

Subject: Customs Procedure in Free Zones

This explanation refers to the procedure of approval of record-keeping in a free zone, bringing goods into a free zone, handling of goods in a free zone by zone users, use of special procedures in a free zone, handling of domestic goods in a free zone, annulling, revoking, amending and suspending the approval.

1. GENERAL PROVISIONS

1.1. Legal Basis

Handling of goods at its entry into a free zone, its placement, exit from a free zone, as well as while conducting the activities in a free zone, *inter alia*, is regulated by:

- Provisions of the Law on Free Zones (“Official Gazette of the RS”, No. 62/06, hereinafter referred to as: “LFZ”),
- Provisions of Articles 202-204 and Articles 208-214 of the Customs Law (“Official Gazette of the RS”, Nos. 95/18...144/20, 118/2021 and 138/2022 - hereinafter referred to as the: “Law”),
- Provision of Article 291 of the Regulation on customs procedures and customs formalities (“Official Gazette of the RS”, Nos. 39/2019, 8/2020, 132/2021 and 144/2022 - hereinafter referred to as the: “Regulation”),
- Provisions of the Rulebook on form, content, manner of submitting and completing declaration and other forms used in a customs procedure (“Official Gazette of the RS”, Nos. 42/2019... 139/2022, 143/2022 and 25/2023- hereinafter referred to as the: “Rulebook”),

Taking into account a concept of the Law and the Regulation, other provisions of these legislations also regulate handling of goods in a free zone (e.g. issuing, annulling, revoking, amending or suspending the approval, guarantee for payment of customs debt...), without excluding the application of other regulations setting out the terms for international trade movements of goods.

1.2. Free Zones and Customs Supervision

LFZ sets out the terms for determining the area and operation of a free zone, activities which can be performed within a free zone, conditions for performing such activities and conditions for termination of a free zone, as well as an establishment, legal status and competence of Free Zone Management.

Provision of Article 208 of the Law prescribes that the Government may designate parts of the customs territory of the Republic of Serbia as free zones.

For each free zone, an area is defined which includes the points of entry and exit. Free zones shall be enclosed, pursuant to instructions by customs authority, in a way that enables customs authority to carry out customs supervision and prevents non-compliant bringing into a free zone and taking out of a free zone any goods. The perimeter and the entry and exit points of the area of free zones shall be subject to customs supervision by the supervising customs authority (Customs post and Customs unit). Persons, goods and means of transport may enter or leave free zones only through the entry and exit points and may be subject to customs controls. The area right outside the fence of a free zone shall enable adequate customs supervision and such area shall be accessible upon an approval of supervising customs authority.

Customs authority may, regularly or occasionally, conduct customs control of bringing in and taking out the goods, in accordance with the criteria determined by the risk analysis and assessment system, that is whenever there is suspicion of a non-compliance with customs regulations concerning operations in a free zone.

1.3.Free Zone User

Free zone user may be a founder of a zone, company managing a zone, as well as other domestic and foreign persons that conduct commercial operations in a free zone based on the Contract on mutual rights and obligations between a company managing a zone and user of a zone (hereinafter referred to as the: “Contract”), concluded with a company managing a zone.

If a user of a free zone is a declarant as well, he/she shall be established in the customs territory of the Republic of Serbia pursuant to Article 148, paragraph 3 of the Law.

A company managing a zone is obliged to immediately notify a supervising customs authority of each signed Contract, as well as of any termination of such Contract. This notification shall contain the name of a free zone, number and date of concluded contract, as well as the name, identification number and a registered business activity of the user of a zone.

A company managing a zone is obliged to keep records of all contracts concerning users in a free zone, which are to be available all the time to supervising and other control customs authorities, for control purposes.

Pursuant to the LFZ, in a free zone, the user may **produce goods and provide services** in accordance with regulations, without endangering the environment, public health, material goods and safety of the country while doing so. The goods forbidden for import or export cannot be imported into or exported from a free zone.

1.4.Facilities and conditions for conducting business activity in a free zone

The construction of any facility in a free zone shall require the prior approval of the supervising customs authority.

Supervising customs authority shall be notified in advance of activities conducted in a free zone, which are carried out under customs supervisions and conditions provided for in the customs and other legislation. A user of a zone is obliged to undertake necessary measures to ensure that the employees, while carrying out activities in a free zone, comply with set measures of customs supervision and control.

