

THE CUSTOMS LAW

I. GENERAL PROVISIONS

1. SCOPE AND BASIC DEFINITIONS

Article 1

This Customs Law and Customs rules, based upon it, shall establish the rights and obligations of persons, as well as the entitlement of the Customs Directorate of the Republic of Croatia regarding goods and passenger traffic between the customs area of the Republic of Croatia and foreign customs areas.

Article 2

This Law and customs rules based on it shall be applied uniformly throughout the customs territory of the Republic of Croatia.

This Law shall apply to plants and facilities within the ephycontinental zone of the Republic of Croatia, in accordance with special rules laid down in the area of the maritime affairs.

Article 3

The customs territory of the Republic of Croatia comprises the territory of the Republic of Croatia, and it is bounded by the customs line, that is identical with the border zone of the Republic of Croatia.

Article 4

Particular expressions in the text of this Law shall have the following meaning:

- 1) **Customs Directorate:** is the organizational unit of the Ministry of Finance; at the Customs Headquarters and Customs Offices, as its organizational units, all or some of the formalities laid down by customs rules may be completed.
- 2) **Customs status:** determines goods in accordance with customs rules as Croatian goods or foreign goods.
- 3) **Croatian goods:**
 - a) goods entirely obtained or produced in the customs territory of the Republic of Croatia under the conditions referred to in Article 24 of this Law, which does not incorporate goods imported from other countries,

b) goods imported from other countries, which have been released for free circulation,

c) goods obtained or produced in the customs territory of the Republic of Croatia, either from goods referred to under b) or from goods referred to under a) and b) of this item.

4) **Foreign goods:** goods other than those referred to in item 3 of this Article.

Croatian goods lose their status as such when they are actually removed from the customs territory of the Republic of Croatia, except in the cases provided in Article 109 of this Law.

5) **Customs debt:** the obligation on a specific person to pay the determined amount of the import duties (customs debt on importation) or export duties (customs debt on exportation) which apply to specific goods under the provisions in force.

6) **Import duties:** customs duties and other charges payable on the importation of goods with an effect equivalent to customs duties.

7) **Export duties:** customs duties and other charges payable on the exportation of goods with an effect equivalent to customs duties.

8) **Debtor:** any person liable for payment of a customs debt.

9) **Customs supervision:** general measures taken by the Customs Directorate to ensure the implementation of customs rules and other provisions applicable to goods subject to customs supervision.

10) **Customs control:** the performance of specific acts by the Customs Directorate - such as examining and inspecting goods, examining and inspecting means of transport, examining and inspecting persons in the passenger traffic, inspecting luggage and other goods carried by passengers, verifying the existence and authenticity of documents submitted during the clearance procedure, examining the accounts of undertakings and other business records, the performance of subsequent examination and inspection procedures and similar.

11) **Customs-approved treatment or use of goods:**

- a) placing of goods under a customs procedure;
- b) entry of goods into a free zone or free warehouse;
- c) re-exportation of goods from the customs territory of the Republic of Croatia;
- d) destruction of goods, and
- e) abandonment of goods to the Exchequer

12) **Customs procedure:**

- a) release of goods for free circulation;
- b) transit procedure;
- c) procedure of customs warehousing;
- d) procedure of inward processing;
- e) procedure of processing under customs control;
- f) procedure of temporary admission;
- g) procedure of outward processing, and
- h) export procedure

12) **Customs declaration:** the act or the document whereby a person in the prescribed form and manner requests to place goods under a given customs procedure.

13) **Declarant:** the person lodging the customs declaration in his own name or the person in whose name a customs declaration is lodged.

14) **Presentation of goods:** the notification to the Customs Office, in the manner laid down, of the arrival of goods at their certain organizational unit or at any other place designated or approved by the Customs Office.

15) **Release of goods:** the act whereby the Customs Office makes goods available for the purposes stipulated by the approved customs procedure.

16) **Holder of the procedure:** the person on whose behalf the customs declaration was made, or the person to whom the rights and obligations of the mentioned person in respect of a customs procedure have been transferred.

18) **Holder of the authorization:** the person to whom an authorization has been granted according to customs rules.

2. GENERAL PROVISIONS RELATING TO THE RIGHTS AND OBLIGATIONS OF PERSONS WITH REGARD TO CUSTOMS RULES

a) Representation

Article 5

Any person may appoint a representative in his dealings with the Customs Directorate to perform the acts and formalities laid down by customs rules.

Representation may be:

- direct, if the representative acts in the name of and on behalf of another person, and

- indirect, if the representative acts in his own name, but on behalf of another person.

The representative must be established in the Republic of Croatia, except in cases under the provisions of Article 76, paragraph 4 of this Law.

The representative must: state that he is acting on behalf of the person represented, specify whether the representation is direct or indirect, and submit the authentic document empowering him to Law as a representative, at the request of the Customs Office.

For persons failing to state either that they act in the name of or on behalf of another person, or where they do act in the name of or on behalf of another person without being able to submit the authentic document for such representing, shall be deemed that they are acting in their own name and on their own behalf.

Exceptionally, the customs declaration may be lodged only by a person who acts as the representative, if he fulfils conditions for carrying on his business as a customs forwarder in accordance with special rules.

b) Particularities of the administrative procedure relating to the application of customs rules

Article 6

Customs Directorate operates the administrative procedure and takes decisions in accordance with The General Administrative Procedure Act, if it is not determined otherwise by this Law.

Article 7

A person requesting the Customs Directorate to take a decision, must supply all facts and circumstances, as well as documents and other evidence required in order to take a decision.

Such decision shall be taken without any delay, but at the latest within periods laid down in The General Administrative Procedure Act.

The Minister of Finances is entitled to take decisions regarding shortening of periods for particular customs procedures than periods which are determined under the provisions of paragraph 2 of this Article.

Article 8

The decision taken by the Customs Directorate shall become enforceable by delivering it to the person concerned.

Exceptionally, upon an application submitted by the person concerned, the distress of the decision may be deferred, wholly or partially, if the Customs Directorate:

- a) has a good reason to believe that the disputed decision, either by the appeal or by other juridical means, is inconsistent with customs legislation, or
- b) judges that irreparable damage is to be feared for the person concerned in the case of levying a distress upon him.

If the decision referred to in paragraph 2 of this Article is related to the calculation of import or export duties, a distress may be deferred only if, together with the appeal against the decision in question, an adequate security is being lodged for the full payment of the disputed amount of customs duties and other import charges.

c) Special cases of annulling, revoking and amending of the decision in accordance with this Law

Article 9

A decision taken in the first instance, by which the Customs Office adopted wholly or partially the application submitted by the person concerned, can be annulled by the Customs Office in accordance with its official duty within a period determined under the provisions of Article 17 of this Law, if it was issued on the basis of incorrect or incomplete facts, and if:

- a) the applicant knew or according to circumstances should reasonably have known that facts were incorrect or incomplete, and
- b) such decision could not have been taken on the basis of correct and complete facts.

The decision taken under paragraph 1 of this Article shall be delivered to the person concerned without any delay.

Annulment shall take judicial effect from the date on which the annulled decision was taken.

Article 10

A decision in the first instance by the Customs Office, that accepts the application of the person wholly or partially, may be revoked or amended by the Customs Office or in the line of its official duty within a period determined under the provisions of Article 17 of this Law at the request of the person concerned, if any of the conditions prescribed for making such decision has not been fulfilled or if the person fulfils it no longer and if those are not the cases referred to in Article 9 of this Law.

