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STATUTORY INSTRUMENTS

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**1984 No. 1177**

**CUSTOMS AND EXCISE**

**The Free Zone Regulations 1984**

<i>Made</i>	- - - -	<i>1st August 1984</i>
<i>Laid before Parliament</i>		<i>3rd August 1984</i>
<i>Coming into Operation</i>		<i>6th August 1984</i>

The Commissioners of Customs and Excise, in exercise of the powers conferred on them by sections 100B(1), 100C(3) and (4), 100D(1) and (2) and 125(3) of the Customs and Excise Management Act 1979(1), section 24 of the Value Added Tax Act 1983 and of all other powers enabling them in that behalf, hereby make the following Regulations:—

**PART I**

**Preliminary**

**Citation and commencement**

1. These Regulations may be cited as the Free Zone Regulations 1984 and shall come into operation on 6th August 1984.

**Interpretation**

2. In these Regulations:—

“chargeable operation” means any operation carried out on Community goods which are free zone goods where, because of Commission Regulation (EEC) 1371/81(2) and the nature of the operation, agricultural levy becomes chargeable or a negative monetary compensatory amount payable;

“Community goods” means goods which fulfil the conditions of Article 9(2) of the EEC Treaty, and goods covered by the Treaty establishing the European Coal and Steel Community which are in free circulation in the Community in accordance with that Treaty;

“tax” means value added tax;

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(1) sections 100B, 100C and 100D were introduced by section 8 of, and Schedule 4 to, the Finance Act 1984 (c. 43).  
(2) particularly Article 2.

“transfer to another customs procedure providing for suspension of, or relief from, customs duty or agricultural levy” in regulation 11 (requirement for entry) shall not be taken to include the removal of free zone goods from one free zone to another or from a free zone to a place for the clearance out of charge of imported goods.

## PART II

### Security of Free Zones

#### **Security and recovery of expenditure by Commissioners**

3. The Commissioners may by direction impose obligations on the responsible authority for a free zone to ensure the security of that free zone; and where the responsible authority fails to comply with such direction and the Commissioners thereby incur any expenditure, such expenditure shall be recoverable on demand by the Commissioners as a civil debt from that responsible authority.

#### **Residence in free zones not permitted**

4. The responsible authority shall not permit any person to take up residence within a free zone.

## PART III

### Goods Chargeable with Excise Duty

#### **Excise goods which may become free zone goods without payment of excise duty**

5. Goods chargeable with excise duty may be moved into a free zone in accordance with these Regulations without payment of that duty and remain as free zone goods;

provided that they are goods which, by or under the customs and excise Acts, the Commissioners may allow to be removed or delivered without payment of excise duty and which have been allowed to be so removed or delivered.

## PART IV

### Movement of Goods into Free Zone

#### **Goods to become free zone goods**

6.—(1) Goods moved into a free zone shall not be free zone goods unless, within the relevant period, such particulars as the Commissioners may direct have been entered in a record to be kept by the occupier of the premises at which the goods are received or, if the Commissioners so direct, by the responsible authority.

(2) In this regulation “relevant period”, in respect of imported goods, shall have the same meaning as in section 40(4) of the Customs and Excise Management Act 1979 and in respect of any other goods shall mean a period not exceeding 14 days from the time the goods are moved into the free zone.

### **Acknowledgment of Community status of free zone goods**

7.—(1) Where the proprietor of free zone goods wishes to obtain an acknowledgment that the goods are Community goods he shall deliver to the proper officer, within the relevant period, a document in such form and containing such particulars as the Commissioners may direct together with such supporting evidence as will enable the officer to establish to his satisfaction that they are Community goods, and, if so satisfied, the proper officer shall provide a written acknowledgment of such Community status.

(2) The written acknowledgment referred to in paragraph (1) above shall consist of a copy of the document containing particulars of the goods, endorsed by the proper officer.

(3) In this regulation “relevant period” shall mean a period not exceeding 7 days from the time the goods become free zone goods or from the time an entry for free circulation under regulation 17(2) is accepted.

### **Goods from another customs procedure**

8. Goods moved into a free zone which are subject to another customs procedure shall not be free zone goods until the proprietor of the goods has presented them to the proper officer and that procedure has been discharged.