The customs authority may impose prohibitions or restrictions on the activities conducted in a free zone, having regard to the nature of the goods, or the capabilities to carry out the measures of customs supervision, or security and safety requirements.

The customs authority may prohibit persons who do not provide the necessary assurance of compliance with the customs provisions from carrying on an activity in a free zone.

The user of a zone who is about to terminate operations in a free zone or any particular activity in a free zone, shall immediately notify a supervising customs authority and submit final data from the records for control of customs status of goods, in order to properly discharge such records.

2. APPROVAL OF RECORD-KEEPING ON GOODS IN A FREE ZONE

2.1. Record-keeping

User of a free zone keeps records on storage, production, processing, sale and procurement of goods in a free zone, in a form and manner approved by a customs authority.

User of a free zone shall not carry out activity in a free zone, which entails storage, production, processing, sale and procurement of goods in a free zone without customs authority's approval on a form and manner of record-keeping.

Such records shall contain data that enable customs authority to supervise a customs procedure the goods are placed under, especially in respect of identification of goods placed under a given procedure, its customs status and its movement.

2.2. Submitting a request for approval of a form and manner of record-keeping on goods in a free zone and deciding on such request

Provisions of Article 17 of the Law are applied to the requests for approval of a form and manner of record-keeping on goods and to deciding on such request.

Before starting activities in a free zone, a user of a zone is obliged to submit to the competent Customs Office a request for approval of a form and manner of record-keeping on goods in a free zone. In a request, a user specifies a detailed description of activities he/she intends to perform in a free zone. The Contract signed with a company managing a zone is submitted along with a request, and the customs authority keeps a copy thereof in their records.

If a user intends also to bring domestic goods into a zone, he/she is obliged to specify it in a request for approval of a form and manner of record-keeping on goods in a free zone.

Pursuant to Article 291 of the Regulation, the records on goods in a free zone contain the following:

- Reference to the approval required to place goods under special procedure, as appropriate;
- MRN or, if there is no MRN, another number or code identifying declarations under which the goods are placed under special procedure or, if a procedure has been discharged, information on the manner in which a procedure has been discharged;
- Data that unequivocally enable identification of customs documents, except declarations, and other documents significant for placing goods under special procedure and documents significant for adequate discharge of a procedure;
- Data on codes, identification numbers, numbers and type of packages, quantity and standard commercial or technical description of goods and, as appropriate, identification codes of containers needed for identification of goods;
- Location where goods are placed and data on any movement of goods;
- Customs status of goods;
- Data on usual forms of handling and, as appropriate, new tariff classification resulting from those usual forms of handling ;
- Data on temporary admission;
- Data on inward and outward processing, including information on nature of processing;
- If Article 74, paragraphs 1 and 2 of the Law are applied, costs of storage or usual forms of handling;
- Rate of yield or, as appropriate, the method of determining such rate;
- Data that enable customs supervision and control of use of equivalent goods pursuant to Article 193 of the Law;
- If separate accounting is mandatory, information on type of goods, customs status and, as appropriate, origin of goods;
- In case of temporary admission under Article 389 of the Regulation, data required by that Article;
- In case of inward processing under Article 393 of the Regulation, data required by that Article;
- Data on transfer of rights and obligations pursuant to Article 189 of the Law, as appropriate;
- If records are not part of general ledger for customs purposes, reference to such general ledgers for customs purposes;
- Additional information for special cases, at the request of customs authorities for justified reasons.

Besides the aforementioned information, records on goods in a free zone contain:

1) data on identification of means of transport, entering or leaving free zones;

2) data with regard to use or consumption of goods of which the release for free circulation or temporary admission would not entail application of import duties or measures laid down under the common agricultural or commercial policies pursuant to Article 212, paragraph 3 of the Law.

Customs authority may waive the request for provision of certain information if it does not impact negatively on customs supervision and control of usage of special procedure. If the records on goods must be kept for a customs procedure (e.g. inward processing), data from such records do not have to be entered into records on goods in a free zone. In case of temporary admission, the records are kept only if a customs authority requires so.

Records are kept chronologically, based on information in documents which follow the goods that are brought in / taken out of a free zone.

A customs authority may, for the records-keeping in a free zone, accept as records also the records from the accounting of a free zone user, if such records contain all necessary data that at any moment allow clear insight into actual state of goods.

If the records are not kept electronically, but in any other way, such records also must contain data in accordance with Article 291 of the Regulation.