A decision favourable to the person concerned may be revoked where the person fails to fulfil obligations imposed on him under that decision.

The decision taken under paragraph 1 of this Article shall be delivered to the person concerned without any delay.

The decision on the revocation or amendment shall take judicial effect from the date on which such decision was delivered to the person concerned. Exceptionally, where the legitimate interests of the person to whom the decision is addressed so require, the Customs Office may defer the judicial effect of the decision that revokes or amends their primary decision for the appropriate period.

d) Information relating to the application of customs rules

Article 11

Any person interested in the application of customs legislation may request the Customs Directorate to issue the information about it.

Such a request may be refused if it does not relate to an actually intended export or import.

The Customs Directorate shall issue the information under paragraph 1 of this Article free of charge. The reimbursement may be demanded for special costs related to the implementation of necessary analyses, or for expert reports on goods which are subject to the customs procedure, and for the costs of returning the goods to the applicant.

Article 12

On the basis of the request in writing of a person interested, the Customs Directorate shall issue also the information in the form of:

- a) binding tariff information in respect of the tariff classification of goods, and
- b) binding origin information in respect of the origin of goods

Binding information shall have the power of the decision taken in the administrative procedure.

Binding tariff information and binding origin information shall be binding on the Customs Directorate as against the holder of the information only in respect of the tariff classification of goods or respectively the origin of the goods.

Binding tariff information shall be binding on the Customs Directorate as against the holder of the information for the goods on which customs formalities are being performed after the date on which the information is issued.

Binding origin information shall be binding on the Customs Directorate as against the holder of the information for those goods on which the procedure in defining the origin of goods, prescribed by this Law, shall be performed after the date on which the information is issued.

The holder of such information shall have to prove:

- a) in a case of binding tariff information in respect of the tariff classification of goods, that the goods declared correspond to those described in binding tariff information in every respect;
- b) in a case of binding origin information in respect of the origin of goods, that the goods declared and circumstances on the basis of which binding origin information was issued, correspond to goods and circumstances described in binding origin information in every respect.

Binding information shall be annulled under the provisions of Article 9, if it is based on an inaccurate or incomplete information from the applicant.

Binding information shall be valid for a period of one year from the date of issuing it, except:

- a) in a case of the tariff classification of goods in the Customs tariff:
 - 1. where a Regulation is adopted and the information no longer conforms to the rules in force thereby;
 - 2. where it is no longer compatible with the interpretation of the Minister of Finances in respect of the tariff classification of goods in the Customs tariff under the provisions of Article 10 of the Customs Tariff Law, and

3. if binding tariff information is revoked or amended under the provisions of Article 10 of this Law, whereat the holder of binding tariff information has to be notified of its revocation or amendment.

a) in a case of determining of the origin of goods:

1. if existing provisions are amended or the international agreement is signed and binding origin information no longer conforms to the rules in force;

2. if binding origin information is no longer compatible with the interpretation of the body, authorized to issue the explanatory notes connected with the origin of goods by the rule based on the provisions of Article 27 of this Law.

3. if binding origin information is revoked or amended under the provisions of Article 10 of this Law, whereat the holder of binding origin information has to be notified of its revocation or amendment.

In the cases laid down in paragraph 8 under a), items 1 and 2, and under b), items 1 and 2 of this Article, binding information ceases to be valid either on the day of entering into force or on the first day of the application of that particular rule or that international agreement or that explanatory note.

The holder of binding information that ceased to be valid pursuant to paragraph 8, under a), items 1 and 2, and under b), items 1 and 2 of this Article may still use that information three months from the date of its publication, provided that he has concluded the binding contract for the purchase or sale of goods in question based on this binding information before it ceased to be valid. In the cases of paragraph 8, under a), item 1, and under b), item 1 of this Article, the regulation or the agreement may lay down a period within which binding information may be used according to this paragraph.

Binding tariff information in respect of the tariff classification of goods or binding origin information may be used according to this Article only for the purpose of determining import duty or export duty, or for calculating export refunds or other refunds connected with the implementation of the agricultural policy.

Article 13

The Minister of Finances shall prescribe the conditions for issuing information and binding information, as well as the procedure and modes of issuing them.

e) Other provisions

Article 14

The Customs Directorate may, in accordance with the rules in force, perform and implement all measures of the customs supervision and verifications considered as necessary, in order to ensure the correct application of customs rules.

Article 15

All persons, directly or indirectly involved in the circulation of goods traffic shall be obliged to provide, upon the request of the Customs Directorate, all requisite documents and data and all requisite assistance needed for the correct application of customs rules.

Article 16

All information that are by nature confidential or that are provided on a confidential basis shall be covered by the obligation of official secrecy, and it shall not be permitted to disclose them by the Customs Directorate without the express authorization of persons or authorities that have provided them. However, the communication of information shall be permitted if, following to the provisions in force particularly in respect of data protection or legal proceedings, the Customs Directorate shall have such right or shall be authorized to do so.

Article 17

For the purposes of the implementation of customs supervision and verification, all participants in goods traffic that have the documents or data referred to in Article 15 of this Law at their disposal, shall be obliged to keep them within the period determined with the provisions in force, but not less than three calendar years irrespective of the medium used for the records. That period begins to run from:

- a) in the case of goods released for free circulation, other than cases referred to in item (b) of this Article, or goods for which the export declaration is lodged, from the end of the year in which the declaration of release for free circulation or the export customs declaration is accepted;
- b) in the case of goods released for free circulation at a preferential tariff treatment on account of their end use, from the end of the year in which they cease to be subject to customs supervision;
- c) in the case of goods placed under another customs procedure, from the end of the year in which the customs procedure concerned is completed;
- d) in the case of goods placed in a free zone or free warehouse, from the end of the year in which this status is ceased to the user of a zone.

If the customs verification shows that the entry in the accounts has to be corrected in respect of certain customs debt, the time limit of keeping documents and data provided for in the paragraph 1 of this Article shall be extended, regardless of the provisions of Article 225, paragraph 4 of this Law, for as long as it takes to correct and verify such entry in the accounts.

Article 18

Where time limit or date is laid down by the customs rules, such time limit may be extended and such date deferred only if this is explicitly provided for within the same provisions.

Article 19

The Government of the Republic of Croatia shall determine the cases and the conditions that allow simplifications of the customs procedure when applying the customs rules.

II. BASIS FOR CALCULATING IMPORT AND EXPORT DUTIES AND THE APPLICATION OF THE OTHER MEASURES PRESCRIBED IN RESPECT OF TRADE IN GOODS

1. CUSTOMS TARIFF AND TARIFF CLASSIFICATION OF GOODS WITHIN CUSTOMS TARIFF

Article 20

For goods imported into the customs territory of the Republic of Croatia an import duty shall be paid according to the Customs Tariff and regulations prescribed in this Law and the Customs Tariff Law.

The Government of the Republic of Croatia may, by exception, for the purposes of protection, prescribe duty for the exportation of certain products with a special rule.

Article 21

For goods imported from countries with which the Republic of Croatia has concluded free trade agreements, an import duty is to be paid in accordance with that agreement.

Paragraph 1 of this Article shall be applied at the request of the declarant. It is also possible to lodge the request for the application of paragraph 1 of this Article afterwards, if relevant contractual conditions are fulfilled.

Article 22

The Government of the Republic of Croatia shall prescribe the conditions in terms of which more favourable payment of an import duty than it is stipulated in the Customs tariff for particular goods, by virtue of their nature or end use, shall be allowed.

