Company Secretary/Authorised Signatory)

(*) First line to be used for the balance of the previous quarter

10.4 Drawback claim

INWARD PROCESSING RELIEF – DRAWBACK CLAIM

Authorization number:

Period of claim: fromYear.....
 ToYear.....

Company name and address:

Import goods:(description) **Tariff code:** **Duty rate:**

Section A - Goods placed under IPR during the above period

References (number and date) of the declaration IM 4	Total quantity	Total customs value	Total duty
(*)			

Section B – Details of disposals eligible for repayment during the above period

References (type, number and date) of the discharging declaration	Description compensating products/tariff code	Quantity import goods discharged	Customs value import goods	Total duty that may be claimed back

Total claim	€
--------------------	---

I declare that the particulars entered on this claim are true and complete, the conditions of the authorization have been met and no other claims for these goods has been submitted.

Signature

NameDate.....

Position in the company.....(Director/Company Secretary/Authorised Signatory)

(*) First line to be used for the balance of the previous quarter

11. Compensatory interest

This Part explains about compensatory interest which must be charged on the amount of import duty when suspension goods are diverted to the Kosovo market. This includes transfers of suspension goods to drawback.

11.1 Why compensatory interest is charged?

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

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

11.2 How compensatory interest is calculated?

Compensatory interest is calculated from the first day of the month following the date of first entry to IPR suspension in Kosovo, 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 discharging period and no extension has been requested, the debt will be incurred on the day following the date the discharging period expires. If the authorization holder has IPR suspension goods which were previously entered to IPR drawback, the charging period starts from the first day of the month following the month in which the repayment claim under drawback was made.

The minimum charging period is one month, no interest is due for periods less than one month. Where ex IPR suspension goods are transferred to a customs warehouse, Free Zone, Temporary Importation or Outward Processing before diversion, any time spent in the other suspensive procedure is included in the charging period.

11.3 Compensatory interest rate

Compensatory interest rates are set on a 3 month rate and published by the BPK.

The rate applied will be the rate 2 months before the month in which a customs debt is incurred and applies to the whole period for which interest is due.

11.4 Payment of compensatory interest

The compensatory interest must be paid on the declaration IM 4 when the import duty is paid. The CPC 40 51 will need to be quoted in box 37 and box 47 show the amount of interest.

11.5 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;
- the goods are released for free circulation to obtain a preference certificate (EUR1, invoice declaration or suppliers declaration) for export to a preference-giving country;

- goods are destroyed under Customs supervision and the resultant scrap and waste is released for free circulation;
- secondary compensating products listed in Annex 3 of The Administrative Instruction laying down provisions for Customs Procedures which are eligible to be charged at their "own rate" due to export of the main compensating products, are diverted; or
- the authorization holder can prove that a firm export order has been lost due to circumstances beyond his control. He must forward to the supervising office written evidence to support his claim;

Note - If the authorization holder wishes to divert goods whilst his claim is being considered he must provide security to cover the full amount of potential interest.

- cash security at least equal to the amount of duty due has been paid;
- goods are placed under Temporary Importation relief with partial relief from import duties.

11.6 Examples of interest calculations

a) Example 1

Electric motors imported under IPR suspension for assembly of washing machines.
Rate of yield = 1:1

8/4/2004: 1000 motors imported

Customs duty suspended = €1000

19/8/2004: 600 washing machines (containing 600 motors) diverted to the Kosovo market.

Diversion entry should be presented for 600 washing machines:

CPC 40 51

Customs duty €600

VAT 15% €90

Interest rate 10% per annum from 1/5/2004 to 31/8/2004 (4 months):

$€90 \times 10/100 \times 4/12 = €23$

b) Example 2

Integrated circuits (ICs) and resistors imported under IPR suspension for TV assembly. Rates of yield = Ics 10:1, resistors 20:1

1/8/2004: 1000 ICs imported, import duty suspended = €1000

15/9/2004: 5000 resistors imported, import duty suspended = €250

28/9/2004: 48 TVs (containing 480 ICs and 960 resistors) transferred to an IPR drawback trader

Import duty on ICs €480

Interest rate 10% per annum chargeable from 1/9/2004 to 30/9/2004

(1 month) = $€480 \times 10/100 \times 1/12 = €4.00$

No interest is chargeable on this diversion as the total interest due is below the de minimus of €20 (see paragraph 11.5).

Import duty on resistors = €48. No interest is chargeable on the diversion of resistors as the charging period is less than one month

12. Production accessories

12.1 Production accessories, catalysts and agents

The authorization holder can use IPR to obtain relief from customs duty on goods which are not found in the compensating products but which allow or facilitate their production. This applies even if they are entirely or partially used up in the process eg:

- chemical reaction accelerators, retarders or arresters;
- goods needed to protect products during or after their working; or
- goods needed to create the physical or chemical environment essential to the performance of certain processing operations.

