

## Temporary admission of goods and inward and outward processing: Article 10.9

Many WTO Members maintain procedures to allow temporary admission of goods fully or partially exempt from customs duties and taxes, imported for a specific purpose and intended for exportation.

Temporary admission is a useful mechanism for businesses to temporarily import goods such as samples, professional equipment or items for auction, exhibition or demonstration.<sup>16</sup>

Inward processing is a facility provided by Members for importation of certain goods conditionally, fully or partially exempt from customs duty and taxes, or eligible for duty drawback. Such goods are intended for manufacturing processing, or repair and exportation.

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*Members must allow the release of goods, without payment of duties and taxes, for importation for a predefined period and predefined purpose of use.*

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Outward processing means that goods are temporarily exported from a customs territory in order to undergo processing or repair operations in another customs territory. The processed products resulting from these goods can then be re-imported and released for free circulation with total or partial relief from import duties and taxes. Outward processing is designed to give businesses the possibility to take advantage of externalities, such as lower labour costs or specific technical expertise available in other jurisdictions.<sup>17</sup>

Article 10.9 sets out general rules for temporary import and export of goods.

### The measure

ARTICLE 10	FORMALITIES CONNECTED WITH IMPORTATION, EXPORTATION AND TRANSIT
9	Temporary Admission of Goods and Inward and Outward Processing
9.1	Temporary Admission of Goods
	Each Member shall allow, as provided for in its laws and regulations, goods to be brought into its customs territory conditionally relieved, totally or partially, from payment of import duties and taxes if such goods are brought into its customs territory for a specific purpose, are intended for re-exportation within a specific period, and have not undergone any change except normal depreciation and wastage due to the use made of them.
9.2	Inward and Outward Processing
(a)	Each Member shall allow, as provided for in its laws and regulations, inward and outward processing of goods. Goods allowed for outward processing may be re-imported with total or partial exemption from import duties and taxes in accordance with the Member's laws and regulations.

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<sup>16</sup> <https://www.gov.uk/guidance/temporary-admission>

<sup>17</sup> [https://ec.europa.eu/taxation\\_customs/sites/taxation/files/outward-processing\\_en.pdf](https://ec.europa.eu/taxation_customs/sites/taxation/files/outward-processing_en.pdf)

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| (b) | For the purposes of this Article, the term 'inward processing' means the customs procedure under which certain goods can be brought into a Member's customs territory conditionally relieved, totally or partially, from payment of import duties and taxes, or eligible for duty drawback, on the basis that such goods are intended for manufacturing, processing, or repair and subsequent exportation. |
| (c) | For the purposes of this Article, the term 'outward processing' means the customs procedure under which goods which are in free circulation in a Member's customs territory may be temporarily exported for manufacturing, processing, or repair abroad and then re-imported.                                                                                                                              |

## Understanding the measure

### What is covered?

#### Core obligation

The Article aims to regulate the system of imports and exports for specific purposes, including temporary import, goods imported for inward processing and outward processing.

This provision is mandatory, subject to and consistent with the laws and regulations of the importing Member country. In specific cases, this will mean that domestic laws and procedures will be considered compliant.

#### Temporary importation

The release of goods, without payment of duties and taxes fully or partially, for importation for a predefined period of time and a predefined purpose, and export within a specific period, is allowed.

Examples include samples or goods imported for exhibition that have to be returned home or large machinery imported for building a factory and returned after completion of works. It is imperative that these goods do not undergo any change while in the country of import.

#### Goods imported for further processing

This measure enables the conditional release of goods, without payment of duties and taxes, fully or partially eligible for drawback, imported for manufacturing, processing or repair and then for subsequent exportation. Examples of import inward processing include importation of accessories, zips and buttons to be attached to garments, which are meant for export.

#### Temporary export

The temporary export of goods for the purpose of manufacture or repair that are subsequently re-imported without payment of customs duties, in full or in part, is enabled. This applies to domestically produced or earlier imported goods.

### What is not covered?

The measure does not require Members to allow such releases without any conditions or security and does not specify the type of conditions/guarantees upon which temporary admission, inward processing or outward processing may be allowed.

The time lag for goods under inward processing or outward processing schemes or between the temporary import and the subsequent export of imported goods is not specified.

### Benefits and opportunities for stakeholders

This measure provides businesses with options and flexibility to meet their business needs and be competitive by importing goods temporarily or for inward/outward processing. In some regimes, the processes are set up in such a way that businesses can claim a refund, or drawback, of duties paid for goods which are subsequently processed and exported.

A more effective and efficient deployment of government resources will impact on the quality of government interventions, administrative controls and private sector compliance. Moreover, transparent, consistent and predictable processes for goods imported for special purposes reduce the attractiveness of bribes and informal payments to officials and enhances border agency accountability.

## Implementation

### Implementation checklist

The following checklist may be used to estimate the level of compliance with the measure:

- Legislation and procedures to clear goods, without payment of duties/taxes, fully or partial, imported for a specified purpose are in place.
- Legislation and procedures to allow temporary export of goods for specified purpose and their re-importation without payment of duty/ taxes in full or partial are in place.
- The legislation and procedures to clear goods, without lesser or full payment of duty/taxes imported for a specified period and use conditionally are in place.
- Steps are taken towards periodic review of relevant processes to ensure compliance and future improvement.
- Monitoring and evaluation to check for any misuse or abuse of the measure.

### Preparing a national implementation plan

The following template may be used as the basis for a national implementation plan:

<b>Implementation sequence</b>	<b>Actions suggested</b>
	<b>Preparatory phase</b>
	Undertake review of legal and administrative frameworks to check compliancy with requirements of this measure.
	Create a forum for inter-agency cooperation and public-private dialogue to standardize and implement the measure. NTFC can play this role.
	<b>Set-up phase</b>
	Conduct thorough legal, administrative and business process analysis of existing procedures and documentation to ensure standardization across all borders.
	Set up systems and procedures for systematically implementing the measure, linked with a risk management system, if possible.
	Assign sufficient trained staff.
	Conduct public campaigns to raise awareness with business community.
	<b>Management and follow-up phase</b>
	Conduct reasonable and regular review of formalities, business processes to ensure compliance.
	Enable users to give feedback and evaluation.
<b>Average time for implementation</b>	Between one to two years.
<b>Leading implementation agency</b>	Customs, with NCTF, is most commonly chosen as the leading implementation agency.

### Key challenges

Most countries already have special legal and administrative procedures in place to facilitate exporting and importing goods under special circumstances. These may need to be reworked to ensure full compliance with the measure.

Often duties and value-added tax are first collected and then refunded. The refund process typically takes a long time and requires elaborate procedures and documents. This can be extremely challenging for businesses, particularly SMEs, who do not have the economies of scale and financial resources to make such transactions and prefer to pay lesser amounts through guarantees. Changing legal and administrative procedures to assist traders in this way may be a challenge for governments.

### Key factors for success

It is recommended that all national agencies start with mapping and analysis of relevant business processes, existing documentation, procedures, operations and infrastructure. Private sector involvement will help gather additional perspectives in identifying bottlenecks and key problem areas. Capacity of government authorities to plan, implement and adhere to new procedures is critical. In some cases, technical assistance may be required to enable government authorities to understand the procedures in detail. A robust public campaign may be required to raise awareness of the measure's benefits in the trading community and how they can use the special facilitative procedures.