In terms of paragraph 1 of this Article, the expression “more favourable import duty” means a reduction or suspension of an import duty as referred to in Article 4, item 6 of this Law, and even within the framework of the tariff quotas.

2. ORIGIN OF GOODS

a) Non-preferential origin

Article 23

The provisions of Articles 24 to 27 of this Law define the non-preferential origin of goods for the purposes of:

- a) applying the Customs Tariff of the Republic of Croatia, with the exception of the measures referred to in Article 21 of this Law.
- b) applying the other measures determined by the stipulations of specific rules relating to trade in goods, and
- c) issuing of certificates of origin.

Article 24

Goods originated in a certain country shall be those goods that are wholly obtained or produced in that country.

The following goods shall be deemed to be wholly obtained in a given country:

- a) mineral products extracted from the soil, from its territorial waters or from its sea-bed;
- b) vegetable products harvested or gathered in that country;
- c) live animals born and raised in that country;
- d) products derived from live animals in that country;
- e) products of hunting or fishing carried on therein,
- f) products obtained by maritime fishing and other products taken from the sea by a vessel of that country;
- g) products obtained aboard a factory ship of that country solely from products of the kind covered by paragraph f) above;

- h) products extracted from marine soil or subsoil outside that country's territorial waters, provided that the country has sole rights to work that soil or subsoil;
- i) scrap and waste from manufacturing and processing operations, and used articles, collected in that country and fit only for the recovery of raw materials,
- j) goods produced in that country solely from the products referred to in paragraphs (a) to (i) above.

For the purposes of paragraph 1 of this Article, the expression "country" shall cover that country's territorial waters as well.

Article 25

Goods shall be taken as originating in a given country:

- when wholly obtained in a given country; or
- where two or more countries have taken part in the production of the good, the country in which the last substantial transformation has been carried out.

The last substantial transformation of goods under paragraph 1 of this Article hereof is not:

- a) packing or placing of the products in bottles, boxes or similar bags, or other simple packing operations for the selling purposes;
- b) operations to ensure the preservation of products in good condition during transport and storage (drying, freezing, ventilation, spreading out, removal of damaged parts and like operations in order to preserve the product);
- c) breaking-up of bigger quantities into smaller or assembly of smaller quantities into bigger;
- d) classifying, sorting, screening, matching, washing or cutting-up of the product;
- e) the affixing of marks or labels on the products or their packaging;
- f) simply assembly of parts of products to constitute a complete products;
- g) mixing of products of different origin, under condition that the characteristics of the obtained product do not substantially differ from the characteristics of the products subject to mixing;
- h) a combination of two or more operations specified in (a) to (g) above.

Article 26

Any processing or working in respect of which it is established or in respect of which the facts confirm the presumption that its sole object was to circumvent the provisions applicable in the Republic of Croatia to goods from certain countries shall under no circumstances be deemed as sufficient for the goods thus

produced to acquire the origin of the country where processing or working was performed within the meaning of Article 25 of this Law.

Article 27

The Government of the Republic of Croatia shall prescribe additional criteria for determining origin in the case under Article 25, paragraph 1 of this Law, modes of proving origin of goods, modes of issuing certificates and bodies that shall be authorized to verify certificates and issue explanatory notes in respect to origin of goods.

b) Preferential origin of goods

Article 28

The regulations on preferential origin that the goods have to fulfil in order to benefit from the measures referred to in Article 21 of this Law shall be laid down by the relevant free trade agreements.

3. VALUE OF GOODS FOR THE CUSTOMS PURPOSES

Article 29

The provisions of this Chapter shall determine the customs value of goods in order to apply the Customs Tariff of the Republic of Croatia.

Article 30

The terms below have the following meanings:

- a) “customs value of imported goods” means the value of goods for the purposes of levying ad valorem duties of customs on imported goods;
- b) “country of importation” means customs territory of the Republic of Croatia;
- c) “produced” includes grown, manufactured and mined.
- d) “identical goods” means goods which are the same in all respects, including physical characteristics, quality and reputation. Minor differences in appearance would not preclude goods otherwise conforming to the definition from being regarded as identical;
- e) “similar goods” means goods which, although not alike in all respects, have like characteristics and like component materials which enable them to perform the same functions and to be commercially interchangeable. The quality

of the goods, their reputation and the existence of a trademark are among the factors to be considered in determining whether goods are similar;

f) “unit price” at which the imported goods or identical or similar imported goods are sold in the greatest aggregate quantity means the price at which the greatest number of units is sold in sales to persons who are not related to the persons from whom they buy such goods at the first commercial level after importation at which such sales take place.

g) In this Chapter “goods of the same class or kind” means goods which fall within a group or range of goods produced by a particular industry or industry sector, and includes identical or similar goods.

The terms “identical goods” and “similar goods” do not include, as the case may be, goods which incorporate or reflect engineering, development, artwork, design work, and plans and sketches for which no adjustment has been made under Article 38, paragraph 1 (b), item 4 because such elements were undertaken in the country of importation;

Goods shall not be regarded as “identical goods” or “similar goods” unless they were produced in the same country as the goods being valued;

Goods produced by a different person shall be taken into account only when there are no identical goods or similar goods, as the case may be, produced by the same person as the goods being valued.

For the purposes of this Chapter, persons shall be deemed to be related only if:

- a) they are officers or directors of one another’s businesses;
- b) they are legally recognised partners in business;
- c) they are employer and employee;
- d) any person directly or indirectly owns, control or holds 5 per cent or more of the outstanding voting stock or shares of both of them;
- e) one of them directly or indirectly controls the other;
- f) both of them are directly or indirectly controlled by a third person;
- g) together they directly or indirectly control a third person; or
- h) they are members of the same family.

Persons who are associated in business with one another in that one is the sole agent, sole distributor or sole concessionaire, however described, of the other shall be deemed to be related for the purposes of this Chapter if they fall within the criteria of paragraph 4.

Article 31

The customs value of imported goods shall be the transaction value, that is the price actually paid or payable for the goods when sold for export to the Republic of Croatia adjusted in accordance with provision of Article 38, provided:

a) that there are no restrictions as to the disposition or use of the goods by the buyer other than restriction which:

1. are imposed or required by Croatian law or by the public authorities;
2. limit the geographical area in which the goods may be resold; or
3. do not substantially affect the value of the goods;

a) that the sale or price is not subject to some condition or consideration for which a value cannot be determined with respect to the goods being valued;

b) that no part of the proceeds of any subsequent resale, disposal or use of the goods by the buyer will accrue directly or indirectly to the seller, unless an appropriate adjustment can be made in accordance with the provision of Article 38; and

c) that the buyer and seller are not related, or where the buyer and seller are related, that the transaction value is acceptable for customs purposes under the provision of paragraph 2.

In determining whether the transaction value is acceptable for the purpose of paragraph 1, the fact that the buyer and the seller are related within the meaning of Article 30 shall not in itself be grounds for regarding the transaction value as unacceptable. In such case the circumstances surrounding the sale shall be examined and the transaction value shall be accepted provided that the relationship did not influence the price. If, in the light of information provided by the importer or otherwise, the customs administration has grounds for considering that the relationship influenced the price, it shall communicate its grounds to the importer and the importer shall be given a reasonable opportunity to respond. If the importer so requests, the communication of grounds shall be in writing.

