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Working paper

## **CUSTOMS CODE COMMITTEE**

*Section for Special Procedures*

### **Inward Processing**

Simplified discharge of the inward processing procedure in accordance with  
Article 544(c) CCIP

This document will be examined at a forthcoming meeting of the Committee.

## **Purpose of this document and background**

The Commission has to ensure the correct and uniform application of customs rules in all Member States. It has recognised particular difficulties regarding the interpretation of the simplified discharge of the inward processing procedure in accordance with Article 544(c) CCIP (hereinafter referred to as the "simplified discharge"). The purpose of this document is to sort out these difficulties. The document does not deal with the inward processing procedure with drawback system because this procedure will not exist anymore once the UCC is applicable.

At the request of two Member States the issue was discussed at the 24<sup>th</sup>, 25<sup>th</sup>, 26<sup>th</sup> and 27<sup>th</sup> meetings of the Committee.

The Commission proposal to extend the scope of Article 544 (c) CCIP in particular to military aircraft through the amendment of Regulation 2454/93, allows those aircrafts to benefit from the simplified discharge of the inward processing procedure in the same way as civil aircraft.

The issue was discussed and at the 35<sup>th</sup> and 38<sup>th</sup> meeting of the Committee and received the Member States favourable opinion (vote) on 8 October 2014.

Taking into account these discussions and further exchange of views between delegates, economic operators and the Commission, the Committee should agree on the following conclusions as proposed by the Commission:

## **Conclusions**

1. Article 544(c) CCIP is a simplification because the import goods must be regarded as having been re-exported, although they were actually put on the EU market without a customs declaration for release for free circulation and payment of import duties. Only the placement of goods under the inward processing procedure requires a customs declaration. This simplification enhances the competitiveness of the aviation industry at international level and contributes to value-added creation in the EU.

The scope of Article 544(c) CCIP is extended to military aircraft so that those aircraft benefit from the simplified discharge of the inward processing procedure in the same way as civil aircraft.

(Measures published in OJL:

[http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOL\\_2014\\_330\\_R\\_0006&from=EN](http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:JOL_2014_330_R_0006&from=EN) )

2. The delivery of aircraft shall be regarded as re-exportation by which the inward processing procedure is discharged. However, in practice the discharge takes place at an earlier stage by the final manufacturer or any of its suppliers in the supply chain dedicated or not to aeronautic industry. The discharge occurs namely once import goods have been used for the first time for the manufacture, repair modification or conversion of aircraft or of parts of aircraft, on condition that the records of the holder of the authorisation are such as to make it possible to verify that the arrangements are being correctly applied and operated (hereinafter referred to as the "simplified discharge by anticipation") without any customs declaration. The phrase above 'import goods have been used for the first time' covers also the supply of parts to the final manufacturer or to a company which produces intermediate products.

The records of the holder of the authorisation should contain information to identify goods or products through their part numbers, internal company codification, serial numbers, etc. depending on the stage of manufacture and their allocation to usage such as program reference, purchase order, aircraft reference or airworthiness certificate reference, etc. Moreover, the records should indicate the date on which the simplified discharge by anticipation took place, e.g. the date on which parts were used by the final manufacturer for the first time for the manufacture of a part of aircraft under the inward processing procedure.

A practical example is given in the Annex to this document.

3. Once Article 544(c) CCIP has been applied, the import goods are deemed to have Community status (see Article 313 CCIP). Therefore the goods are no longer subject to customs supervision under the inward processing procedure or any kind of end-use control. The customs authorities are not obliged to check whether in the end the import goods have been delivered in the form of an aircraft.

Consequently, the aircraft or the parts of aircraft, for which the import goods have been used, also have Community status. In case of export, which means delivery of aircraft or parts of aircraft to a third country, the export procedure has to be used (Code 1000 and not 3151). This means that for the purposes of the simplified discharge by anticipation it is not relevant whether the aircraft or the parts of aircraft are delivered to a customer established in or outside of the EU.

