



**SCREENING CHAPTER 29
CUSTOMS UNION**

AGENDA ITEM 7: PROCEDURES WITH ECONOMIC IMPACT

**Country Session: The Republic of TURKEY
13-14 March 2006**



Legal Base: Customs Law No. 4458 (CL)

Article 3(15)- customs procedures

- release for free circulation
- transit
- customs warehousing
- inward processing
- processing under customs control
- temporary importation
- outward processing
- exportation



CUSTOMS PROCEDURES WITH ECONOMIC IMPACT

Article 79 of CL

- customs warehousing
- inward processing
- processing under customs control
- temporary importation
- outward processing

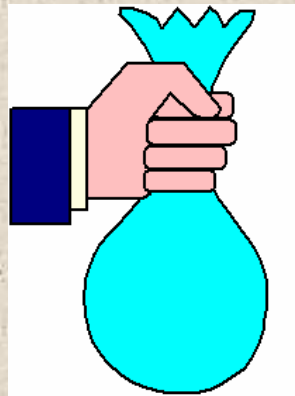


Articles of Implementing Regulation of Customs Law (IRCL)

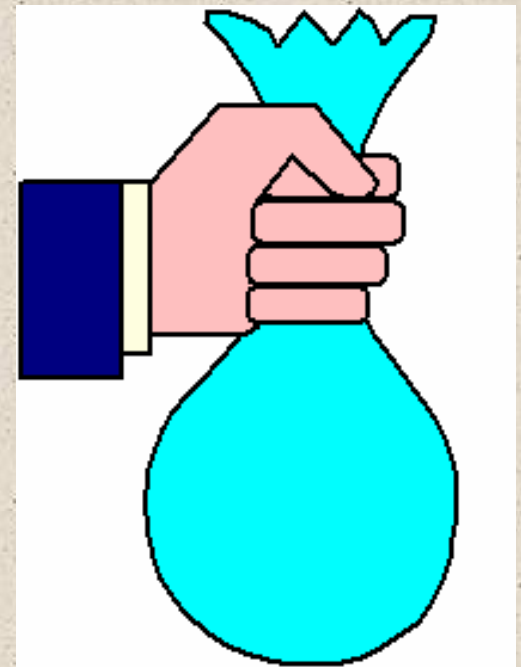
- customs warehousing (277-346)
- inward processing (347-398)
- processing under customs control (399-414)
- temporary importation (415-470)
- outward processing (471-509)



Why called a customs procedure with economic impact?



customs duty impact



impact to economy

Customs Treatment at Importation (1/2)

Common Rules for the goods which are not in free circulation

Placing of goods under a customs procedure;

- customs declaration
- submission of documents
- presentation of goods
- authorisation where necessary
- security where necessary
- verification of goods, declaration, documents
- identification measures, if necessary
- release of goods



Customs Treatment at Importation (2/2)

Common Rules for customs procedures with economic impact

- authorisation
- security
- identification measures



Article 80 of CL

Rules and principals relating to the inward processing and outward processing procedures shall be determined by the Council of Ministers



INWARD AND OUTWARD PROCESSING

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INWARD PROCESSING REGIME

(IP REGIME)