In a sale between related persons, the transaction value shall be accepted and the goods valued in accordance with the provision of paragraph 1 whenever the importer demonstrates that such value closely approximates to one of the following occurring at or about the same time:

- the transaction value in sales to unrelated buyers of identical or similar goods for export to the Republic of Croatia;

- the customs value of identical or similar goods as determined under the provisions of Article 35;
- the customs value of identical or similar goods as determined under the provisions of Article 36;

In applying the foregoing tests, due account shall be taken of demonstrated differences in commercial levels, quantity levels, the elements enumerated in Article 38 and costs incurred by the seller in sales in which the seller and the buyer are not related that are not incurred by the seller in sales in which the seller and the buyer are related.

The tests set forth in paragraph 3 are to be used at the initiative of the importer and only for comparison purposes. Substitute values may not be established under the provisions of paragraph 3

The price actually paid or payable is the total payment made or to be made by the buyer to or for the benefit of the seller for the imported goods and includes all payments made or to be made as condition of sale of the imported goods by the buyer to the seller or by the buyer to a third party to satisfy an obligation of the seller. The payment need not necessarily take the form of transfer of money. Payment may be made by way of letters of credit or negotiable instrument and may be made directly or indirectly.

Activities, including marketing activities, undertaken by the buyer on his own account, other than those for which an adjustment is provided in Article 38, are not considered to be an indirect payment to the seller, even though they might be regarded as of benefit to the seller or have been undertaken by agreement with the seller, and their costs shall not be added to the price actually paid or payable in determining the customs value of imported goods.

Article 32

If the customs value of the imported goods cannot be determined under the provisions of Article 31, the customs value shall be the transaction value of identical goods sold for export to the Republic of Croatia and exported at or about the same time as the goods being valued.

In applying this Article, the transaction value of identical goods in a sale at the same commercial level and in substantially the same quantity as the goods being valued shall be used to determine the customs value.

Where no such sale is found, the transaction value of identical goods sold at a different commercial level and/or in different quantities, adjusted to take account of differences attributable to commercial level and/or to quantity, shall be used, provided that such adjustments can be made on the basis of demonstrated

evidence which clearly establishes the reasonableness and accuracy of the adjustment, whether the adjustment leads to an increase or a decrease in the value.

An adjustment referred to in Article 38, paragraph 1 a) items 4-6 shall be made to take account of significant differences in the costs and charges between the imported goods and the identical goods in question arising from differences in distances and modes of transport.

If, in applying this Article, more than one transaction value of identical goods is found, the lowest such value shall be used to determine the customs value of the imported goods.

Article 33

If the customs value of the imported goods cannot be determined under the provisions of Article 31 and 32, the customs value shall be the transaction value of similar goods sold for export to the Republic of Croatia and exported at or about the same time as the goods being valued.

In applying this Article, the transaction value of similar goods in a sale at the same commercial level and in substantially the same quantity as the goods being valued shall be used to determine the customs value.

Where no sale referred to in Paragraph 2 of this Article is found, the transaction value of similar goods sold at a different commercial level and/or in different quantities, adjusted to take account of differences attributable to commercial level and/or to quantity, shall be used, provided that such adjustments can be made on the basis of demonstrated evidence which clearly establishes the reasonableness and accuracy of the adjustment, whether the adjustment leads to an increase or a decrease in the value.

An adjustment referred to in Article 38, paragraph 1.a), item 4-6 shall be made to take account of significant differences in the costs and charges between the imported goods and the similar goods in question arising from differences in distances and modes of transport.

If, in applying this Article, more than one transaction value of similar goods is found, the lowest such value shall be used to determine the customs value of the imported goods.

Article 34

If the customs value of imported goods cannot be determined under the provisions of Articles 31, 32 and 33, the customs value shall be determined under the provisions of Article 35.

When the customs value cannot be determined under Article 35, the provisions of Article 36 shall be applied, except in the cases when, at the request of the importer, the order of application of Article 35 and 36 shall be reversed.

Article 35

If the imported goods or identical or similar imported goods are sold in the Republic of Croatia in the condition as imported, the customs value of the imported goods under the provisions of this Article shall be based on the unit price at which the imported goods or identical or similar imported goods are sold in the greatest aggregate quantity, at or about the time of importation of the goods being valued, to persons who are not related to the persons from whom they buy such goods, subject to deductions for the following:

1. either the commissions usually paid or agreed to be paid or the additions usually made for profit and general expenses in connection with sales in Republic of Croatia of imported goods of the same class or kind;
2. the usual costs of transport and insurance and associated costs incurred within the Republic of Croatia;
3. the customs duties and other internal taxes payable in the Republic of Croatia by reason of the importation or sale of the goods.

If neither the imported goods nor identical nor similar imported goods are sold at or about the time of importation of the goods being valued, the customs value shall, subject otherwise to the provision of paragraph 1 (a), be based on the unit price at which the imported goods or identical or similar imported goods are sold in the Republic of Croatia in the condition as imported at the earliest date after the importation of the goods being valued but before the expiration of 90 days after such importation.

If neither the imported goods nor identical nor similar imported goods are sold in the Republic of Croatia in the condition as imported, then, if the importer so requests, the customs value shall be based on the unit price at which the imported goods, after further processing, are sold in the greatest aggregate quantity to persons in the Republic of Croatia who are not related to the persons from whom they buy such goods, due allowance being made for the value added by such processing and the deductions provided for in paragraph 1 (a).

Article 36

The customs value of imported goods under the provisions of this Article shall be based on a computed value. Computed value shall consist of the sum of:

- a) the cost or value of materials and fabrication or other processing employed in producing the imported goods;

b) an amount for profit and general expenses equal to that usually reflected in sales of goods of the same class or kind as the goods being valued which are made by producers in the country of exportation for export to the Republic of Croatia;

c) the cost or value of all other expenses under Article 38 paragraph 1. a) item 4, 5 and 6.

No Member may require or compel any person not resident in own territory to produce for examination, or to allow access to, any account or other record for the purposes of determining a computed value.

Information supplied by the producer of the goods for the purposes of determining the customs value under the provision of this Article may be verified in another country by the authorities of the Republic of Croatia with the agreement of the producer and provided they give sufficient advance notice to the government of the country in question and the latter does not object to the investigation.

Article 37

If the customs value of the imported goods cannot be determined under the provisions of Articles 31 through 36, inclusive, the customs value shall be determined using reasonable means consistent with the principles and general provisions of this Chapter and of the Agreement on Implementation of Article VII of GATT 1994 and on the basis of data available in the Republic of Croatia.

No customs value shall be determined under the provisions of this Article on the basis of:

a) the selling price in the Republic of Croatia of goods produced in the Republic of Croatia;

b) a system which provides for the acceptance for customs purposes of the higher of two alternative values;

c) the price of goods on the domestic market of the country of exportation;

d) the cost of production other than computed values which have been determined for identical or similar goods in accordance with the provision of Article 36;

e) the price of goods for export to a country other than the Republic of Croatia;

- f) minimum customs values; or
- g) arbitrary or fictitious values.

If the importer so requests, the importer shall be informed in writing of the customs value determined under the provision of this Article and the method used to determine such value.

Article 38

In determining the customs value under the provisions of Article 31, there shall be added to the price actually paid or payable for the goods:

- a) the following, to the extent that they are incurred by the buyer but are not included in the price actually paid or payable for the goods:
 - 1. commissions and brokerage, except buying commissions;
 - 2. the cost of containers which are treated as being one for customs purposes with the goods in question;
 - 3. the cost of packing whether for labour or materials;
 - 4. the cost of transport of imported goods to the port or place of importation in the Republic of Croatia;
 - 5. loading, unloading and handling charges associated with the transport of the imported goods to the port or place of importation;
 - 6. the cost of insurance to the port or place of importation in the Republic of Croatia.

