



HM Revenue & Customs

Process

Goods sent or received for process, or returned or received after process.

What is a process?

A process can cover operations such as transformation, construction, assembly, enhancement, modification and conversion, which have the objective of producing a new or really improved item. A process does not necessarily involve a change in the product classification.

Examples of processing include the following:

- Assembly or reconstruction of goods after transport
- Conservation, e.g. by the addition of preservatives
- Treatment, e.g. against parasites or rust
- Mixing goods of different qualities to produce goods of a new quality
- Bottling of liquid, e.g. wine from barrels
- Canning of goods, e.g. tinned food
- Making up of textiles into products, e.g. clothing, handbags, curtains
- Dilution or concentration of liquids e.g. orange juice
- Packaging bulk goods into retail packages, e.g. pills in bulk containers repackaged in blister packs for over the counter sales.

Some regulatory or simple processes are considered to be services and are consequently excluded from Intrastat. These include:

- Technical maintenance of aircraft which is carried out due to legal requirements (e.g. controls or mandatory periodic replacements)
- Testing adjusting, regulating or certifications of goods (aircraft, machines, apparatus, vehicles)
- Simple ironing, washing, cleaning or drying operations
- Simple sorting, sifting, weighing, dividing and filtering of goods.

Value

The value of goods being sent or received for process is the value of the goods which would have been invoiced in the event of a sale. A reasonable estimate of this

value may be used in cases of difficulty.

The value of goods returned or received after process is the value of the goods sent or received for process plus the cost of the process. But see example 2, when the value is not known to the company receiving the goods after process.

Examples of process procedures

1. If goods sent for process do not change ownership and return after process, to the EU Member State from which they were dispatched, Nature of Transaction Codes (NoTC) 40 and 50 should be used. (NoTC 40 indicates goods which have been sent or received for process, NoTC 50 indicates goods which have been returned or received after process.)

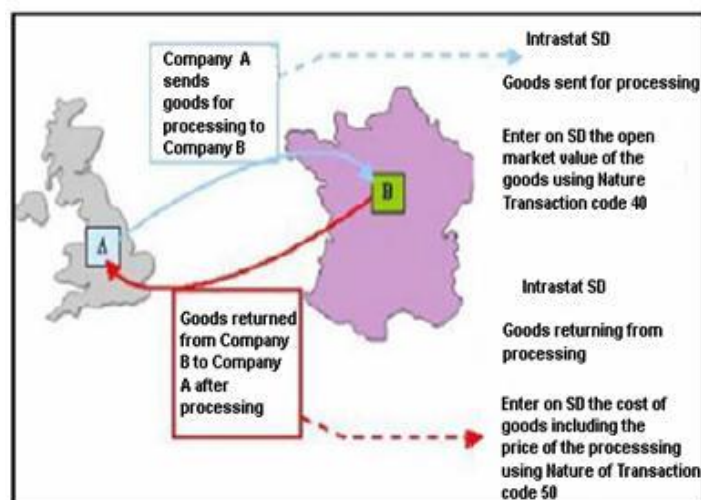
For example:

UK company 'A' dispatches cloth to a company in France, for 'cut, make and trim' (CMT), to be made into suits using NoTC 40. The finished suits are returned to the UK company 'A' who declares them as an arrival using NoTC 50. The value of the dispatch under NoTC 40 is the value of the cloth, (which would have been invoiced in the event of a sale). The value of the subsequent arrival under NoTC 50 is the value of the cloth, (which would have been invoiced in the event of a sale as declared on the initial dispatches declaration), enhanced by the value of the CMT process which turned the cloth into suits.

2. Goods returned after process do not necessarily have to return to the company which dispatched them in the first place. As long as the goods return to the original Member State of dispatch NoTC 40 and 50 should still be used.

For example:

UK company 'A' sends cloth to Portugal for CMT, to be made into suits, using NoTC 40. After the finished clothing has been produced, the Portuguese company dispatches the goods (on company 'A's instruction) to company 'B' in the UK. Company 'B' declares the goods, using NoTC 50, as goods received after process. Company 'A' declares the value of the dispatch of cloth to Portugal (which would have been invoiced in the event of a sale) and company 'B' declares an arrival based on the value invoiced by company 'A'.



(Although this value will almost certainly be greater than the value of the cloth, plus process charges, it is acceptable. It is unlikely that company 'B' will know the original value of the cloth or the processing costs.)

3. If the goods change ownership when sent for process, NoTC 10 should be used. The UK company dispatching the goods has effectively sold the goods, no matter what ultimately happens to them.

For example:

A UK company sells the raw material for a product to a company in Germany which produces a finished or further processed good. Even though the goods undergo a process, the transaction is a sale involving a change of ownership. Having sold the goods, the UK company has no further control over what happens to them. The value of the dispatch is the invoice value of the raw material. NoTC 10 should be used.

4. If the goods are dispatched from the UK for a process, which does not initially result in a change of ownership, but where the UK company intends to sell the goods to a company in a third Member State and subsequently arranges the dispatch of the goods from the processing Member State to a third Member State, NoTC 10 should be used for the initial dispatch from the UK.

For example:

A UK company sends cloth for CMT to Portugal to be made into suits. The Portuguese company does not take ownership of the goods but, after process, dispatches them to a company in Lithuania on the instruction of the UK owner. NoTC 17 should be used for the initial dispatch to Portugal from the UK. The value of the dispatch is the value of the cloth which would have been invoiced in the event of a sale.

5. Goods which are sent from the UK for process to another Member State, and then pass through other Member States for further processes to be carried out, finally returning to the UK, should use NoTC 40 when being sent for process. NoTC 50 is used when goods are returned after the various processes which have been carried out.

For example:

The ingredients for pills are sent from the UK to France for the first process. The pills are then sent for further processes to Italy, and then to Belgium for blister packing, before finally being returned to the UK in retail packs.

The UK business sending the goods for process should be certain that they are intended to return to the UK after final process. If not NoTC 10 should be used.

If you have any questions about this Information Sheet, please forward them via uktradeinfo@hmrc.gov.uk and quote 'Information Sheet, Process' in the

subject box.

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