4. The application of Article 544(c) CCIP does not require necessarily that an airworthiness certificate has been issued for the compensating products. The simplified discharge by anticipation may take place with regard to goods for which an airworthiness certificate cannot be issued, e.g. for titanium or aluminium sheets to manufacture aircraft parts.

5. Article 544(c) CCIP cannot be applied if the import goods were only subject to a repair. However, it is possible to repair imported goods first under IP and subsequently to use the repaired goods for the manufacture, repair modification or conversion of aircraft or of parts of aircraft and to benefit from the simplified discharge. It should be mentioned that 'repair' includes 'maintenance'.

Both the repair of goods and the subsequent use of repaired goods for the repair of aircraft or parts of aircraft may be covered by one authorisation for inward processing. In this case the records must provide information about both the repair, including the date on which the import goods have been repaired and the simplified discharge by anticipation.

6. New and used parts of aircraft may benefit from the simplified discharge.

7. ATR movement certificates may be issued for aircraft, which was obtained after the simplified discharge by anticipation, without any payment of import duty, because the aircraft is in free circulation and the import goods are deemed to be re-exported. The ATR movement certificate may be used in Turkey.

Alternatively, the Turkish Customs Administration could apply the *erga omnes* import duty rate for aircraft (duty free) under the condition that the aircraft is placed under the end-use procedure. This would be possible if an end-use authorisation has been granted and a guarantee has been provided. Such administrative formalities are not required if the ATR movement certificate is used.

8. Regarding secondary compensating products, such as waste and scrap, it should be said that, according to Article 544 (c) CCIP, import goods are deemed to be re-exported. Consequently, a customs debt cannot be incurred for secondary compensating products and scrap.

9. As far as the fiscal aspect is concerned, the VAT treatment depends on national legislation.

Practical example

Aluminium skins for the wings of the aircraft XXX are made in the USA. The aluminium skins are imported into Member State A by a dealer (Company A). The aluminium skins are delivered under the external transit procedure (T1) on 1 October 2012 to a sub-assembly plant. The aluminium skins are placed under the inward processing procedure on 7 October 2012 and used by Company B for the first time for the manufacture of wings of the aircraft XXX on 12 October 2012. The wings are transported to the final assembly plant in Member State B. All of the parts, including the wings, are then put together by Company C at the final assembly plant to make up the aircraft XXX. Finally, the aircraft is delivered to a third country.

The simplified discharge by anticipation takes place once the aluminium skins have been supplied to and used by Company B for the first time for the manufacture of the intermediate products (wings) on condition that the records of the holder of the authorisation (Company B) contain information to identify the aluminium skins through their part numbers, internal company codification, serial numbers, etc. and their allocation to usage such as program reference, purchase order, aircraft reference, etc. Moreover, the records must indicate the date on which the simplified discharge by anticipation took place, namely 12 October 2012.

The aluminium skins are in free circulation since 12 October 2012. Assuming that only Community goods are used in the assembly operation, the wings do have Community status. This means that the wings can be transported to Member State B without using the external transit procedure. Assuming further that all parts which are delivered to the final assembly plant do have Community status, the aircraft XXX does have Community status. The delivery to a third country is possible under the export procedure (Code 1000).

Notes:

- The holder of the IP authorisation (Company B) has to submit a bill of discharge (see Article 521 CCIP). For the purpose of Article 521(2) (f) CCIP it would be sufficient to refer to Article 544(c) CCIP.
- In the example given above only Company B would need to have an IP authorisation.
- Due to the legal fiction (aluminium skins shall be regarded as re-exported) Article 537 CCIP is applicable in case of the simplified discharge by anticipation.
- Waste and scrap obtained from aluminium skins in the assembly operation in Member State A do have Community status because the aluminium skins in their original state do also have Community status after they have been used for the first time for the manufacture of the wings. Recycling or any other commercial use of these waste and scrap is possible without payment of import duties.
- Whether the aircraft XXX is delivered to a client established in the EU or outside of the EU is not relevant for the simplified discharge by anticipation.