## **PART V**

### **Operations**

#### **Operations on free zone goods**

9.—(1) Operations on free zone goods shall only be permitted in accordance with this regulation and subject to any prohibition or restriction imposed by or under any enactment for the time being in force.

(2) Any operation is prohibited in which goods that are not free zone goods are mixed with or incorporated into free zone goods.

(3) The Commissioners shall allow, subject to such conditions as they may impose, operations to be carried out on free zone goods as follows:—

- (a) where only Community goods are involved, any operation;
- (b) where any other goods are involved—
  - (i) the usual forms of handling listed in Article 1.1 of Council Directive [71/235/EEC](#)(3),
  - (ii) processing under customs control for free circulation in accordance with Council Regulation [\(EEC\) 2763/83](#), or
  - (iii) any operation carried out in accordance with the Inward Processing Relief Regulations 1977(4)

(4) A person intending to carry out any operation shall—

- (a) before commencing an operation referred to in paragraph (3)(a) above, inform the proper officer of his intention and, in addition, where the operation is a chargeable operation enter such particulars as the Commissioners may require in a record to be kept by him,
- (b) before commencing an operation referred to in paragraph (3)(b)(i) above, notify the proper officer of his intention, and

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(3) (OJ/SE 1971 (II) p. 398).

(4) , as amended by S.I. 1983/877.

- (c) before commencing any other operation, make a declaration by entering such particulars as the Commissioners may require in a record to be kept by him.
- (5) A person intending to carry out an operation referred to in paragraph (3)(b)(i) above may, at the time he notifies the proper officer of his intention to carry out the operation, apply for a written acknowledgment that the operation is to commence and the application shall be in such form as the Commissioners may direct and contain such particulars as The Commissioners may require to enable them to apply regulation 25(4).
- (6) The written acknowledgment referred to in paragraph (5) above, shall consist of a copy of the application endorsed by the proper officer.
- (7) Save as provided by this regulation, free zone goods shall not be used or consumed in a free zone unless they are entered in accordance with regulation 17(1).
- (8) Notwithstanding paragraph (3) above, free zone goods chargeable with excise duty which have been removed or delivered without payment of that duty by or under the customs and excise Acts before becoming free zone goods may only be used or consumed in the free zone without payment of that duty where such use or consumption does not affect the relief from excise duty under the requirements of those Acts applicable to the relief; and paragraph (7) above shall only apply to such goods if they are also chargeable with a duty of customs or agricultural levy which has not been paid.
- (9) Where an operation is carried out on free zone goods otherwise than in accordance with this regulation, they shall cease to be free zone goods, and shall be liable to forfeiture.

## PART VI

### Entry, Removal and Payment of Duty etc

#### **Procedure for entering free zone goods**

**10.**—(1) Free zone goods, required by these Regulations to be entered, shall be entered by the proprietor of the goods delivering to the proper officer an entry thereof in such form and manner, containing such particulars and accompanied by such documents as the Commissioners may direct.

(2) Acceptance of an entry by the proper officer shall be signified in such manner as the Commissioners may direct.

(3) Where free zone goods are required to be entered under regulation 17, the Commissioners may direct that if the proprietor of the goods—

- (a) enters such particulars as the Commissioners may direct in a record to be kept by him, and
- (b) furnishes a schedule to the proper officer at such place and at such intervals as the Commissioners may direct containing such particulars extracted from the record and accompanied by such documents as the Commissioners may direct,

an entry of the goods shall be taken to have been delivered and accepted when the particulars are entered in the record.

#### **Entry required before removal for home use etc**

**11.** Subject to regulation 12, before any free zone goods are removed from a free zone for—

- (a) home use, or
- (b) transfer to another customs procedure providing for suspension of, or relief from, customs duty or agricultural levy,

the goods shall be entered for such purpose.

### **Removal without entry**

12.—(1) Upon application by the proprietor of free zone goods, the Commissioners may allow the goods to be removed from the free zone for the purposes set out in regulation 11 without the goods being entered, if such particulars as the Commissioners may direct are entered in a record to be kept by the proprietor of the goods.