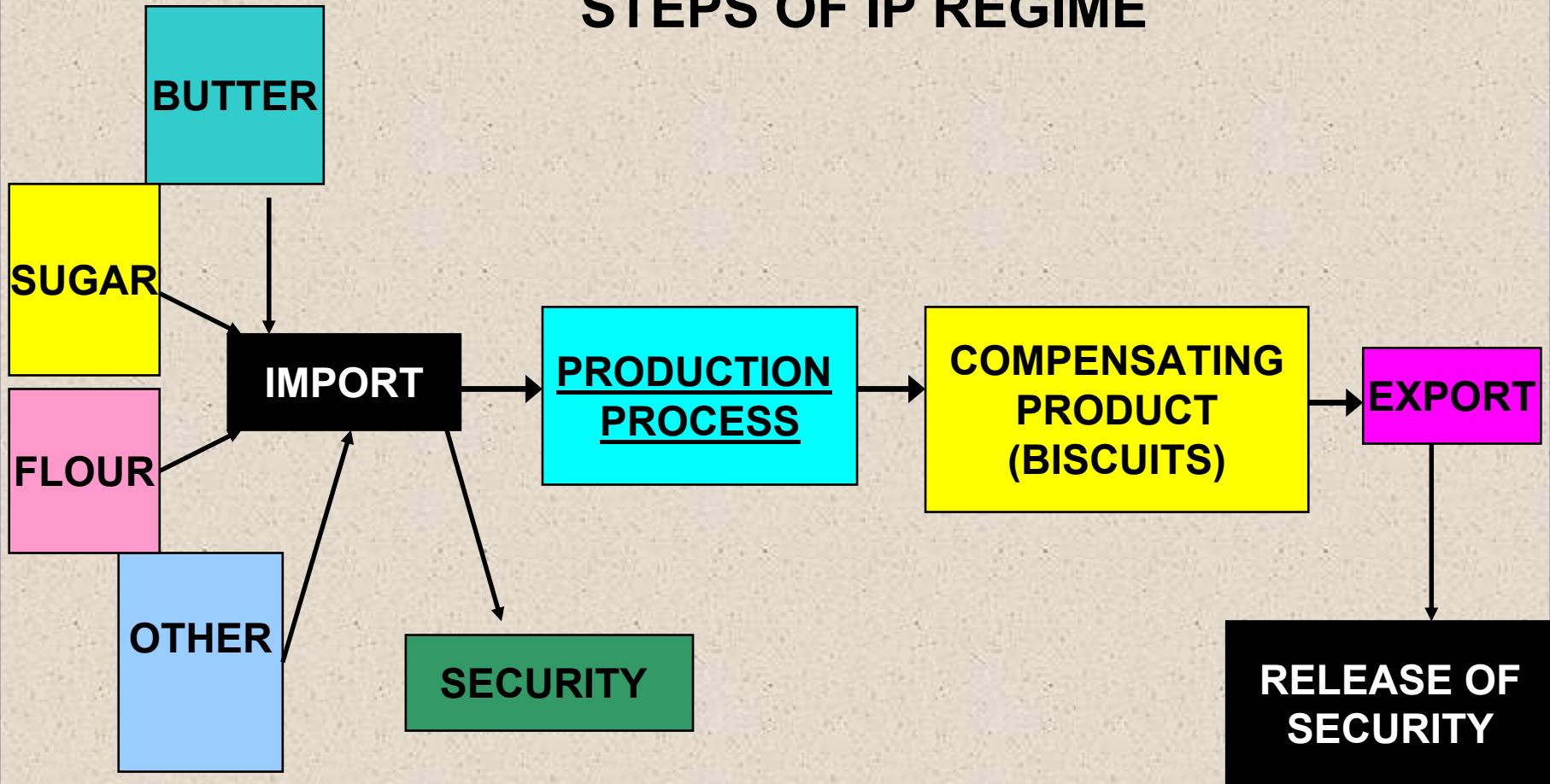


LEGAL FRAMEWORK

- Customs Law No. 4458 (Art.80, 108, 111, 115, 121)
(OG No. 23866, dated 04.11.1999)
- Council of Ministers Decree No. 2005/8391 on Inward Processing Regime
(OG No. 25709, dated 27.01.2005)
- Export Communiqué No. 2005/1 on Inward Processing Regime
(OG No. 25709, dated 27.01.2005)
- Export Communiqué No. 2005/2 on Export, Domestic Sales and Deliveries Considered as Exports
(OG No. 25709, dated 27.01.2005)



STEPS OF IP REGIME





RELIEF SYSTEMS UNDER IP REGIME

- **Suspension System**

- prior importation

- equivalent goods (prior exportation)

- **Drawback System**



RELATED AUTHORITIES IN IP REGIME

Undersecretariat of Foreign Trade (UFT)

