

No. 13561. INTERNATIONAL CONVENTION ON THE SIMPLIFICATION AND HARMONIZATION OF CUSTOMS PROCEDURES. CONCLUDED AT KYOTO ON 18 MAY 1973¹

ENTRY INTO FORCE of annex F.1² to the above-mentioned Convention

ANNEX CONCERNING FREE ZONES

INTRODUCTION

Certain States have long considered it necessary to encourage the development of their external trade, and of international commerce in general, by granting indefinite relief from import duties and taxes in respect of goods introduced into a part of their territory where they are generally regarded as being outside the Customs territory. Goods so introduced are not subject to the usual Customs control.

In the present Annex this part of the territory is referred to as a "free zone" although in some countries it is also known under various other names, such as "free port", "free warehouse".

A distinction may be made between commercial and industrial free zones. In commercial free zones, the permitted operations are generally limited to those necessary for the preservation of the goods and the usual forms of handling to improve their packaging or marketable quality or to prepare them for shipment. In industrial free zones, processing operations are authorized.

Although goods introduced into free zones are generally regarded, insofar as import duties and taxes are concerned, as being outside the Customs territory, certain provisions laid down by the State concerned may remain applicable, e.g. prohibitions and restrictions deriving from national legislation. The Customs also carry out certain controls within the free zone to ensure that the operations carried out are in accordance with the requirements laid down.

Goods introduced into a free zone from the Customs territory normally qualify for the exemption from or repayment of import duties and taxes or internal duties and taxes granted at exportation.

Where goods which have not been processed in a free zone are allowed to be introduced into the Customs territory for home use, they become liable to import duties and taxes, as if they had been imported direct from abroad. However, special assessment rules, laid down in national legislation, are applicable in the case of foreign goods which have been processed in the free zone or where the goods utilized were of national origin or had been imported against payment of import duties and taxes and had been granted exemption from or repayment of duties and taxes when they were introduced into the free zone.

¹ United Nations, *Treaty Series*, vol. 950, p. 269, and annex A in volumes 958, 981, 987, 989, 1019, 1023, 1025, 1029, 1031, 1041, 1043, 1049, 1055, 1057, 1059, 1066, 1078, 1081, 1088, 1094, 1102, 1122 and 1128.

² The annex came into force on 19 March 1979, i.e., three months after five States had accepted it, in accordance with article 12 (3) of the Convention. The pertinent notifications of acceptance were received by the Customs Co-operation Council as indicated:

State	Date of receipt of notification of acceptance	State	Date of receipt of notification of acceptance
Switzerland*	13 April 1977	Germany, Federal Republic of*	21 August 1978
Austria*	24 July 1977	Denmark*	19 December 1978
European Economic Community*	20 June 1978		

* See p. 340 of this volume for the texts of the reservations made upon acceptance.

In some countries Customs facilities comparable to those characteristics of free zones are granted throughout the territory, in the context of other Customs procedures such as Customs warehousing, drawback, temporary admission for inward processing or Customs transit.

DEFINITIONS

For the purposes of this Annex:

(a) The term “free zone” means a part of the territory of a State where any goods introduced are generally regarded, insofar as import duties and taxes are concerned, as being outside the Customs territory and are not subject to the usual Customs control.

NOTE. A distinction may be made between commercial and industrial free zones. In commercial free zones, goods are admitted pending subsequent disposal and processing or manufacture is normally prohibited. Goods admitted to industrial free zones may be subjected to authorized processing operations;

(b) The term “Customs territory” means the territory in which the Customs law of a State applies in full;

(c) The term “import duties and taxes” means Customs duties and all other duties, taxes, fees or other charges which are collected on or in connexion with the importation of goods, but not including fees and charges which are limited in amount to the approximate cost of services rendered;

(d) The term “Customs control” means the measures applied to ensure compliance with the laws and regulations which the Customs are responsible for enforcing;

(e) The term “person” means both natural and legal persons, unless the context otherwise requires.

PRINCIPLE

1. *Standard*

The Customs regulations applicable in free zones shall be governed by the provisions of this Annex.

ESTABLISHMENT OF FREE ZONES

2. *Standard*

National legislation shall specify the requirements relating to the establishment of free zones, the kinds of goods admissible to such zones and the nature of the operations to which goods may be subjected in them.

NOTES. 1. Free zones are generally established at seaports, river ports, airports, and places with similar geographical advantages.