Customs authority shall, upon receiving the application pursuant to Article 17, paragraphs 4 and 5 of the Law, verify whether the conditions for the approval of the form and manner of the record-keeping are fulfilled, which implies the verification of suggested records, as well as control of management of accounting, storage and goods-related documents, in the presence of an applicant.

If the conditions for approval of the form and manner of the record-keeping are fulfilled, a supervising customs authority makes a decision approving the form and manner of the record-keeping in a free zone.

With reference to this, a special attention is needed where a user of a free zone imports production material pursuant to Article 19 of the LFZ, intended for conducting user's production activities, in terms of data that must be contained in the records of a free zone's user.

The records shall contain data that enable full control of production process, including precise data on imported goods and its use, on goods made of imported production material, as well as data on the following customs procedure under which the goods are taken out of a free zone.

In addition, where there is a transfer of goods between the users of a zone within a free zone, such transfer shall be entered into the records of both users, with the aim of monitoring the goods and conducting supervision over such goods.

Amending, annulling or revoking approvals of the form and manner of the record-keeping in a free zone are performed in accordance with Articles 18-21 of the Law.

3. PROVISION OF A GUARANTEE FOR A CUSTOMS DEBT

Due to a specificity of business activities within a free zone, a compliance with the provisions of the customs rules and the LFZ should enable the activities to be carried out without a need for persons conducting business activities in a free zone to provide a guarantee.

However, a customs authority may, pursuant to Article 79 of the Law, require the provision of a guarantee if it considers that a customs debt or a customs debt that may arise are not certain to be paid within the prescribed period.

In that respect, a customs authority should regard the relevance of provision of a guarantee for the payment of customs debt, especially bearing in mind excise and other high-risk goods that are placed in a free zone, and that are used neither in a production activities performed in a free zone, nor for construction of facilities in a free zone.

Customs authority shall require a provision of a guarantee for the customs debt when foreign goods are temporarily taken out of a free zone. Application for approval of temporarily taking the foreign goods out of a free zone is given in Annex 1 to this document.

4. BRINGING GOODS IN A FREE ZONE

4.1. General provisions

All goods regardless of whether it has the status of domestic or foreign goods) brought in or taken out of a free zone must be declared to supervising customs authority, which verifies presented documents and means of transport. Based on its risk assessment and analysis, supervising customs authority may also carry out the inspection of goods.

If goods brought in a free zone by its nature poses a hazard or may be harmful to other goods, or if for any other reasons it is necessary to ensure special conditions for such goods, a customs authority may require its storage in the premises specially equipped for such purpose and which fulfill conditions set out in both customs and other legislations.

4.2. Bringing and storing non-domestic goods in a free zone

Goods brought in a free zone are presented to the supervising customs authority and are subject to application of customs formalities in following cases:

- where they are brought into the free zone directly from outside the customs territory of the Republic of Serbia ;
- where they have been placed under a customs procedure which is ended or discharged when they are placed under the free zone procedure ;
- where they are placed under the free zone procedure in order to benefit from a decision granting repayment or remission of import duties;
- where legislation other than the customs legislation provides for such formalities.

Goods brought into a free zone in circumstances other than the aforementioned shall not be presented to customs.

Non-domestic goods may, while they remain in a free zone, be released for free circulation or be placed under the inward processing, temporary admission or end-use procedure, under the conditions laid down for those procedures. In such cases the goods shall not be regarded as being under the free zone procedure .

Without prejudice to the provisions of Article 211 of the Law, goods brought into a free zone are deemed to be placed under the free zone procedure:

- At the moment of its entering into a free zone, unless it has already been placed under another customs procedure; or
- At the moment when transit procedure is ended, unless it has been immediately placed under subsequent customs procedure.

If non-domestic goods are brought into a free zone to be stored, then UV-7 declaration is submitted to supervising customs authority, along with related code 78 that should be entered into the box 37 of SAD, in accordance with Annex 8 of the List of codes for completing documents in a customs procedure, part XVI of the Rulebook. Having in mind that bringing the goods into a free zone is one of the special procedures within the storage procedure, such goods are deemed to be placed under the free zone procedure.

4.3. Bringing and storing domestic goods in a free zone

Domestic goods may be entered, stored, moved, used, processed or consumed in a free zone. In such cases the goods shall not be regarded as being under the free zone procedure.