- b) the value, apportioned as appropriate, of the following goods and services where supplied directly or indirectly by the buyer free of charge or at reduced cost for use in connection with the production and sale for export of the imported goods, to the extent that such value has not been included in the price actually paid or payable:
 - 1. materials, components, parts and similar items incorporated in the imported goods;
 - 2. tools, dies, moulds and similar items used in the production of the imported goods;
 - 3. materials consumed in the production of the imported goods;
 - 4. engineering, development, artwork, design work, and plans and sketches undertaken elsewhere than in the Republic of Croatia and necessary for the production of the imported goods;

- c) royalties and licence fees related to the goods being valued that the buyer must pay, either directly or indirectly, as a condition of sale of the goods being valued, to the extent that such royalties and fees are not included in the price actually paid or payable;

d) the value of any part of the proceeds of any subsequent resale, disposal or use of the imported goods that accrues directly or indirectly to the seller.

Additions to the price actually paid or payable shall be made under this Article only on the basis of objective and quantifiable data.

No additions shall be made to the price actually paid or payable in determining the customs value except as provided in this Article.

In this Chapter, the term “buying commissions” means fees paid by an importer to an importer’s agent for the service of representing the importer abroad in the purchase of the goods being valued.

Notwithstanding paragraph 1. c) of this Article:

a) charges for the right to reproduce the imported goods in the Republic of Croatia shall not be added to the price actually paid or payable for the imported goods in determining the customs value; and

b) payments made by buyer for the right to distribute or resell the imported goods shall not be added to the price actually paid or payable for the imported goods if such payments are not a condition of sale for export of goods to the Republic of Croatia.

Article 39

Provided that they are shown separately from the price actually paid or payable, the following shall not be included in the customs value:

a) charges for transport of goods after their arrival at the place of introduction into the customs territory of the Republic of Croatia;

b) charges for construction, erection, assembly, maintenance or technical assistance, undertaken after importation on imported goods such as industrial plant, machinery or equipment;

c) charges for interest under a financial arrangement entered into by the buyer and relating to the purchase of imported goods, irrespective of whether the finance is provided by the seller or another person, provided that the financing arrangement has been made in writing and where required, the buyer can demonstrate that:

1. such goods are actually sold at the price declared as the price actually paid or payable, and

2. the claimed rate of interest does not exceed the level for such transactions prevailing in the country where, and at the time when, finance was provided;

a) charges for the right to reproduce imported goods in the Republic of Croatia;

b) buying commissions;

c) import duties or other charges payable in the Republic of Croatia by reason of the importation or sale of the goods.

Article 40

In determining the customs value of goods, of which the agreed price at the moment of determination of the customs value has not been paid, the price which should have been paid to settle the debt shall as a rule be considered as the customs value.

In establishing the customs value of goods, all price reductions and cash discounts shall be taken into consideration, providing that they were already determined at the time of determining the customs value and that they will be effected within the prescribed period of time following the import of goods.

Article 41

The customs value of goods imported without being on sale shall be determined pursuant to Article 32 to 37 of this Customs Law.

The customs value of temporarily imported goods shall be determined pursuant to Article 32 to 37 of the present Law.

Should the imported goods be damaged before being released for free circulation, the customs value shall be determined by reducing the appropriate agreed price by the percentage of damage. The percentage of damage shall be assessed by the customs office. In the event that on the basis of a credit entry a new price (in accordance with the conditions of Article 1 of the present Law) has been agreed upon, that price shall be taken as the new customs value.

Article 42

If, in the course of determining the customs value of imported goods, it becomes necessary to delay the final determination of such customs value, the importer of the goods shall nevertheless be able to withdraw them from customs if, where so required, the importer provides sufficient guarantee in the form of surety, a

deposit or some other appropriate instrument, covering the ultimate payment of customs duties for which the goods may be liable.

Article 43

The customs value of carrier media bearing data or instructions for data processing equipment (hereinafter "software" only) shall not include the price or the value of the software, provided that such price or value of the software is distinguished from the price or the value of the carrier media.

The term "carrier media" from Paragraph 1 of this Article shall not mean integrated circuits, semiconductors and similar equipment or products containing such circuits or equipment;

The term "data or instructions" shall not mean sound recordings, cinematographic recordings or videorecordings.

Article 44

The customs office may in a customs procedure ask the declarant to provide all necessary data for determination of the customs value pursuant, to the Articles 31 to 37 of the present Law.

Nothing in this Chapter shall be construed as restricting or calling into question the rights of customs administrations to satisfy themselves as to the truth or accuracy of any statement, document or declaration presented for customs valuation purposes.

Upon written request, the importer shall have the right to an explanation in writing from the customs administration as to how the customs value of the imported goods was determined

Laws, regulations and Constitutional Court rulings related to the regulations on customs valuation shall be published in accordance with the Article X of the GATT 1994.

The decisions and rulings of general nature made by competent authorities as well as acts of the Minister of Finance related to the Customs Directorate and in connection with customs valuation, are published in the official journal of the Customs Directorate.

Article 45

All information which is by nature confidential or which is provided on a confidential basis for the purposes of customs valuation shall be treated as strictly confidential by authorities concerned who shall not disclose it without the specific permission of the person or government providing such information,

except to the extent that it may be required to be disclosed in the context of judicial proceedings.

Article 46

If the invoice value is stated in a foreign currency, the value of the foreign currency shall, consistent with law on foreign exchange transactions, be rendered into domestic currency according to the effective exchange rate on the day of occurrence of the obligation to pay customs duty.

Article 47

Customs value for the exported goods is the transaction value of the goods delivered on the Croatian boarder.

Article 48

The Government of the Republic of Croatia shall issue regulations defining in detail conditions and manner of application of Articles 29 to 47 of this Law

III. PROVISIONS APPLICABLE TO GOODS BROUGHT INTO THE CUSTOMS TERRITORY OF THE REPUBLIC OF CROATIA UNTIL THEY ARE ASSIGNED THE CUSTOMS – APPROVED TREATMENT OR USE

1. ENTRY OF GOODS INTO THE CUSTOMS TERRITORY OF THE REPUBLIC OF CROATIA

Article 49

Goods brought into the customs territory of the Republic of Croatia shall be subject to the measures of customs supervision from the moment of their entry. Such goods shall be subject to the customs verification as well, in accordance with the provisions in force.

Goods shall remain under customs supervision for as long as necessary to determine their customs status and, in the case of foreign goods without prejudice to Article 94, paragraph 1 of this Law, they remain under supervision until their customs status has changed, or until they are placed in a free zone or free warehouse, or re-exported or destroyed in accordance with Article 185 of this Law.

Article 50

The person who introduces goods into the customs territory of the Republic of Croatia, shall be obliged to transfer them without delay, by the route and in the mode defined by the Customs Office:

- a) to the Customs Office or to any other place designated and approved by the Customs Office,
- b) to a free zone, if the goods are to be brought into that free zone directly, by sea or air, by land without passing through other parts of the customs territory of the Republic of Croatia, where a free zone adjoins the land frontier between the Republic of Croatia and another country.

Any person assuming responsibility for the carriage of goods after the goods have been introduced into the customs territory because of transshipment of goods or similar, shall become responsible for fulfilling the obligation laid down in paragraph 1 of this Article.