(2) Where goods are allowed to be removed from the free zone in accordance with paragraph (1) above, the proprietor of the goods shall comply with such conditions as the Commissioners may impose.

### **Goods to be removed after entry etc**

13. Subject to regulations 15 and 16, free zone goods which have been entered under regulation 11 or in respect of which the particulars required under regulation 12 have been entered in the record, shall be removed, forthwith, from the free zone.

### **Removal of goods for export etc**

14. Part V of the Customs and Excise Management Act 1979<sup>(5)</sup> (procedures for the export of goods) and any prohibition or restriction on the export of goods or their shipment as stores, imposed by or under any enactment for the time being in force, shall apply to goods removed from a free zone for export or shipment as stores.

### **Restriction on removal of goods**

15. No goods shall be removed from a free zone except with the authority of and in accordance with any requirement made by the proper officer.

### **Payment of duty before removal of goods**

16. Save as the Commissioners may otherwise allow and subject to such conditions as they may impose, no goods shall be removed from a free zone until any customs duty and agricultural levy chargeable thereon has been paid; and where the goods have been entered under regulation 11(a), such duty and levy shall be paid at the time the entry is delivered.

### **Entry of goods which are to remain in free zone**

17.—(1) Free zone goods to be used or consumed in a free zone, as provided in regulation 9(7), shall be entered for home use.

(2) Where the proprietor of free zone goods wishes to pay any customs duty or agricultural levy chargeable on the goods and for the goods to remain as free zone goods, the goods shall be entered for free circulation.

### **Payment of duty etc on goods to remain in free zone after entry**

18.—(1) Where goods are entered under regulation 17, any customs duty and agricultural levy chargeable thereon shall be paid at the time the entry is delivered.

(2) As an exception to paragraph (1) above, where the goods are entered for free circulation, tax on importation shall not be paid at the time customs duty is paid.

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(5) Part V was substantially amended by the Finance Act 1981 (c. 35).

### **Agricultural levy chargeable because of chargeable operation**

19. Where agricultural levy becomes chargeable or a negative monetary compensatory amount payable, because of a chargeable operation, a schedule in such form and containing such particulars of the goods and the operation as the Commissioners may direct shall be furnished by the proprietor of the goods to the proper officer at such place and at such intervals as the Commissioners may direct, and any agricultural levy so chargeable shall be paid at the time the schedule is furnished.

### **Customs duty etc deemed to have been paid**

20. For the purposes of these Regulations, customs duty and agricultural levy shall be deemed to have been paid if payment thereof has been deferred under the Customs Duties (Deferred Payment) Regulations 1976(6), secured to the satisfaction of the Commissioners or otherwise accounted for.

### **Destruction of free zone goods**

21. Subject to such conditions as the Commissioners may impose, free zone goods may be destroyed and no customs duty or agricultural levy shall be payable on them:

Provided that where any scrap or waste resulting from their destruction is entered for removal for home use, duty and levy shall be chargeable thereon in accordance with regulation 25.

## **PART VII**

### **Controls**

#### **Production of goods**

22. Goods in a free zone shall be produced to the proper officer for examination on request.

#### **Segregation etc of goods**

23. The proper officer may require any goods in a free zone to be segregated and marked or otherwise identified.

#### **Keeping of records and provision of information**

24.—(1) In addition to any requirement in that regard imposed by or under these Regulations, the Value Added Tax Act 1983 or the Inward Processing Relief Regulations 1977(7), the occupier of any premises upon which free zone goods are kept or, where the Commissioners so direct, the responsible authority on his behalf, shall keep such records relating to the goods as the Commissioners may direct.

(2) Any records required to be kept under these Regulations shall be kept in the free zone or such other place as the Commissioners may allow and be kept in such form and be preserved for such time, not exceeding three years from the date the goods are removed from the free zone, as the Commissioners may direct.

(3) The person keeping the record shall—

(a) furnish to the Commissioners, within such time and in such form as they may require, such information relating to the goods as the Commissioners may direct, and

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(6) , as amended by S.I. 1978/1725.

(7) , as amended by S.I. 1983/877.