Upon application by the person concerned, the customs authority shall establish the customs status as domestic goods of any of the following goods:

- domestic goods which enter a free zone;
- domestic goods which have undergone processing operations within a free zone;

- goods released for free circulation within a free zone.

Domestic goods may be brought in a free zone for its use in production processes, as well as for the consumption in a zone (foodstuffs, office supplies etc.).

Invoice or delivery note based on which domestic goods are brought into a free zone are submitted in 2 copies and have to contain all information necessary for keeping records on goods in a free zone. Customs officer in charge places the date of entering a free zone on the submitted document and verifies this with his signature and the official stamp. After verification, the customs officer in charge keeps one copy of the document for official records and returns the other copy to the declarant, or his representative. This verification serves to the taxpayer as a proof that goods entered a free zone.

Tax authority in charge conducts control of calculation and payment of VAT, as well as control of compliance with the requirements needed to exercise the right to use the tax relief for bringing the goods into a free zone, as well as the right to use the tax relief for the flow of goods in a free zone.

4.4. Customs status of goods

Customs status means a status of goods in a customs procedure that may be domestic or non-domestic.

In this sense, domestic goods are:

- goods wholly obtained in the customs territory of the Republic of Serbia, and which not entail goods imported from the countries or territories outside of the customs territory of the Republic of Serbia;

- goods brought into the customs territory of the Republic of Serbia from the countries or territories outside this territory and released for free circulation;

- goods obtained or produced in the customs territory of the Republic of Serbia, only from the goods brought into the customs territory of the Republic of Serbia from the countries or territories outside of this territory and which are released for free circulation, or goods obtained or produced in the customs territory of the Republic of Serbia from the goods wholly obtained in the customs territory of the Republic of Serbia and non-domestic goods released for free circulation.

Non-domestic goods means all goods, except domestic goods or goods that have lost its customs status of domestic goods.

In the cases when it is not possible to prove the status of goods as domestic or non-domestic goods, then the goods shall be presumed to have the customs status of non-domestic goods.

If the goods are moved from a free zone to another part of the customs territory of the Republic of Serbia or placed under a customs procedure, it is considered as non-domestic goods, unless the customs status of domestic goods has been proven.

5. HANDLING OF NON-DOMESTIC GOODS IN A FREE ZONE

While in a free zone, non-domestic goods may:

1. be released for free circulation:
 - a) with payment of import and other duties, in accordance with customs and other legislation pertaining to payment of such duties;
 - b) with relief from payment of import and other duties in accordance with Article 19 of the LFZ and other legislation;
2. undergo usual forms of handling;
3. be placed under inward processing procedure, as per conditions prescribed for such procedure;
4. be placed under temporary admission procedure, as per conditions prescribed for such procedure;
5. be abandoned to the state pursuant to Article 263 of the Law;
6. be destroyed pursuant to Article 263 of the Law.

In that regard, if in the records on goods, which were approved for user of a free zone by customs authority, it is necessary to enter data on customs procedures and/or forms of handling of goods, such data shall be entered in the approved records on goods by user of a free zone without any delay.

Customs authority conducts control of handling of goods in a free zone, as well as control of approved records on goods, in accordance with risk analysis assessment and whenever it is deemed necessary.

6. USE OF GOODS IN A FREE ZONE

Non-domestic goods brought into a free zone may be released for free circulation with payment of import and other duties, in accordance with customs and other legislation pertaining to payment of such duties. Besides, release of goods for free circulation may be conducted also by applying Article 19 of the LFZ.

6.1. Procedure of releasing the goods for free circulation by applying Article 19 of the LFZ

If the goods intended for conducting the activities or for constructing the facilities in a free zone are imported by applying Article 19 of the LFZ, then such goods are released for free circulation without the payment of import duties, and user of a free zone is obligated to keep appropriate, approved records thereof.

In the process of approving the records of a free zone user, and in order to monitor discharge of production material declared under UV-4 with the procedure code 45, the new code E16 has been introduced in the ISCS. It is required that the customs officer in charge enters the number of approval with the code E16 “Records on goods of a user of a free zone” – procedure 45 into the ISCS.

For UV-4 with the procedure code 45, discharge of particular quantity expressed in a unit of the measurement of production material is performed in the ISCS.