2. In accordance with the provisions of national legislation, free zones may be managed by the Customs authorities, by other authorities or by natural or legal persons.

3. *Standard*

The requirements as regards the construction and layout of free zones and the arrangements for Customs control shall be laid down by the Customs authorities.

NOTES. 1. The Customs authorities may require that free zones be enclosed; they may also impose restrictions on means of access and establish the hours of business.

2. For the purpose of control, the Customs authorities may, in particular:

—Keep the means of access to the free zone under permanent or intermittent supervision;

—Require persons introducing goods into free zones to keep accounts so that the circulation of the goods can be controlled;

—Make spot checks on the goods admitted to ensure that they have been subjected to authorized operations only and that no unauthorized goods have been introduced.

4. *Standard*

Customs authorities shall have the right to carry out checks at any time of the goods stored on the premises of any person introducing goods into a free zone.

GOODS ADMITTED

5. *Recommended Practice*

Admission to a free zone should not be subject to the condition that the goods are introduced into or stored in the zone in specified quantities.

6. *Standard*

Admission to a free zone shall be authorized not only for goods imported direct from abroad but also for goods brought from the Customs territory of the State concerned.

NOTE. Goods brought from the Customs territory of the State concerned may be goods in free circulation or goods placed under a procedure affording conditional relief from import duties and taxes or a processing procedure.

7. *Standard*

Goods admissible to a free zone which are entitled to exemption from or repayment of import duties and taxes when exported shall qualify for such exemption or repayment immediately after they have been introduced into the free zone.

8. *Standard*

Goods admissible to a free zone which are entitled to exemption from or repayment of internal duties and taxes when exported, shall qualify for such exemption or repayment after they have been introduced into the free zone.

NOTE. Exemption or repayment is generally granted immediately after introduction of the goods into the free zone. In special cases, exemption or repayment may be made subject to the exportation of the goods from the national territory. Exceptionally, evidence of arrival of the goods in the country of destination may also be required.

9. *Standard*

Admission to a free zone shall not be refused solely on the grounds of the country of origin of the goods, the country whence they arrived or their country of destination.

10. *Standard*

Admission to a free zone of goods brought from abroad shall not be refused solely on the grounds that the goods are liable to restrictions or prohibitions other than those imposed on grounds of public morality or order, public security, public hygiene or health, or for veterinary or phytopathological considerations, or relating to the protection of patents, trade marks and copyrights.

11. *Recommended Practice*

Goods which constitute a hazard, which are likely to affect other goods or which require special installations should be admitted only to free zones specially designed to receive them.

INTRODUCTION INTO A FREE ZONE

12. *Standard*

Where a document must be presented to the Customs in respect of goods introduced into a free zone directly from abroad, without having to cross the Customs territory of the State concerned, the Customs authorities shall not require more than the production of a commercial or official document (commercial invoice, waybill, despatch note, etc.) giving the main particulars of the goods concerned.

13. *Recommended Practice*

The admission to a free zone of goods brought from the Customs territory of the State concerned or which have crossed that territory in transit should not involve the completion of a document other than the Goods declaration normally required in that territory to cover the exportation, re-exportation or transit of goods.

14. *Standard*

The Customs authorities shall not require security for the admission of goods to a free zone.

15. *Standard*

Where the Customs authorities carry out a control of goods intended for introduction into a free zone, they shall take only such action as is deemed essential to ensure compliance with the laws and regulations which the Customs are responsible for enforcing.

NOTE. In particular, the Customs may ensure that the goods are of a kind allowed to be introduced into the free zone and that any relevant prohibitions and restrictions have been complied with.

AUTHORIZED OPERATIONS

16. *Standard*

In addition to loading, unloading, transshipment and storage, goods admitted to a commercial free zone shall be allowed to undergo operations necessary for their preservation and usual forms of handling to improve their packaging or marketable quality or to prepare them for shipment, such as breaking bulk, grouping of packages, sorting and grading, and repacking.

17. *Standard*

The processing operations to which goods admitted to an industrial free zone may be subjected shall be specified by the competent authorities in general terms and/or in detail in a regulation applicable throughout the free zone or in the authority granted to the enterprise carrying out these operations.

NOTE. The right to carry out processing operations may be made subject to the condition that the proposed operations are regarded by the competent authorities as advantageous to the national economy.

GOODS CONSUMED WITHIN THE FREE ZONE

18. *Standard*

National legislation shall enumerate the cases in which goods to be consumed inside the free zone may be admitted free of duties and taxes and shall lay down the requirements which must be met.