Responsible for issuing, renewing and modifying Inward Processing Authorization Certificate (IPAC)

Undersecretariat for Customs (UC)

Responsible for issuing authorisation under simplified procedure and customs clearance at import and export stages with respect to IPAC

General Secretariats of Exporters Unions

Responsible for the discharge of IPAC

IP REGIME



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graph TD; A([IP REGIME]) --> B[UC is responsible for the implementation of Inward Processing simplified procedures stated in Art.14 of the Export Communiqué No.2005/1 issued by UFT]; A --> C[UFT is responsible for the implementation of other Inward Processing procedures not stated in Art.14 of the Export Communiqué No.2005/1 issued by UFT];
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UC is responsible for the implementation of Inward Processing simplified procedures stated in Art.14 of the Export Communiqué No.2005/1 issued by UFT

UFT is responsible for the implementation of other Inward Processing procedures not stated in Art.14 of the Export Communiqué No.2005/1 issued by UFT



Evaluation of Applications for IP

- impact assessment regarding the economic interests of domestic producers of similar goods, to be imported under IP
- assessment of increase in the competitive capacity of the applicants and in added value in terms of currency as a result of benefiting from IP
- identification of imported goods in the compensating products
- past performance of the applicants



Period of Discharge

- up to 12 months
- in exceptional cases up to 24 months or for the period of project
- extension under 'force majeure'



NO-DRAWBACK RULE (1/2)

No drawback rule is applicable if compensating products are exported with Proofs of Origin to a country under;

- Free Trade Agreement
- Pan-European Cumulation of Origin



NO-DRAWBACK RULE (2/2)

Exportation to EC with A.TR Certificate;

- compensatory duties are collected during exportation
- if the imported goods are subject to commercial policy measures, necessary documents shall be submitted for discharge



IP via INTERNET

Export Communiqué No. 2005/9, OG No. 25895, dated 03.08.2005

- Applications should be submitted via internet
- All practices such as renewing, modifying, discharging should be done through on-line system
- Standard customs procedures about IP are facilitated
- Saving time and money for both beneficiaries and implementing authorities of IP



OUTWARD PROCESSING REGIME

(OP REGIME)



LEGAL FRAMEWORK

- Customs Law No. 4458 (Art.80, 135-151)
(OG No. 23866, dated 04.11.1999)
- Council of Ministers Decree No. 2000/674 regarding OP Regime (OG No.24054, dated 20.05.2000)
- Export Communiqué for OP Regime No. 2000/8
(OG No. 24107, dated 12.07.2000)
- OP Regime Decree No.1996/8703 (text. and cloth.prod.)
(OG No. 22862, dated 29.12.1996)
- Import Communiqué No. 2006/3 on OP Regime (textiles and clothing products)
(OG No. 26036, dated 27.12.2005)



OP REGIME

- Economic Outward Processing arrangements applicable to certain textiles and clothing products re-imported into Turkey after processed in certain third countries
- Decree on OP Regime No.1996/8703 corresponding to Council Regulation No. 3036/94 of 08.12.1994
- Import Communiqué on OP Regime No.2006/3 corresponding to Commission Regulation No. 3017/95 of 20.12.1995



FREE ZONES



LEGAL FRAMEWORK

- Free Zones Law No. 3218
(OG No. 18785, dated 15.06.1985)
- Implementing Regulation of Free Zones Law
(OG No. 21520, dated 10.03.1993)
- Customs Law No. 4458
(OG No. 23866, dated 04.11.1999)
- Implementing Regulation of Customs Law (IRCL)
(OG No. 23939, dated 20.01.2000)



Free Zones Law No. 3218 and Implementing Regulation of Free Zones Law regulate the establishment of free zones, determination of their location and boundaries, their management, scope of the activities, operation and the establishment of installations and facilities within the zone

In accordance with the Customs Law No. 4458, the entry and exit points are controlled by the Customs authorities, the stock records are kept in accordance with the Customs Law and approved by the customs authorities



According to Article 6 of Free Zones Law No. 3218, free zones are regarded outside of the customs territory.