These may not however include the use of:

- fuels or energy sources other than those needed for the testing of compensating products or for the detection of faults in import goods needing repair;
- lubricants other than those needed for the testing of compensating products, their adjustments or withdrawal; or
- equipment and tools.

12.2 Authorisation

The person concerned can apply for authorisation to use a production accessory on import goods he enters to IPR provided the import goods will be exported from Kosovo. If he is processing IPR goods he should include the production accessories on his application.

If he will be processing free circulation goods he will be restricted to using IPR suspension. He will need to provide details of the free circulation goods and all products made from them together with details of the intended destination of export.

12.3 Repeated use

If production accessories remain unchanged after use in the processing operation and can be used repeatedly, they will remain under IPR until they are re-exported or transferred to another customs procedure.

If the authorization holder wants to continue to use them to process further IPR goods, he must apply to the supervising office to have the discharging period extended if necessary.

12.4 Discharging duty liability

To ensure that no advantage is gained through using IPR over Kosovo producers of similar goods, liability on production accessories will be discharged:

(a) if used on IPR goods - when all the main compensating products are exported and any secondary compensating products are exported (unless an own rate applies). If the goods are held under IPR suspension the person concerned has the option, if he does not export them, of applying to destroy them under Customs supervision;

(b) for accessories that can be used repeatedly - when all main and secondary compensating product have been exported or, for any secondary compensating products, an own rate can be applied. If the goods are held under IPR suspension the person concerned has the option, if he does not export them, of applying to destroy them under Customs supervision;

(c) if used on free circulation goods - when all the products are exported. Customs duty and compensatory interest (if security is other than by cash deposit) will be charged on the proportion of production accessory used for any products that are not exported.

In addition to the above if the production accessory is not used up in the production process it must itself be re-exported or transferred to another customs procedure.

12.5 Diverted IPR goods

If the authorization holder only exports a proportion of his main compensating products, relief will be determined on the basis of the amount of production accessory used to facilitate the production of the quantity of main compensating products exported.

If an own rate does not apply to any secondary compensating product(s), he will be charged/not be entitled to reclaim:







- duty at the rate appropriate to the imported goods;
- duty on the proportion of production accessory deemed to have been used to produce the quantity of secondary compensating products; and
- compensatory interest (suspension goods).

13. Usual forms of handling

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 UNMIK Customs, the operation is likely to increase the risk of fraud.

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
Reconstruction of the goods after transport
Stocktaking, sampling, sorting, sifting, mechanical filtering and weighing of the goods
Removal of damaged or contaminated components
Conservation, by means of pasteurisation, sterilisation, irradiation or the addition of preservatives
Treatment against parasites
Anti-rust treatment
Treatment: <ul style="list-style-type: none"> • 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 8-digit CN-code
Electrostatic treatment, uncreasing or ironing of textiles
Treatment consisting in: <ul style="list-style-type: none"> • 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 8-digit CN-code
Desalination, cleaning and butting of hides
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 8-digit CN-code for the added or replacement goods
Dilution or concentration of fluids, without further treatment or distillation process, even if this results in a different 8-digit CN-code
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
Dividing or size cutting out of goods if only simple operations are involved
Packing, unpacking, change of packing, decanting and simple transfer into containers, even if this results in a different 8-digit CN-code; affixing, removal and altering of marks, seals, labels, price tags or other similar distinguishing signs
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
Dulling of pipe fittings to prepare the goods for certain markets

14. Application for authorization to use the inward processing procedure

	<p>UNMIK CUSTOMS SERVICE SHËRBMI DOGANOR I UNMIK-ut CARINSKA SLUŽBA UNMIK-a</p>	 <div style="display: flex; justify-content: space-around; font-size: 8px;"> <div style="text-align: center;"> Police and Justice (UN)</div> <div style="text-align: center;"> Civil Administration (UN)</div> <div style="text-align: center;"> Institution Building (OSCE)</div> <div style="text-align: center;"> Economic Reconstruction (EU)</div> </div>	
<p>APPLICATION FOR AUTHORISATION TO USE THE INWARD PROCESSING PROCEDURE</p>			
<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. System <i>Indicate the system under which the goods listed in item 6 are intended to be placed. The relevant systems are given below:</i></p> <p style="margin-left: 20px;"> <input type="checkbox"/> Suspension system <input type="checkbox"/> Drawback system </p>			
<p>3. Type of application <i>Type of application must be indicated. The types are given below.</i></p> <p style="margin-left: 20px;"> <input type="checkbox"/> First application <input type="checkbox"/> Application for modified or renewed authorisation <i>(also indicate the appropriate authorisation number)</i> </p>			
<p>4. 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 inward processing procedure.</i></p>			
<p>5. 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: 30%; text-align: center;">(a)</div> <div style="border: 1px solid black; padding: 5px; width: 30%; text-align: center;">(b)</div> </div>			
<p>6. Goods to be placed under the inward processing procedure (import 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>			
Tariff Code	Description	Quantity	Value