NOTES. 1. Free admission may be allowed not only in respect of import duties and taxes but also in respect of internal duties and taxes.

2. Free admission of equipment to be used solely inside the free zone for the transport, storage and processing of goods may also be allowed.

TRANSFER OF OWNERSHIP

19. *Standard*

The transfer of ownership of goods admitted to a free zone shall be allowed.

NOTE. 1. Retail sales within free zones may be prohibited.

2. Goods admitted to free zones may be used for provisioning ships and aircraft.

DESTRUCTION

20. *Standard*

Goods admitted to a free zone shall be allowed to be destroyed or rendered commercially valueless under Customs control.

DURATION OF STAY IN FREE ZONE

21. *Standard*

No limits shall be imposed on the duration of the stay of goods in a free zone.

REMOVAL FROM FREE ZONE

22. *Standard*

Where a document must be produced to the Customs in respect of goods which on removal from a free zone are sent directly abroad without having to cross the Customs territory of the State concerned, the Customs authorities shall not require more than the production of a commercial or official document (commercial invoice, waybill, despatch note, etc.) giving the main particulars of the goods concerned.

23. *Standard*

The only declaration required for goods that are allowed to be introduced into the Customs territory of the State concerned on removal from a free zone shall be the Goods declaration normally required for the Customs procedure to which those goods are assigned.

24. *Recommended Practice*

Goods which are allowed to be removed from a free zone to the Customs territory of the State concerned should be eligible for the conditional relief or processing procedures in force under the conditions applicable to goods imported direct from abroad.

25. *Standard*

National legislation shall specify the point in time to be taken into consideration for the purpose of determining the value and quantity of goods which may be taken into home use on removal from a free zone and the rates of the import duties and taxes applicable to them.

26. *Standard*

National legislation shall specify the rules applicable for determining the amount of the import duties and taxes chargeable on goods taken into home use after manipulation or processing in a free zone.

NOTES. 1. The amount of the import duties and taxes chargeable on goods taken into home use after processing in a free zone may be limited to the amount of the import duties and taxes applicable to the foreign goods utilized, in the state in which they were introduced into the free zone, plus, where goods of national origin or goods imported against payment of import duties and taxes were utilized, the amount of any exemption from or repayment of internal duties or taxes or import duties and taxes granted when those goods were introduced into the free zone.

2. A special assessment procedure may be laid down where equipment which has been used to process goods in a free zone was admitted free of import duties and taxes.

ABOLITION OF A FREE ZONE

27. *Standard*

In the event of the abolition of a free zone, the persons concerned shall be given sufficient time to arrange for the disposal of their goods.

INFORMATION CONCERNING FREE ZONES

28. *Standard*

The Customs authorities shall ensure that all relevant information regarding the Customs regulations applicable to free zones is readily available to any person interested.

RESERVATIONS MADE UPON ACCEPTANCE

SWITZERLAND

Standard 2

The establishment of industrial free zones is not provided for by Swiss Customs legislation. However, the Federal Department of Finances and Customs may, in certain circumstances, authorize the setting up of processing facilities inside commercial free zones.

Recommended Practice 5

In certain types of free zones, minimum quantities may be fixed for common consumables (fuel, etc.) admitted to the zone.

Standard 17

The establishment of industrial free zones is not provided for in Swiss Customs legislation. This provision is therefore inapplicable to Switzerland.

AUSTRIA

Standard 8

Excise duties are repaid or refunded and turnover tax (VAT) is deductible only if the goods are exported from the Customs territory.

Standard 18

Goods intended to be consumed inside the free zone are fully liable to import duties and taxes.

EUROPEAN ECONOMIC COMMUNITY

General

Community regulations leave it to Members whether or not to establish free zones on their territory provided that, where such zones are established, they conform to Community provisions. There are no free zones in Belgium, France, Luxembourg or the United Kingdom.

Standard 21

This standard does not provide for the possibility of limiting the periods for which goods may remain in a free zone.

Community rules, on the other hand, do allow for such a possibility.

*FEDERAL REPUBLIC OF GERMANY**Standard 21*

The reasons for this reservation are the same as those given by the European Economic Community.¹

*DENMARK**Standard 21*

The reservation entered by the European Economic Community.¹

Authentic texts of the annex: English and French.

Certified statement was registered by the Customs Co-operation Council, acting on behalf of the Parties, on 19 March 1979.

¹ See the declaration by the European Economic Community above.