According to Article 8, trade conducted between a free zone and other regions of Turkey is subject to foreign trade regime. The foreign trade regime is not applicable to trade conducted between free zones and other countries/free zones

Turkish free zone users can obtain licences on purchasing-selling, assembling-disassembling, storage and production. However, inward processing and processing under customs control procedures are not applicable



With the amendment of the article 6 of the Free Zones Law No. 3218, by Law No. 5084 that came into effect on February 6, 2004, legislative provisions pertaining to tax obligations became applicable in the free zones

Only, the earnings generated from the sale of the produced goods are exempted from the individual or corporate income taxes until the end of the taxation period of the year Turkey becomes a full member of the European Union



Users who obtained operating licences before February 6, 2004;

- are exempted from individual and corporate income taxes within the validity period of their operating licence
- shall pay income tax on the wages and all taxes, levies and duties generated from their activities related to their free zone operations beginning from 2009.

Users who obtained licences for activities other than production after February 6, 2004 shall pay individual and corporate income taxes

CUSTOMS PROCEDURES WITH ECONOMIC IMPACT

Customs Warehousing (1/4)

Goods;

- a) not in free circulation, without being subject to import duties or commercial policy measures
- b) in free circulation, being placed in a customs warehouse subject to measures normally attaching to the export of such goods

can be placed under this procedure (Article 93 of CL)



Customs Warehousing (2/4)

General rule: no limit to the length of time, goods may remain under the customs warehousing procedure

Exceptional cases: in cases deemed necessary by the customs administrations, they may set a time limit by which the depositor must assign the goods a new customs-approved treatment or use

(Article 101 of CL)



Customs Warehousing (3/4)

A customs warehouse may be a public warehouse or a private warehouse (Article 94 of CL)

public warehouses: types A, B, F

private warehouses: types C, D, E

The most common type of warehouse in Turkey is Type C



Customs Warehousing (4/4)

Import goods may undergo usual forms of handling

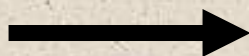
(Article 102 of CL,
Articles 292-294 & Annex 44 of IRCL)

i.e. ventilation, drying, packaging, freezing



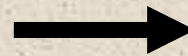
Inward Processing

Suspension system: Art. 14 of Communiqué No. 2005/1



Import

Office of Entry



Security

(For VAT, customs duties)



Repair and special
treatment/working



Re-export
(Return of
security)

Office of discharge



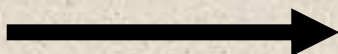


Inward Processing

Drawback system: Art. 14 of Communiqué No. 2005/1



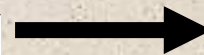
Import



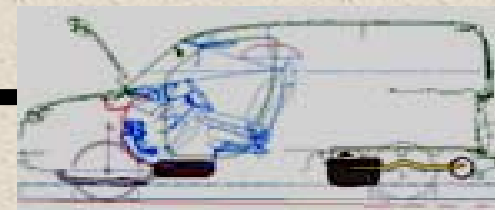
Office of Entry



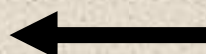
Payment of
customs duties,
VAT etc.



Assemble into a vehicle



Office of discharge



Re-exportation
and refund





Simplified procedure: acceptance of the customs declaration is equivalent to an authorization

i.e.

- simple working or processing
- operations carried out under a job-processing contract
- repair, modification, etc.