- (b) upon demand made by the proper officer produce to him any records and any document relating to the goods for inspection by the proper officer and permit him to take copies of or to make extracts from them or remove them at a reasonable time and for a reasonable purpose:

Provided that if the information that would otherwise be contained in any record or document is not made or preserved in a form which is easily readable or which is not readable without the aid of equipment, the person keeping the record or document, shall, at the request of the proper officer produce the information contained in the record or document in the form of a transcript or other permanent legible reproduction.

## PART VIII

### Customs Duty etc. Chargeable on Free Zone Goods

#### Customs duty chargeable on free zone goods

**25.**—(1) Except as provided in paragraph (5) of this regulation (compensating products from inward processing), the customs duty and agricultural levy and the rate thereof chargeable, or the negative monetary compensatory amount and the rate thereof payable, on free zone goods—

- (a) removed from a free zone for home use, or
- (b) remaining in a free zone after being entered for home use or free circulation;

shall be those in force for goods of that class or description at the time of acceptance of the entry or, where the goods are allowed to be removed without entry, those in force at the time the particulars required under regulation 12 are entered in the record.

(2) The agricultural levy and the rate thereof chargeable or the negative monetary compensatory amount and the rate thereof payable on free zone goods because of a chargeable operation thereon shall be those in force for goods of that class or description at the time the operation commenced.

(3) Except as provided in paragraph (4) below, the value for customs purposes of free zone goods of any class or description shall be that ascertained or accepted by the Commissioners at the time of the acceptance of the entry for home use or free circulation.

(4) Where goods which are removed from a free zone have undergone any of the usual forms of handling referred to in regulation 9(3)(b)(i), provided that the proprietor of the goods—

- (a) if the goods are entered, produces with the entry, or
- (b) in any other case, produces to the proper officer at such time as the Commissioners may direct,

the written acknowledgment referred to in regulation 9(5), the quantity of goods, their class or description and value shall, at his option, be those accepted or ascertained at the date of the acknowledgment.

(5) Notwithstanding any other provision of this regulation, where any goods imported into the United Kingdom are granted an authorisation, or have been granted in another Member State an authorisation, for inward processing relief and the Commissioners have allowed compensating products, derived from such goods which have become free zone goods, to be entered for home use or free circulation, the customs duty and agricultural levy chargeable shall be either—

- (a) the amount calculated in accordance with the Inward Processing Relief Regulations 1977, or
- (b) at the option of the proprietor of the goods and provided that the Commissioners are satisfied that the amount is at least equal to the amount ascertainable under subparagraph (a) above, the amount calculated in accordance with paragraph (1) above.

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(6) In this regulation, “compensating products” shall have the same meaning as in the Inward Processing Relief Regulations 1977.

## PART IX

### Value Added Tax

#### **Tax charge on removal from free zone of manufactured goods**

**26.** Goods manufactured or produced within a free zone from free zone goods shall, for the purposes of the charge to tax, be treated as free zone goods upon which no customs duty has been paid, whether or not the goods are chargeable with customs duty and whether or not such duty has been paid.

#### **Relief from import tax following supply to non-registered person**

**27.** Where free zone goods have been supplied whilst in the free zone to a person who is neither registered nor liable to be registered for tax and he enters the goods for home use, the amount of tax payable shall be reduced by the amount of tax paid on the supply.

King's Beam House, Mark Lane  
London, EC3R 7HE  
1st August 1984

*L. Hawken*  
Commissioner of Customs and Excise



## EXPLANATORY NOTE

These Regulations prescribe the procedures governing the operation of free zones in the United Kingdom.

In relation to such zones, the Regulations—

- (i) allow obligations for security to be placed on responsible authorities;
- (ii) provide for the receipt of goods and, where appropriate, the discharge of existing procedures and the establishment of Community status;
- (iii) prescribe the scope of permitted operations and the related control requirements;
- (iv) provide for the payment of customs duty and agricultural levy and for the delivery of goods from free zones;
- (v) define the control requirements placed upon free zone traders and responsible authorities;
- (vi) provide for the application of value added tax on delivery of any goods manufactured in free zones, whether or not made from imported components.

The Regulations do not affect the control of goods in the course of movement to and from free zones.