User of a free zone submits to the customs authority the Statement from the records of a free zone user with the previous procedure 45 –hereinafter referred to as the Statement, within the time limit and in manner specified in the approval of forms and manners of record-keeping on goods in a free zone. The Statement of a free zone user may be submitted periodically (monthly, bimonthly, quarterly...) depending on the workload of production and frequency of discharge of production material, regardless of the subsequent procedure for which the obtained product is declared, as well as when appropriate.

Supervising customs authority controls submitted Statement, and based on the data specified in the Statement, it carries out discharge in the ISCS in accordance with instructions for the work with the new options in the ISCS, which shall be forwarded via e-mail.

In the procedure of releasing the goods for free circulation in a free zone by applying Article 19 of the LFZ:

- **for equipment: UV-4 declaration with the procedure code 44** (box 37 of SAD) and the code 19000 that is to be entered in the box 36 of SAD shall be submitted. Under the code O44 in the box 44 of SAD, the data PO-beginning of the procedure (where a customs declaration covers goods falling under two or more items, the symbol S shall be entered after the code O44) without identification number shall be entered and in such case the customs declaration shall be the request and approval for the procedure 44 in a free zone. Tax relief for the goods released for free circulation is exercised in accordance with tax legislation, whereby the code 2405 shall be entered in the box 33 of SAD (commodity code), pursuant to the provisions of the Rulebook ;
- **for production material** that shall be used for production: **UV-4 declaration with the procedure code 45** (box 37 of SAD) and the code 19000 that is to be entered in the box 36 of SAD shall be submitted. Tax relief for the goods released for free circulation is exercised in accordance with tax legislation, whereby the code 2405 shall be entered in the box 33 of SAD (commodity code), pursuant to the provisions of the Rulebook. It is mandatory to enter the number of the approval under the code **E16** (“Records on goods of a free zone user – the procedure 45”).
- **for goods intended for construction of facilities:** UV-4 declaration with the procedure code 40 (box 37 of SAD) and the code 19000 that is to be entered in the box 36 of SAD shall be submitted. Tax relief for the goods released for free circulation is exercised in

accordance with tax legislation, whereby the code 2405 shall be entered in the box 33 of SAD (commodity code), pursuant to the provisions of the Rulebook.

Goods released for free circulation without payment of import duties, due to its use for the said purposes, shall remain under the customs supervision until the conditions, on account of which the import duties have not been paid, exist..

Supervising customs authority shall approve the use of the specified procedure only if user of a zone provides all required guarantees for proper conducting of the procedure.

We specifically bring to the attention that a customs authority should regard the relevance of conducting this procedure if production material is an excise product subject to trade policy measures, in accordance with Article 393 of the Regulation, as well as in the case when production material is high-risk commodity.

Consumable goods in a free zone

Goods consumed (used) only for the purposes of conducting business activities in a free zone (e.g. grinding plates for the machines, electrodes etc.), as well as tools and spare parts, may be released for free circulation by applying Article 19 of the LFZ, and user of a free zone is obligated to keep appropriate records on such goods. The fact that the said goods lose its characteristics and utility features after its longer use in a production process is of no relevance, all until it is used for the purposes of performing the activities in a free zone, that is all until it meets the condition for implementation of customs benefit under Article 19 of the LFZ.

Nonetheless, consumable goods that are brought into a free zone, not for the purpose of performing the activities in a free zone, but for end-use (e.g. cleaning products) are subject to the payment of customs duties and other import duties, VAT, excise and all other duties payable at import, and for that purpose a declarant shall submit the customs declaration UV-4 with the procedure code 40 (box 37 of SAD).

6.2. Inward processing procedure in a free zone

Since a free zone territory is a part of the customs territory of the Republic of Serbia, a user of a zone who intends to perform the inward processing procedure in a free zone, shall perform it under conditions prescribed for such procedure.

If records on goods being placed under inward processing procedure are contained in the approved records on goods of a zone user, such records shall not be kept separately.

6.3. Temporary admission procedure in a free zone

Since a free zone territory is a part of the customs territory of the Republic of Serbia, a user of a zone who intends to perform the temporary admission procedure in a free zone, shall perform it under conditions prescribed for such procedure.

In that case, records on goods being placed under temporary admission procedure are kept only when a customs authority requires so.

6.4. Usual forms of handling

Goods placed under the free zone procedure may undergo usual forms of handling, which are intended to preserve them, improve their appearance or marketable quality or prepare them for distribution or resale.