Use of simplified procedure is not allowed for certain goods

i.e. Chapter 01-04 –all goods

For such goods an authorization is required where economic conditions need to be examined



Processing Under Customs Control (1/5)

Articles 123-127 of CL

Processing of goods which are not in free circulation under suspension of;

- import duties, VAT and excise duties, and
- commercial policy measures with the aim of releasing the processed products for free circulation

Processing Under Customs Control (2/5)

Articles 123-127 of CL

Responsible Administration for Authorization



Undersecretariat for Customs





Processing Under Customs Control (3/5)

Conditions for granting an authorization (Article 124);

- the import goods should be identified in the processed products
- the goods cannot be economically restored after processing to their description or state as it was when they were placed under the procedure
- use of the procedure cannot result in circumvention of the effect of the rules concerning origin and quantitative restrictions applicable to the imported goods



Processing Under Customs Control (4/5)

Conditions for granting an authorization (Article 124);

- where the necessary conditions for the procedure to help create or maintain a processing activity without adversely affecting the essential interests of producers of similar goods in Turkey (economic conditions) are fulfilled

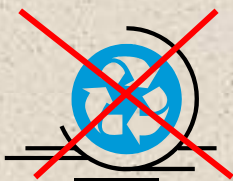
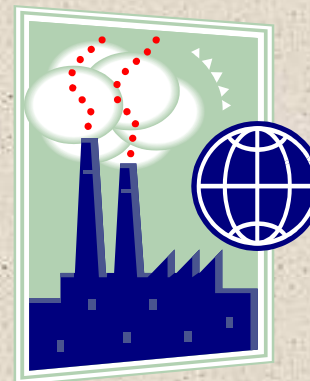
Processing Under Customs Control (5/5)



2207.10.00.90.11
Customs duty = 19.2%



Authorization
+ security



Released for
free circulation



2207.20.00.90.13
Customs
duty=10.2%

Temporary Importation (1/9)

Articles 128-134 of CL

Purpose: to allow the use of goods not in free circulation in the Customs Territory of Turkey;

- with total or partial relief from import duties, and
- without being subject to commercial policy measures

intended for re-export without having undergone any change except normal depreciation due to the use made of them.

Temporary Importation (2/9)

Goods must be re-exported within the set deadline;

- maximum 24 months (Article 130 of CL)
- might be extended only in exceptional circumstances (i.e. for the period of project)



Temporary Importation (3/9)

Total relief: Article 131 of CL

(Rules and specific conditions for total relief shall be determined by the Council of Ministers)

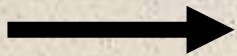
Legal Basis: Council of Ministers Decree No. 2000/69
(OG No. 23955, dated 05.02.2000)

Istanbul Convention (Law No. 5108, OG No. 25426,
dated 07.04.2004)



Temporary Importation (4/9)

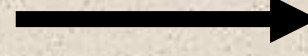
ATA
Carnet or
security



Health
certificate



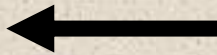
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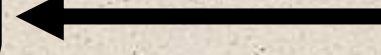
An international
horse racing