The customs verification may also undergo the goods that are still outside the customs territory of the Republic of Croatia, as if they were introduced into the customs territory of the Republic of Croatia, if agreement concluded with this specific country contains such authorization.

The provision in paragraph 1 under a) of this Article shall not preclude the implementation of any regulations in force with respect to tourist traffic, frontier traffic or postal traffic on condition that customs supervision and customs verification possibilities shall not be jeopardised thereby.

The provisions in paragraphs 1 to 4 of this Article and the provisions in Articles 51 to 65 of this Law do not apply to goods which have temporarily left the customs territory of the Republic of Croatia while moving by sea or by air between two points in that territory, provided that carriage has been effected by a direct route and by regular air service or shipping line without a stop outside the customs territory of the Republic of Croatia.

The provision in paragraph 5 of this Article shall not apply to goods loaded in ports, airports and in free ports in other countries.

The provisions in paragraph 1 of this Article shall not apply to goods on board vessels or aircraft crossing the Croatian territorial sea or airspace without having as their destination a port or airport situated in the Republic of Croatia.

Article 51

Where, by reasons of unforeseeable circumstances or force majeure, the obligations laid down in Article 50, paragraph 1 of this Law cannot be complied with, the person bound by that obligation or any other person acting in his place

must immediately inform the authorized Customs Office of such situation. Where the unforeseeable circumstances or force majeure shall not result in total loss of the goods, the Customs Office must also be immediately informed of the place where the goods are located.

Where, by reasons of unforeseeable circumstances or force majeure, a vessel or aircraft covered by Article 50, paragraph 7 of this Law is forced to be put into port or land temporarily in the customs territory of the Republic of Croatia, and the obligation laid down in Article 50, paragraph 1 of this Law cannot be complied with, the person bringing the vessel or aircraft into the customs territory of the Republic of Croatia or any other person acting in or on his behalf shall immediately inform the Customs Office about it.

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The Customs Office shall determine the measures which shall be taken in order to enable the customs supervision of the goods referred to in paragraph 1 of this Article, as well as of those on board of a vessel or aircraft according to paragraph 2 of this Article, so that, if necessary, the goods shall be subsequently conveyed to a Customs Office or transferred to other place approved by the Customs Office.

2. PRESENTATION OF GOODS

Article 52

Goods that, pursuant to Article 50, paragraph 1, item a) of this Law, arrive at the Customs Office or other place designated or approved by the Customs Office, shall be presented to the Customs Office either by the person who brought the goods into the Croatian customs territory or, if appropriate, by the person who assumes the responsibility for carriage of the goods following such entry.

Article 53

The provision in Article 52 of this Law shall not preclude the implementation of rules in force relating to:

- a) goods carried by travellers,
- b) goods which are placed under a customs procedure, but not presented to the Customs Office.

Article 54

Once the goods have been presented, they may be inspected and samples may be taken only in order to be assigned a customs-approved treatment or use and only with the authorization of the Customs Office. Such authorization shall be

granted on request of the person authorized to assign the goods such treatment or use.

3.SUMMARY DECLARATION AND UNLOADING OF GOODS PRESENTED TO CUSTOMS

Article 55

For all goods that are, according to Article 52 of this Law, presented to the Customs Office, a summary declaration shall be lodged.

The summary declaration shall be lodged to the Customs Office when presenting goods. The Customs Office may prolong a period for lodging the summary declaration, which cannot be extended beyond the first working day following the day on which the goods were presented.

Article 56

The summary declaration shall be made on a prescribed form. Instead of the summary declaration, the Customs Office may permit the use of commercial or official document instead, that contains all data necessary for the identification of the goods.

The summary declaration shall be lodged by:

- a) the person who introduced the goods into the customs territory, or, if necessary, the person who assumes responsibility for carriage of the goods following such entry, or
- b) the person in whose name act the persons referred to under a) of this paragraph.

Article 57

Without prejudice to the provisions referring to postal traffic or goods carried by travellers when entering the country, or the goods being transferred, the Customs Office shall not request lodging of the summary declaration if the measures of the customs supervision are not jeopardised thereby, and if the formalities necessary for the goods to be assigned a customs-approved treatment or use are carried out prior to the expiry of the period referred to in Article 55 of this Law.

Article 58

goods can be unloaded or transhipped from the means of transport carrying them solely with the authorization of the Customs Office in designated and approved places.

In the case of the imminent danger necessitating the immediate unloading of all or part of the goods, the authorization of the Customs Office is not necessary. In such case, the Customs Office must be immediately informed.

The Customs Office may, when necessary, require goods to be unloaded and unpacked for the inspection of the goods or the means of transport carrying them.

Article 59

The goods must not be removed without the authorization of the Customs Office from the place where they were originally placed.

4.OBLIGATION TO ASSIGN GOODS PRESENTED TO CUSTOMS A CUSTOMS-APPROVED TREATMENT OR USE

Article 60

For foreign goods presented to the Customs Office a customs-approved treatment or use of such goods must be assigned.

Article 61

If the summary declaration is being lodged for goods, the formalities for the assigning a customs-approved treatment or use must be fulfilled within the following period:

- a) 45 days from the date on which the summary declaration is lodged for goods in sea-traffic, or
- b) 20 days from the date on which the summary declaration is lodged for goods carried in other way.

If circumstances justify so, the Customs Office may set shorter periods or may approve an extension of the periods referred to in paragraph 1 of this Article. Such an extension must not exceed the actual needs that are justified by those circumstances.

5. TEMPORARY STORAGE OF GOODS

Article 62

Goods presented to the Customs Office shall have the status of goods in temporary storage until a customs-approved treatment or use shall be assigned for them.

Article 63

Goods in temporary storage may be stored only in places approved by and under the conditions laid down by the Customs Office.

The Customs Office may demand that the person who is in the possession of the goods lays down security for the payment of the customs debt which may incur according to Articles 206 or 207 of this Law.

Article 64

Goods in temporary storage may be subjects only to such forms of handling needed to ensure their preservation without altering their appearance or technical characteristics.

Article 65

If within the periods determined in Article 61 of this Law, the formalities necessary for assigning a customs-approved treatment or use shall not be taken, the Customs Office shall take all the measures necessary, including the sale of the goods, without any delay.

The Customs Office shall be authorized, at the responsibility and expense of the person that is in the possession of the goods, to remove the goods to a special place under the customs supervision until the procedure referring to goods shall be completed.

6. PROVISIONS APPLICABLE TO GOODS UNDER A TRANSIT PROCEDURE

Article 66

Article 50, with the exception of paragraph 1, item a) and Articles 51 to 65 of this Law shall not apply to goods introduced into the customs territory of Croatia, if they are already placed under a transit procedure.

When foreign goods, that are conveyed under a transit procedure, reach their destination within the customs territory of the Republic of Croatia and are presented to the Customs Office in accordance with the rules governing transit procedure, the provisions of Articles 55 to 65 of this Law shall apply.

7. OTHER PROVISIONS

Article 67

Where the circumstances so require, the Customs Office may undertake actions in order to destroy the goods presented. The Customs Office informs the holder of the goods about it accordingly. The costs of destroying the goods shall be charged to the owner of the goods.

Article 68

Where it shall be established that goods have been introduced into the customs territory of the Republic of Croatia against regulations, or that the customs supervision is obstructed, the Customs Office shall take any measures necessary, including the sale of goods, in order to regularize the situation of those goods.

Article 69

The Minister of Finances shall prescribe the regulations for the application of the provisions established within Part III of this Law.