When usual forms of handling have already been approved in the records of a free zone user, a supervising customs authority shall not be obligated to specifically approve such forms of handling.

List of usual forms of handling is specified in the Annex 29 to the Regulation.

6.5. Donation and destruction of non-domestic goods brought into a free zone

Since a free zone territory is a part of the customs territory of the Republic of Serbia, donation and destruction of non-domestic goods brought into a free zone are subject to regulations equal to the ones applied when donation and destruction of non-domestic goods are performed in any other part of the customs territory of the Republic of Serbia.

Handling of goods, when it is turned into waste, that is municipal waste, is performed in accordance with the Law on waste management.

Waste that has utilizing features, and that is taken out of a free zone for the purpose of release for free circulation in the rest of the territory of the Republic of Serbia, shall be subject to payment of customs and other duties, in accordance with Article 20 of the LFZ.

Regardless of whether produced waste can be utilized or not, it shall be disposed in accordance with the Law on waste management.

6.6. Flow of goods in a free zone

User of a free zone may donate/sell the goods brought into a free zone to another user of a free zone. Such donation/sale and take over of goods shall be entered by both users into their records.

User, who donates goods to another user shall, at the request of a customs authority, submit a proof, that is to present relevant document (contract, invoice etc.). In that case, the user of a free zone to whom the goods have been sold/ donated shall present the declaration for such goods (UV-7, UV-4...) under which he/she registers the goods in his/her records.

If two or more users of a free zone keep joint records, then in the process of donation/sale of goods in a free zone, the goods shall be entered into records, but in such case the user of a free zone to whom the goods have been sold/donated is not obligated to present the declaration for such goods.

7. TAKING GOODS OUT OF A FREE ZONE

Without prejudice to legislation in fields other than customs, goods in a free zone may be exported or re-exported from the customs territory of the Republic of Serbia, or brought into another part of the customs territory of the Republic of Serbia.

Non-domestic goods brought into another part of the customs territory of the Republic of Serbia from a free zone, may be, by submitting prescribed declaration, released for free circulation, placed under inward processing procedure, temporary admission procedure, customs storage procedure, transit procedure, abandoned to the state or destroyed under customs supervision.

Provisions of Articles 118-132 of the Law are applied to the goods taken out of a free zone to another parts of the customs territory of the Republic of Serbia.

Where the goods are taken out of a free zone to another part of the customs territory of the Republic of Serbia or placed under the customs procedure, such goods are considered non-domestic goods, unless their customs status of domestic goods has been proven.

User of a free zone shall, without delay, enter into the approved records on goods the data on the goods taken out of a free zone.

When the goods are taken out of a free zone for the purpose of dispatch from the customs territory of the Republic of Serbia, following situations must be differentiated:

1. In case of domestic goods, export declaration IZ-1 (box 37 of SAD with the procedure 10) shall be completed pursuant to the Rulebook and submitted.
2. In case of the goods that was entitled to the benefits under Article 19 of the LFZ and:
 - a) that was previously declared under SAD UV-4 with the procedure 44 (equipment), the declaration IZ-1 (box 37 of SAD with the procedure 10 and

previous procedure 44) is submitted. It is mandatory to enter the code of Customs office, number of UV-4 declaration under which the goods are placed in the procedure (previous declaration) and serial number of items under the code O44 into the box 44 of SAD,

b) that was previously declared under SAD UV-4 with the procedure 45 (production material), the declaration IZ-1 (box 37 of SAD with the procedure 10 and previous procedure 45) is submitted. It is mandatory to enter the number of the approved Records on goods of a free zone user – the procedure 45 under the code E16 into the box 44 of SAD.

3. In case of goods that was placed under inward processing procedure or temporary admission, re-export declaration IZ-3 shall be completed pursuant to the Rulebook and submitted.
4. In case of goods that was brought into and placed in a free zone under UV7, transit declaration shall be completed pursuant to the Rulebook and submitted.

Having in mind that in case of dispatch of goods from the customs territory of the Republic of Serbia, that was entitled to benefits under Article 19 of the LFZ, import and other duties have not been paid, then it is required upon discharge of the declaration (IZ-1) to submit transit declaration under which the goods exits a free zone.