Re-exportation



Identification





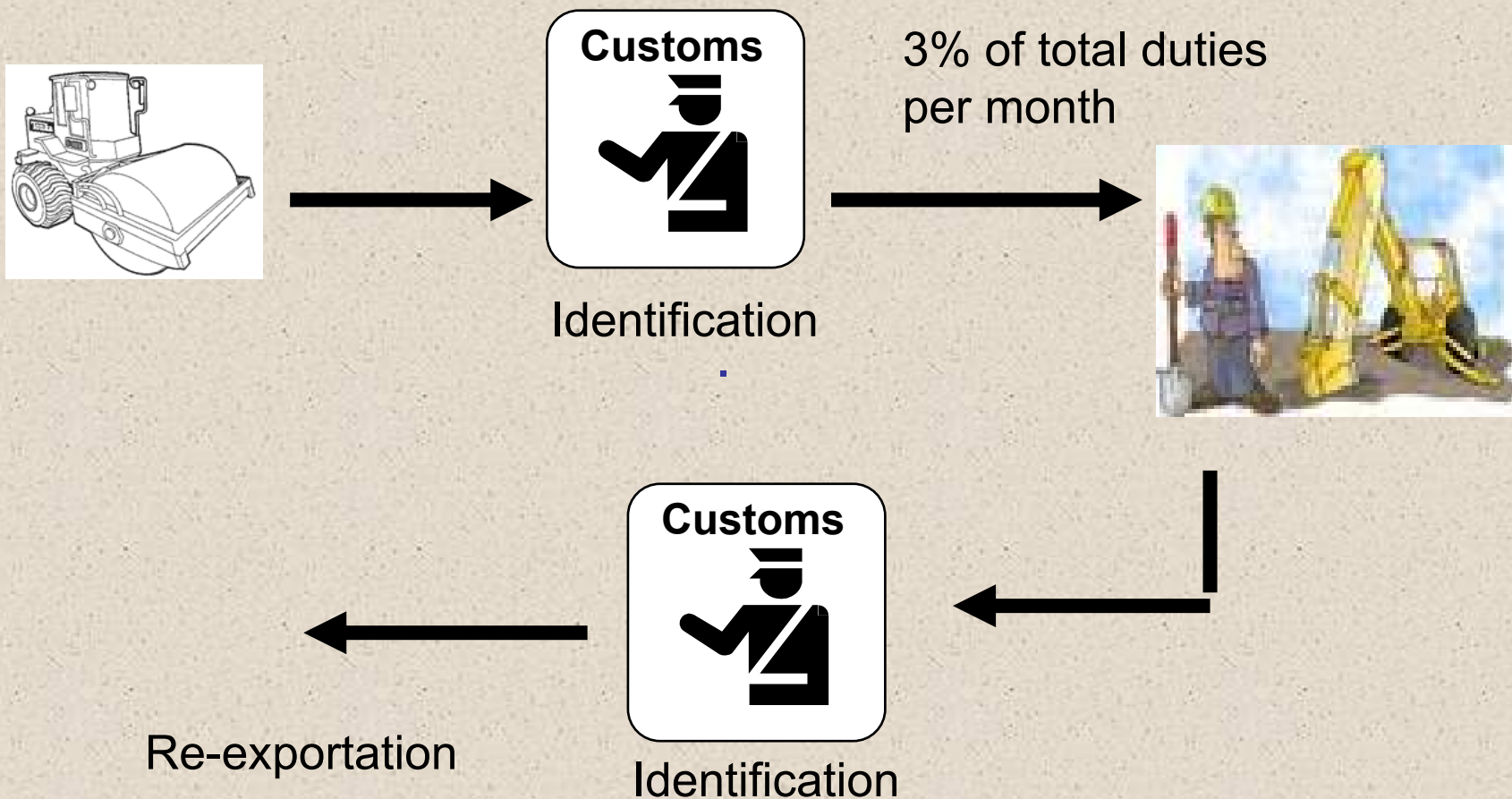
Temporary Importation (5/9)

Partial relief: Article 132 of CL

(Rules and specific conditions for partial relief shall be determined by the Council of Ministers)

Legal Basis: Council of Ministers Decree No:2000/69
(OG No: 23955, dated 05.02.2000)

Temporary Importation with partial relief (6/9)





Temporary Importation (7/9)

The amount of import duties payable with partial relief shall be: 3 % for every month

(of the amount of duties which would have been payable if they had been released for free circulation - Article 133 of CL)



Temporary Importation (8/9)

The amount of import duties to be charged shall not exceed the amount which would have been charged, if the goods concerned had been released for free circulation

(for this calculation, the date on which the goods were placed under the temporary importation procedure is taken into consideration)

Temporary Importation (9/9)

List of Goods which shall not benefit from partial duty relief
(Annex 9 of Council of Ministers Decree No:2000/69):

i.e.

- goods prohibited from entry into Turkey
- goods which can not be identified
- consumable goods
- textile and clothing products



