
STATEMENT OF PRACTICE (CUS/SP/1/17)

INWARD PROCESSING

1. OBJECTIVE OF THE PRACTICE NOTE

This statement of practice aims at providing a guideline to importers on the conditions to be fulfilled for goods to be allowed under inward processing.

2. LEGAL PROVISION IN THE CUSTOMS ACT

Section 21A stipulates that:

Inward Processing:

The Director General may allow goods to be entered through inward processing under such conditions as he may determine

3. CONDITIONS FOR INWARD PROCESSING

(1) All Registered importers who want to benefit from the Inward Processing Scheme should be:

- (a) 100% export oriented; and
- (b) Registered at Customs.

(2) For the purpose of registration under the Scheme an application should be made as per form No 4 MRA/CUS/DR/EXP/IPS (which may be downloaded from the MRA Web site). The following documents/information shall be submitted together with the application form:

- (a) Site Plan (Address and Location) ;
- (b) Components and quantity of raw materials used together with relative HS Codes in the production of each finished product;
- (c) Finished goods to be manufactured from the raw materials;
- (d) Process of manufacture for each product;
- (e) Undertaking that the raw materials imported shall be used in the manufacture of finished products and eventually exported.

(3) Registered Importers under the Inward Processing Scheme shall be relieved from the payment of duty, excise duty and taxes on importation of goods provided that a security to the satisfaction of Director-General is furnished to cover the duty, excise duty and taxes.

The security shall be in the form of a general security by bond with one sufficient surety and it shall be in accordance with form No. 3 MRA/CUS/DR/EXP (which may be downloaded from the MRA Website).

(4) Proof of Financial soundness of the person or company acting as surety to be produced (either through a sworn affidavit or a certificate of financial soundness issued by a recognised Financial Institution).

(5) Consumable goods, machinery and equipment, furniture and building material are excluded from the scope of inward processing.

- (6) All goods imported under the Inward Processing Scheme shall be used in the manufacture of finished goods and exported within 6 months from the validation of the Import bill of entry.
- (7) Upon request from a registered importer, the Director General may extend the 6 months period to another 6 months.
- (8) All Import and Export Declaration under this Scheme shall be processed under CPC 50001 and CPC 35001 respectively. For the purpose of traceability, box no 43 of the Export Declaration shall clearly indicate the related Import Bill of Entry Number.
- (9) Working on the yield for each product exported needs to be submitted with the Export Bill of Entry.
- (10) Registered Importer shall maintain books and records to clearly indicate the raw materials imported, goods manufactured and exported.
- (11) The registered Importer shall submit an electronic return or in such other manner acceptable to the Director-General of goods imported, manufactured and exported and the remaining balance on a quarterly basis.

4. BREACH OF CONDITIONS

Provisions of section 21 of the Customs Act shall apply for any act or doing under this scheme.

26 September 2017