Where the goods are taken out of a free zone with a view of leaving the customs territory of the Republic of Serbia, and where the participant in the procedure wants the certificate of origin of such goods to be issued for the export under preferential regime in accordance with free trade agreements, in such case the rules of restriction of repayment of and relief from the payment of customs duties shall be applied to production materials without origin that were entitled to benefits under Article 19 of the LFZ, and that were used for the production of such goods, in accordance with the rules of origin of goods, stipulated by such agreements.

Where goods leave the customs territory of the Republic of Serbia from a free zone, a customs authority controls the implementation of the provisions pertaining to export, inward processing, re-export or transit procedure, as well as the implementation of the provisions pertaining to the goods leaving the customs territory of the Republic of Serbia.

7.1. Taking the goods out of a free zone to forward it to another zone or another inland Customs post

Non-domestic goods in a free zone may be:

- Forwarded to another free zone through the transit procedure, or

- Forwarded through the transit procedure to the competent customs post in order to be placed under temporary storage or to perform appropriate customs procedure under which the goods shall be placed, with the implementation of rules for such procedure.

Where domestic goods are taken out of a free zone to another part of the customs territory of the Republic of Serbia, such goods are accompanied by the invoice (if a free zone user sells the goods to a buyer in the rest of the territory of the Republic of Serbia), or by the bill of lading (if the goods owned by the user are taken out), and such goods are entered into the records on the goods, as a return.

7.2. Temporary taking goods out of a free zone

Where the goods are temporarily taken out of a free zone to another part of the customs territory of the Republic of Serbia for testing, certification, reparation, marketing presentation or for performing certain stages of production, the approval of supervising customs authority shall be required.

For such purpose, the Request for temporary taking the goods out (a copy of the Request is given in the Annex 1 to this document) is submitted to the supervising customs authority, in two copies, one of which is returned to an applicant, who shall without delay enter the data on such goods into the approved records on the goods, upon the goods have been taken out of a free zone. Another copy is kept by the supervising customs authority. The form and contents of the request under the Annex 1 to this document are not binding, however the request must contain information specified in the request under the Annex 1.

Customs authority approves such taking out if a user of a free zone, *inter alia*, keeps appropriate records on such goods and if a guarantee instrument is provided, through which a customs debt that might be incurred when temporarily taking non-domestic goods out of a free zone shall be secured.

The goods taken out may be, for justified reasons, successively returned to a free zone, which must be entered in the approved records.

When returning or bringing again into a free zone the goods that were taken out of a free zone for the aforementioned purposes, accompanied by the invoice or another commercial document, a user of a free zone submits a copy of the approved request that accompanied goods in the process of taking out, and on the reverse side he/she enters the data on the date and time when the said goods are returned to a free zone.

When bringing the obtained products into a free zone, it is required to discharge the records on temporary taking the goods out of a free zone.

Where in certain stages of the production it is necessary to temporarily take the goods or part of the goods out of a free zone to another part of the customs territory of the Republic of Serbia, in order to perform such stage of production, which results in creation of waste, then temporary taking the goods out of a free zone to another part of the customs territory of the Republic of Serbia is conducted in the inward processing procedure, which does not exclude the possibility of conducting this procedure even in the cases when the waste is not created, if a person requires so. In such cases also it is necessary to provide a guarantee for the customs debt that might be incurred.

8. CUSTOMS DEBT RELATING TO THE GOODS IN A FREE ZONE

Without prejudice to the implementation of the provisions regulating the incurrence of the customs debt at import in accordance with Articles 65-68 of the Law, as well as the rules for calculation of import duties regulated by Articles 73 and 74 of the Law, the attention is drawn to the particularity of the incurrence and calculation of the customs debt for the goods in free zones.

Where the goods were released for free circulation by implementation of Article 19 of the LFZ, and afterwards released for free circulation in another part of the customs territory of the Republic of Serbia, the customs debt for such goods is incurred in accordance with Article 20 of the LFZ, having in mind the provision of Article 214 of the Law which prescribes that in such case those goods are deemed to be non-domestic goods.

Customs debt is incurred at the time of acceptance of the declaration for releasing the goods for free circulation, along with fulfilling the requirements prescribed by Article 175 of the Law.

The amount of import duties shall be calculated on the basis of the rules for calculating the duties, applicable for specific goods that are entailed by this procedure (e.g. equipment, the product obtained in the processing/refinement of non-domestic production material or both, non-domestic and domestic production material, non-domestic production material which is released for free circulation in the unaltered condition...) at the time when the customs debt for such goods was incurred, that is at the time of the acceptance of the declaration for releasing for free circulation, in accordance with Article 73 of the Law.