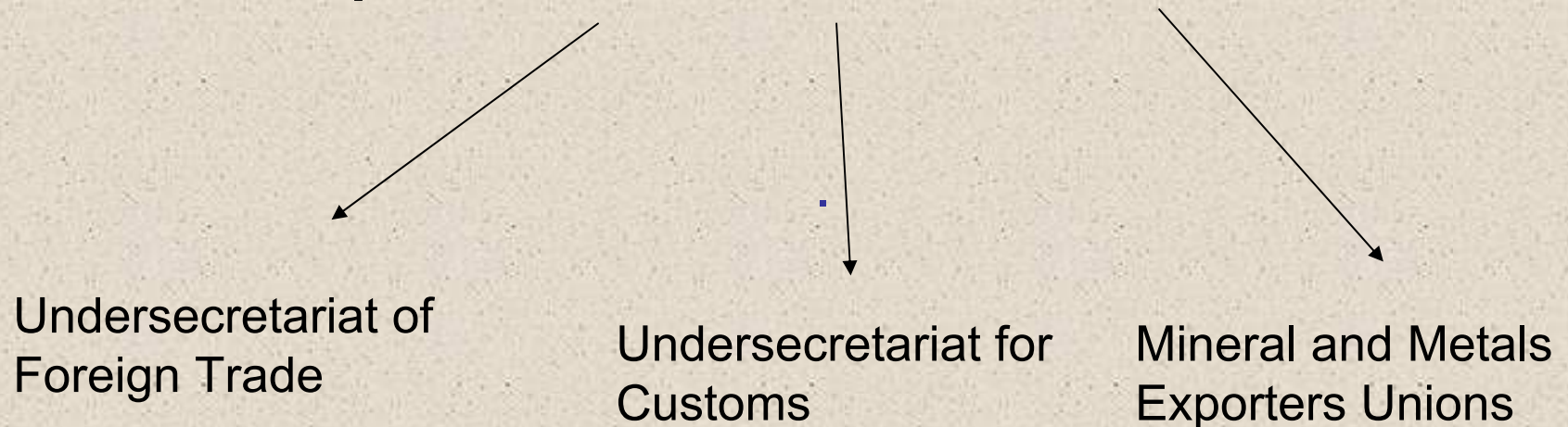
Outward Processing (1/5)

Purpose: to export goods in free circulation in order to process them abroad and release the processed products for free circulation with partial or full duty relief (Article 135 of CL) .



Outward Processing (2/5)

Three responsible administrations for authorization





Outward Processing (3/5)

Three methods of duty relief;

- import duty on export goods is deducted from import duty on import goods
- import duty on the processing costs
- total relief for repairs free of charge (warranty, manufacturing defect)



Outward Processing (4/5)

