

Report Part Title: Annex 2. Revised Kyoto Convention, Specific Annex D, Chapter 2

Report Title: Examples of current practices in the implementation of Article 12 (Free zones and international transit) of the Protocol to Eliminate Illicit Trade in Tobacco Products

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# Annex 2. Revised Kyoto Convention, Specific Annex D, Chapter 2

## Definition

For the purpose of this Chapter:

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“**free zone**” means a part of the territory of a Contracting Party where any goods introduced are generally regarded, insofar as import duties and taxes are concerned, as being outside the Customs territory.

## Principle

### 1. Standard

The Customs regulations applicable to free zones shall be governed by the provisions of this Chapter and, insofar as applicable, by the provisions of the General Annex.

## Establishment and control

### 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.

### 3. Standard

The Customs shall lay down the arrangements for Customs control including appropriate requirements as regards the suitability, construction and layout of free zones.

### 4. Standard

The Customs shall have the right to carry out checks at any time on the goods stored in a free zone.

## Admission of goods

### 5. Standard

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

### 6. Recommended Practice

Admission to a free zone of goods brought from abroad should not be refused solely on the grounds that the goods are liable to prohibitions or restrictions other than those imposed on grounds of:

- public morality or order, public security, public hygiene or health, or for veterinary or phytosanitary considerations; or
- the protection of patents, trade marks and copyrights,

irrespective of country of origin, country from which arrived or country of destination.

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.

### 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.

### 9. Recommended Practice

No Goods declaration should be required by the Customs in respect of goods introduced into a free zone directly from abroad if the information is already available on the documents accompanying the goods.

## Security

### 10. Recommended Practice

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

## Authorized operations

### 11. Standard

Goods admitted to a 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.

### 12. Standard

Where the competent authorities allow processing or manufacturing operations in a free zone, they shall specify the processing or manufacturing operations to which goods may be subjected 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.

## Goods consumed within the free zone

### **13. 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.

## Duration of stay

### **14. Standard**

Only in exceptional circumstances shall a time limit be imposed on the duration of the stay of goods in a free zone.

## Transfer of ownership

### **15. Standard**

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

## Removal of goods

### **16. Standard**

Goods admitted to or produced in a free zone shall be permitted to be removed in part or in full to another free zone or placed under a Customs procedure, subject to compliance with the conditions and formalities applicable in each case.

### **17. Standard**

The only declaration required for goods on removal from a free zone shall be the Goods declaration normally required for the Customs procedure to which those goods are assigned.

### **18. Recommended Practice**

Where a document must be produced to the Customs in respect of goods which on removal from a free zone are sent directly abroad, the Customs should not require more information than already available on the documents accompanying the goods.

## Assessment of duties and taxes

### **19. 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 or internal duties and taxes, as the case may be, applicable to them.

### **20. Standard**

National legislation shall specify the rules applicable for determining the amount of the import duties and taxes or internal duties and taxes, as the case may be, chargeable on goods taken into home use after processing or manufacturing in a free zone.

## Closure of a free zone

### **21. Standard**

In the event of the closure of a free zone, the persons concerned shall be given sufficient time to remove their goods to another free zone or to place them under a Customs procedure, subject to compliance with the conditions and formalities applicable in each case.