In all mentioned cases, where the goods were entitled to benefits under Article 19 of the LFZ, declaration UV-4 is submitted for specific goods that are released for free circulation, with the elements for calculation of import and other duties applicable at the time of the acceptance of such declaration (tariff classification, customs value, origin of goods, quantity and state of goods), the declaration UV-4 is submitted with the tariff code of specific goods that are released for free circulation, as follows:

a) in case of the goods that were previously declared under UV-4 SAD with the procedure 44, the declaration UV-4 is submitted (the box 37 of SAD with the procedure 40 and the previous procedure 44). It is mandatory to enter the code of the Customs office, the number of UV-

4 declaration under which the goods were placed under the procedure (previous declaration) and the serial number of the item under the code O44 into the box 44 of SAD,

b) in case of the goods that were previously declared under UV-4 SAD with the procedure 45, the declaration UV-4 is submitted (box 37 of SAD with the procedure 40 and the previous procedure 44). It is mandatory to enter the number of the approved Records on goods of a free zone user – the procedure 45 under the code E16 into the box 44 of SAD.

9. TREATMENT OF GOODS IN A FREE ZONE AFTER THE TERMINATION OF THE ACTIVITIES IN A ZONE

If a zone ceases to operate under conditions and within time limit prescribed by Article 28 of the LFZ, a user of a zone, in accordance with Article 29, paragraph 1 of the LFZ, is obliged to clear imported goods, return them abroad or hand them over to the custom administration for free disposal within 60 days from the expiration of the deadline referred to in Article 28 of this Law. Customs and other import duties shall be paid on the goods pursuant to Article 29, para.2 of the LFZ, according to the condition of the goods and according to the regulations in force on the day of acceptance of the customs declaration, while pursuant to Article 29 para.4 of the LFZ, the provisions of para.2 of this Article do not exclude the application of other regulations on the basis of which the right to exemption from payment of customs duties and other import duties is exercised.

Pursuant to Article 29, para.3 of the LFZ, no customs duty shall be paid on equipment imported into the zone for the purpose of performing activities in the zone at least three years before the cessation of operation of the zone. In that regard, this provision is applied in the case when a user stops performing the activities in a free zone, and a zone ceases to operate.

10. FINAL PROVISIONS

Customs Administration, within the applicative adjustment of the systems, is conducting the project of Automation of Inward Processing Procedure and Processing of Goods in a Free Zone.

Planned functionalities in the applicative platform are: submission of requests for the approval of records-keeping in a free zone, submission and amendments of regulations in electronic form, integration with the ISCS through monitoring and discharge of production material under the declarations with the procedure 45 in relation to the obtained product under the declarations for the subsequent procedure by submitting the Statement from the records of a free zone user, electronically.

Until the said technical processing of data is established, the Statement shall be submitted in a paper form or in another way (portable media), as specified in the approval on record-keeping on goods in a free zone.

Upon operative introduction of automation of goods processing in a free zone, the said activities shall be performed only electronically.

The application of this explanation starts as of 08 May 2023.

The acts of the Customs Administration number 148-I-030-01-481/2017 of 02 November 2017 and 148-I-030-01-495/2020 of 18 January 2021 and all other explanations of the Customs Administration regarding the same issues, and that are contrary to this explanation shall be repelled as of the day of the start of application of this explanation.

- **Annex 1: Request for the approval of temporary taking non-domestic goods out of a free zone**

(Act of the Customs Administration number: 148-I-030-01-101/2023 of 12 April 2023)

Request for temporary taking the goods out of a free zone

1. Applicant		2. Data from the records (to be completed by customs authority)	
3. Free zone		4. Contract on use of a free zone	
5. Deadline for return		6. Purpose of temporary taking out	
9. Goods temporarily taken out of a free zone			
Tariff code	Description	Quantity	Value
Total amount			
10. Data on planned activities			
11. Place where the goods will be used			
12. Guarantee			
13. Additional information			
14.			
Signature		Date	
Name			
APPROVAL			
1.1	Customs Office _____ Customs Post _____ Number: Place and date:		
Hereby we approve temporary taking out of the goods from the free zone _____ to the user _____ in accordance with Article 17 of the LFZ.			
Customs officer in charge			
stamp			

Note:

Layout of this form is not binding, but serial numbers and appropriate text are binding.