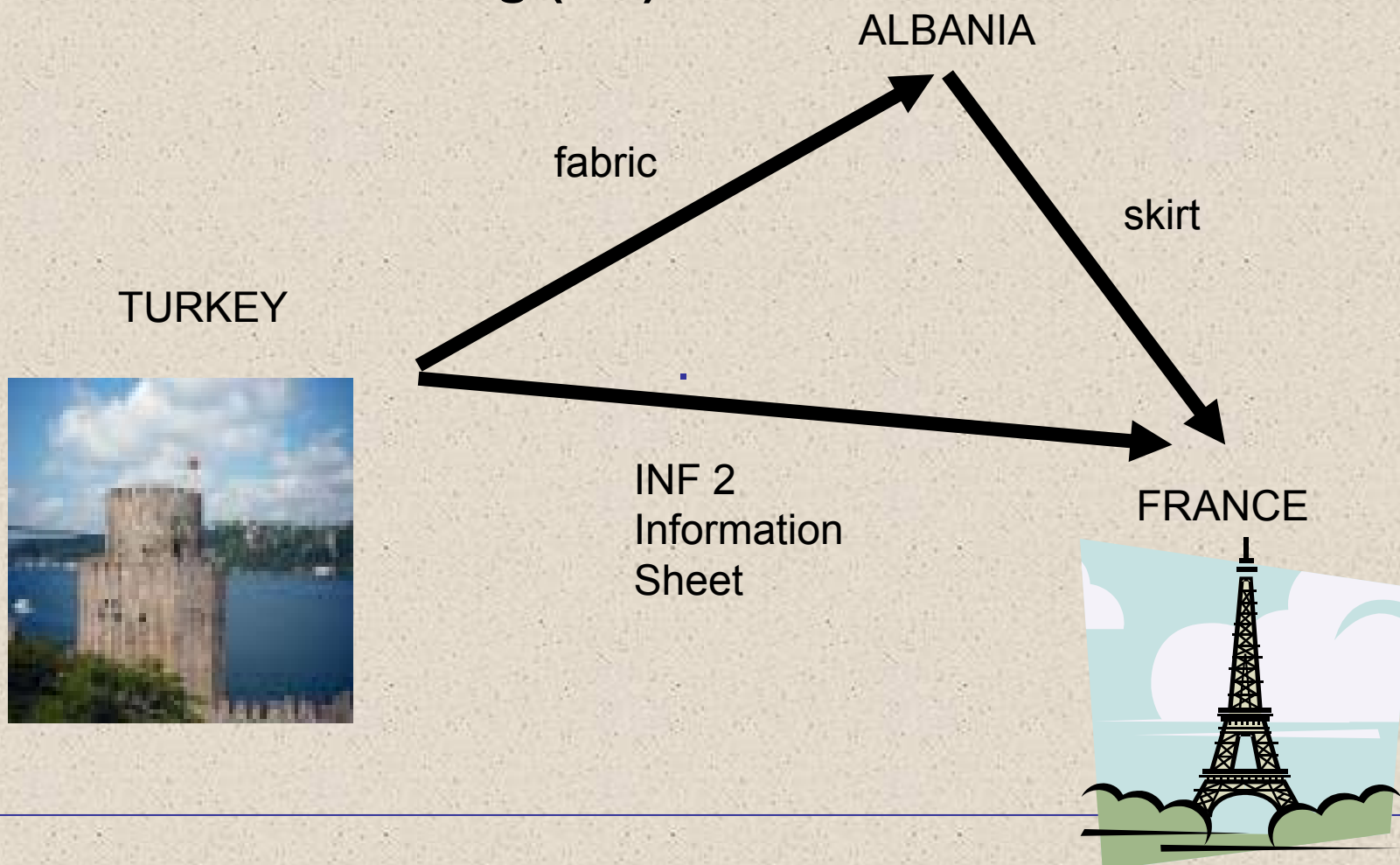
Triangular traffic is possible: Use of INF 2 Information Sheet

Legal Basis: IRCL Articles 502-508; Annex 64

Triangular traffic with the EC

Legal basis: Decision No 1/2001 of the EC-Turkey Customs Cooperation Committee of 28 March 2001
(Council of Ministers Decree No. 2002/4616, OG No. 24865, dated 03.09.2002)

Outward Processing (5/5)





OTHER CUSTOMS APPROVED TREATMENT OR USE

Free Zones

Provisions of Turkish Customs Law No. 4458 and Implementing Regulation of Customs Law (IRCL) are in conformity with EC Council Regulation No. 2913/92 and Commission Regulation No. 2454/93

Customs administration is responsible for regular customs controls (at entry/exit)

No free warehouses are available in Turkey



End Use (1/5)

Legal Framework

Articles 16,77,115 of Customs Law No. 4458

Council of Ministers Decree No. 2003/6661
(OG No. 25333, dated 31.12.2003)

End Use (2/5)

Purpose: entry into free circulation of goods with a favourable tariff treatment at a reduced or zero rate of duty by taking their end use into consideration

Conditions

- authorization is required
- national legislation should allow the end-use of goods in question



End Use (3/5)

Customs Administration is responsible for issuing an authorization

Authorization is issued;

- at the time of customs declaration or
- 6 months prior to the date of customs declaration



End Use (4/5)

Security

at the time of importation the difference between the taxes that are normally due and the favourable rate due to the end use is taken as security by the customs offices



End Use (5/5)

Example Case

“Crude oil for technical or industrial uses other than the manufacture of foodstuff for human consumption” to be used in the production of the goods falling under the tariff position 1508.90.10.00.00

duty rate to be applied for end-use: 0 %

normal duty rate: 5 %



THANK YOU FOR YOUR ATTENTION