IV. CUSTOMS-APPROVED TREATMENT OR USE

1. GENERAL

Article 70

Where this Law shall not prescribe otherwise, the goods may be assigned any customs-approved treatment or use irrespective of their nature, quantity, their country of origin, nature of consignment or destination in a defined way.

The provisions of paragraph 1 of this Article shall not be applied if they contradict the measures to protect public morality, health and life of humans, animals or plants, for protection of national assets possessing historic, artistic or archaeological value, or the protection of the intellectual property and others.

The Minister of Finances shall prescribe the procedure for goods imported to the Republic of Croatia, where the reasonable suspicion exists, that such import violates the rights of the intellectual property.

2. CUSTOMS PROCEDURES

1. Placing of goods under a customs procedure

Article 71

For all goods placed under a customs procedure a declaration shall be lodged for a requested procedure.

Croatian goods declared for an export, outward processing, transit or customs warehousing procedure are subject to the customs supervision from the moment of acceptance of the customs declaration until the moment of their leaving the customs territory of the Republic of Croatia, of destroying them or annulling the customs declaration.

Article 72

The Minister of Finances may define the competence of the particular Customs Offices for the customs clearance of certain sorts of goods or for the implementation of certain procedures.

Article 73

The customs declaration shall be lodged:

- a) in writing, or
- b) using a data-processing technique where provided for by technical possibilities and if the use of such means shall be approved by the Customs Directorate, or
- c) by oral declaring or any other act whereby the holder of the goods shall request to place the goods under a customs procedure, when such a possibility shall be provided for by the rules.

The form of the customs declaration, the manner of fulfilling it, its contents and the mode of lodging the customs declaration as well as other forms that are used in a customs procedure shall be prescribed by the Minister of Finances.

A. DECLARATION IN WRITING

1. Normal procedure

Article 74

The declaration in writing must be lodged on a form prescribed for that purpose, and fulfilled according to the Customs regulations established on the basis of Article 73, paragraph 2 of this Law. The customs declaration must be signed and must contain all the particulars necessary for the implementation of the provisions related to the customs procedure for which the goods are declared.

The declarant is obliged to enclose all the documents to the declaration that shall be required for the implementation of the provisions related to the customs procedure for which the goods were declared.

Article 75

The Customs Office shall be obliged to accept immediately the declaration, if it shall comply with Article 74 of this Law, on condition that the goods to which the declaration refers have already been presented to the Customs Office.

Article 76

Subject to Article 5 of this Law, a customs declaration may be lodged by any person who may present to the Customs Office the goods and all the documents required for the application of the rules governing the customs procedure, required for the implementation.

By exception, if acceptance of a customs declaration shall impose particular obligations on a specific person, the declaration may be lodged solely by that person or it shall be made on his behalf.

The declarant must be established or domiciled in the Republic of Croatia.

The condition regarding establishment or domicile in the Republic of Croatia shall not apply to persons who:

- lodge a declaration for transit procedure or temporary import procedure; or
- declare goods on an occasional basis, if the Customs Office considers this to be justified.

Article 77

At the request of the declarant, the Customs Office may permit the amendment of one or more of the particulars of the customs declaration, after having accepted it already. The amendment must not have the effect of rendering the declaration related to goods other than those originally covered.

The amendment shall not be permitted after the Customs Office:

- a) has informed the declarant that they intend to inspect the goods, or
- b) established that the particulars are incorrect, or
- c) the goods have already been released to the declarant.

Article 78

The Customs Office shall, at the request of the declarant, invalidate a declaration already accepted, where the declarant delivers evidences that goods were in error declared for the non-adequate customs procedure, or that the required customs procedure, as a result of special circumstances, is no longer appropriate.

If the Customs Office has already informed the declarant of their intention to inspect the goods, the decision regarding the invalidation of the declaration shall be made only after the inspection of the goods has been performed.

The declaration cannot be invalidated after the goods have been released, except in those cases which are prescribed by the Minister of Finances.

Invalidation of the declaration is without prejudice to the application of the appropriate penal provisions.

Article 79

If not otherwise expressly provided, when implementing the customs procedure for which the goods have been declared, all the provisions valid on the date of acceptance of the declaration shall be applied.

Article 80

For the verification of the declaration that has been accepted, the Customs Office may:

- a) inspect the documents accompanying the declaration and require the enclosure of other documents for the purpose of verifying the accuracy of the particulars stated in the declaration;
- b) inspect the goods and take samples for analysis.

Article 81

The transport of goods to the place of inspection or taking samples and any other handling with goods in order to inspect them or to take samples shall be

performed at the responsibility of the declarant. The declarant shall cover the costs connected with this.

The declarant shall have the right to be present during the inspection of the goods and taking samples. The Customs Office shall, if necessary, require the presence of the declarant or his authorized person during the inspection or taking samples in order to assist while such actions shall be performed.

If samples are taken according to the rules in force, the Customs Office shall not be obliged to pay the refund to the declarant for the samples taken. The Customs Office shall cover the costs of analysis and testing.

The Minister of Finances shall prescribe the conditions and the manner of taking samples.

Article 82

If only a part of the goods mentioned in the declaration is being inspected, the result of such partial inspection shall apply to all the goods in that declaration.

If it is deemed that the result of such partial inspection of the goods does not apply to the rest of the goods, the declarant may require the inspection of the goods to be carried on.

If the declaration relates to a number of goods that are to be classified in different tariff subheadings, it shall be deemed that, for the implementation of paragraph 1 of this Article, a separate declaration is lodged for each sort of those goods.

Article 83

The results of the verification of the declaration shall be used in order to implement the rules related to the customs procedure under which the goods are placed.

If the declaration shall not be verified, for the implementation of the rule under paragraph 1 of this Article, the particulars that the declarant has stated in the declaration shall be accepted.

Article 84

The Customs Office must take all the measures to ensure the identity of the goods, if the identity shall be indispensable for implementing a customs procedure for which the goods have been declared.

Customs means of identification may be destroyed or removed from the goods or means of transport exclusively by the Customs Office or this may be made with the authorization of the Customs Office, except in cases of unforeseeable circumstances or force majeure, when their removal or destruction becomes urgently needed in order to protect the goods or means of transport.

The rule to be implemented regarding the application of customs means of identification shall be stipulated by the Minister of Finances.

Article 85

If the conditions for placing the goods under the required customs procedure have been fulfilled, on condition that those goods are not subject to restrictive measures or bans, the Customs Office shall release the goods to the declarant as soon as the particulars stated in the declaration have been verified or accepted without verification. It shall be acted in the same way in the case when the verification of the declaration cannot be completed within an acceptable period and it is not necessary for the goods to be present in order to verify the declaration.

All the goods comprised within one declaration shall be released at the same time.

If the declaration comprises a number of items, in order to implement paragraph 2 of this Article, it shall be deemed that a separate declaration is lodged for each of those items.

Article 86

If the customs debt arises by the acceptance of the declaration, the goods cannot be released to the declarant so long as the debt is not paid, or until the security for this payment is laid down.

Where security is required for a debt which may arise according to the rules for the implementation of customs procedure the goods are declared for, the goods cannot be put in the customs procedure until such security is laid down.

Article 87

The Customs Office may take all necessary measures, including confiscating or selling the goods, if:

- a) the goods cannot be released because:

- it was not possible to begin or to carry on the inspection of goods within the period determined by the Customs Office due to reasons which are assigned to the declarant, or
 - all the documents necessary to place the goods under the required customs procedure have not been lodged, or
 - a customs debt has not been paid, or security for its payment has not been laid down within the prescribed period, or
 - the goods are subject to bans or restrictions;
- a) the goods have not been removed within a prescribed period after the Customs Office had released them.