7. Compensating products - Tariff Code and description: see comments on item 6 - Rate of Yield: indicate the estimated rate of yield or method by which that rate is to be determined		
Tariff Code	Description	Rate of yield
8. Details of planned activities Describe the nature of the planned activities (e.g. details of the processing operations) to be carried out on the import goods within the inward processing procedure. Indicate also the appropriate <i>place(s)</i> . Where appropriate enter the name, address and function of other operators involved.		
9. Rate of yield: Indicate the estimated rate of yield or method by which that rate is to be determined		
10. Customs office(s) Indicate the suggested customs office(s)		
(a) of entry		
(b) of discharge		
(c) of supervision		
11. Identification Indicate at least one of the following identification means: <ul style="list-style-type: none"> <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) 		
12. Period for discharge (months) Enter the estimated period needed for the operations to be carried out within the inward processing procedure. The period starts when the import goods are placed under the customs procedure. The period ends when the goods or products have been assigned a new customs approved treatment or use.		
13. Simplified procedures <p>(a) At entry for the procedure If it is intended to use a simplified entry procedure, indicate at least one of the following: <ul style="list-style-type: none"> <input type="checkbox"/> Incomplete declaration <input type="checkbox"/> Simplified declaration procedure <input type="checkbox"/> Local clearance procedure </p> <p>(b) For discharging the procedure If it is intended to use a simplified discharge procedure, indicate at least one of the following: <ul style="list-style-type: none"> <input type="checkbox"/> Incomplete declaration <input type="checkbox"/> Simplified declaration procedure <input type="checkbox"/> Local clearance procedure </p>		

14. Transfer

If a transfer of goods or products is intended, indicate which transfer formality is proposed

- q **Transfer without customs formalities between different places designated in the authorisation applied for**
- q **Transfer from the office of entry to the applicant's or operator's facilities or place of use under cover of the declaration for entry for the customs procedure**
- q **Transfer to the office of exit with a view to re-exportation under cover of the customs procedure**

15. Equivalent goods

Where it is planned to use equivalent goods, state the eight-digit tariff code, commercial quality and technical characteristics of the equivalent goods to enable the Customs Service to make the necessary comparison between the import goods and equivalent goods. The identification means of item 10 may be used to suggest supporting means, which might be useful for this comparison. If the equivalent goods are at a more advanced stage of manufacture than the import goods give appropriate information.

Tariff Code	Description

16. Prior exportation

Where it is planned to use prior exportation indicate the period within which the non-domestic goods should be declared for the procedures taking into account the time required for the procurement and transport to Kosovo.

17. Release for free circulation without customs declaration






Where it is requested that the compensating products or goods in the unaltered state will be released for free circulation without formalities, enter "YES".

Signed

Date

Name

15. Authorisation for inward processing

	<p>UNMIK CUSTOMS SERVICE SHËRBMI DOGANOR I UNMIK-ut CARINSKA SLUŽBA UNMIK-a</p>	<p style="font-size: 2em; font-weight: bold; margin: 0;">UNMIK</p> <div style="display: flex; justify-content: space-around; align-items: center; margin-top: 5px;"> <div style="text-align: center; font-size: 0.8em;">  Police and Justice (UN) </div> <div style="text-align: center; font-size: 0.8em;">  Civil Administration (UN) </div> <div style="text-align: center; font-size: 0.8em;">  OSCE Institution Building (OSCE) </div> <div style="text-align: center; font-size: 0.8em;">  Economic Reconstruction (EU) </div> </div>	
<p>AUTHORISATION FOR INWARD PROCESSING</p>			
<p>Reference No. of This authorisation refers to the application dated, ref. no.</p>			
<p>1. Holder of authorisation</p>			
<p>2. System</p>			
<p>3. Place and kind of records</p>			
<p>4. Period of validity of the authorisation This authorisation is valid for entry under the procedure until</p>			
<p>5. Goods to be placed under the inward processing procedure (import goods)</p>			
Tariff Code	Description	Quantity	Value

6. Compensating products		
Tariff Code	Description	Rate of yield
7. Details of planned activities		
Processing operations:		
Places where the processing operations may be carried out		
8. Rate of yield:		
9. Customs office(s)		
(a) of entry		
(b) of discharge		
(c) of supervision		
10. Identification measures		
(a) at entry		
(b) at discharge		
11. Period for discharge		
12. Simplified procedures		
13. Transfer		

14. Equivalent goods		
Tariff Code	Description	
15. Prior exportation		
16. Release for free circulation without customs declaration		
Stamp	Signature Name	Date