2.Simplified procedures

Article 88

In order to simplify formalities and procedures, the Customs Office may, in the cases and in a manner prescribed by the Minister of Finances, allow:

- a) the declaration to omit certain of the particulars and some of the documents prescribed under Article 74 of this Law,
- b) some of the commercial or administrative documents, accompanied by the request for the goods to be placed under the customs procedure to replace the declaration,
- c) the goods to be entered into the procedure requested on the basis of entries in the records; in this case, the Customs Office may dispense the declarant from the obligation to present the goods.

The simplified declaration, commercial or administrative document and entry in the records must contain the particulars necessary for identification of the goods. The entry in the records must contain the date on which such entry was made.

The declarant shall be obliged to lodge, within the period prescribed, a supplementary declaration that may be general, periodic or recapitulative. The supplementary declaration shall not be lodged in the cases prescribed by the Minister of Finance.

Supplementary declaration and simplified declaration referred to in paragraph 1, item a), b) and c) of this Article shall constitute a single and indivisible legal

entirety to which apply the rules in force that are valid on the date of acceptance of the simplified declaration. The entry in the records referred to in paragraph 1, item c) of this Law shall have the same legal force as it has acceptance of the declaration referred to in Article 74 of this Law.

The Minister of Finances may prescribe special simplified procedures for the transit procedure.

B. OTHER CUSTOMS DECLARATIONS

Article 89

Where the customs declaration is lodged by means of a data-processing technique (Article 73 under b) of this Law), or by an oral declaring or some other actions (Article 73 under c) of this Law), Articles 74 to 88 of this Law apply accordingly.

C. POST CLEARANCE EXAMINATION OF DECLARATION

Article 90

The Customs Office may, in the line of duty or at the request of the declarant, amend the accuracy of the declaration, even after the release of the goods to the declarant,.

The Customs Office may, after releasing the goods and in order to verify the accuracy of the particulars contained in the declaration, inspect afterwards commercial, technological and other documents and data entered in the accounts related to the import or export operations in respect of the goods concerned or to subsequent commercial operations involving those goods. Such inspections may be carried out at the premises of the declarant, of any other person directly or indirectly involved in a business capacity in the said operations, or at the premises of any other person in possession of the said data and documents. The Customs Office may also inspect the goods, if it is still possible.

Where the subsequent verification of the declaration shall indicate that the provisions governing the customs procedure concerned have been applied on the basis of incorrect or incomplete data, the Customs Office shall, in accordance with provisions in force, take the measures necessary to regularise the situation according to new circumstances.

2. Release for free circulation

Article 91

Release for free circulation shall confer on foreign goods the status of Croatian goods.

In order to be released for free circulation, the goods shall have to comply with all the commercial measures and all the provisions in respect to the import of goods and the payment of the customs duty and any duties legally owed.

Article 92

If the import duty shall be reduced after acceptance of the declaration by which the goods are released for free circulation, but have not been released yet, regardless to the provisions of Article 79 of this Law, the declarant may request the application of the reduced rate of the import duty.

Paragraph 1 of this Article shall not apply, if it has not been possible to release the goods for reasons attributable to the declarant alone.

Article 93

If a consignment consists of goods that fall into different tariff subheadings, and such tariff classification and fulfilment of the declaration would cause work and expenses that are disproportionate to the import duties chargeable, the Customs Office may, at the request of the declarant, allow import duties on the whole consignment to be charged on the basis of the tariff subheading of those goods, for which the import duty is the highest.

Article 94

If the goods were released for free circulation at preferential tariff treatment on account to their end use, such goods remain under the customs supervision. The customs supervision shall be terminated either when the conditions laid down for granting such preferential tariff treatment cease to apply or when the goods are exported or destroyed, or when the use of goods is permitted for purposes other than those laid down for the application of the reduced rate of the import duty on condition that the import duty is paid.

To the goods referred to in paragraph 1 of this Article, the provisions of Articles 100 and 102 of this Law shall apply accordingly.

Article 95

Goods released for free circulation shall lose their status as Croatian goods, if:

- a) the declaration of release for free circulation is invalidated after release, or
- b) the import duty payable on those goods is repaid or remitted:
- within inward processing procedure in the form of drawback system, or
 - the goods have defect or do not comply with the terms of the contract, as prescribed in Article 234 of this Law, or
 - in the cases referred to in Article 235 of this Law, when the repayment or remission is conditioned by the export or re-export of those goods, or by its placement under some other equivalent customs-approved treatment or use.

3. Suspensive arrangements and customs procedures with economic impact

A. COMMON PROVISIONS

Article 96

In Articles 97 to 102 of this Law:

- a) where the term “ suspensive procedure ” is used, in the case of foreign goods, it is understood that it shall refer to the following procedures:
- transit,
 - customs warehousing,
 - inward processing in the form of suspensive system
 - processing under customs control, and
 - temporary importation;
- a) where the term “ customs procedure with economic impact “ is used, it is understood that it refers to the following procedures:
- customs warehousing,
 - inward processing,
 - processing under customs control,
 - temporary importation, and
 - outward processing.

“Imported goods“ is a term used for goods placed under a suspensive procedure and goods placed under the inward processing procedure in the form of drawback system, for which all formalities for release for free circulation and formalities defined in Article 134 of this Law are fulfilled.

“Goods in the unaltered state“ is a term for imported goods that, while being in the inward processing procedure or the procedure of processing under the customs control, were not subject to any form of processing.

Article 97

The use of any customs procedure with economic impact shall be conditioned with the authorization issued by the Customs Office.

The Minister of Finances shall prescribe details regarding the implementation of procedures of this section.

Article 98

The application of customs procedure with economic impact may be granted:

- to persons who offer every guarantee necessary for the proper performance of the procedure allowed;
- in the cases when Customs Offices have the possibility to supervise the procedure allowed and its verification.

Article 99

The authorization must contain all conditions under which a certain procedure shall be performed.

The holder of the authorization must communicate the Customs Office immediately of all the facts arising after the authorization was granted, that influences its validity or its contents.

Article 100

The Customs Office may stipulate that the holder of the authorization shall submit a security for the payment of customs debt that may incur when placing the goods under a suspensive procedure.

In particular suspensive procedures, special provisions on laying down security may be stipulated.

Article 101

Customs procedure with economic impacts shall be terminated when a new customs-approved treatment or use is assigned, either to the goods placed under that procedure or to the compensating or processed products.

The Customs Office shall be obliged to take all measures for regulating the question of goods in respect of which a procedure has not been terminated according to the conditions prescribed.

Article 102

The rights and obligations of the user of a customs procedure with economic impact may, on the conditions stipulated by the Customs Office, be transferred to other persons who fulfil all conditions for adequate procedure.

B. TRANSIT PROCEDURE

I. General provisions

Article 103

The transit procedure allows the transport of goods from one point to another within the customs territory of the Republic of Croatia for:

- a) foreign goods, without such goods being subject to import duties and other charges or to commercial policy measures,
- b) Croatian goods, that underwent the export procedure.

Transport of goods under paragraph 1 of this Article shall be performed:

- a) according to the transit procedure determined by this Law,
- b) according to the procedure of the TIR Convention,
- c) according to the procedure of the ATA-Convention, or
- d) by post (parcel post).

Article 104

The use of a transit procedure shall not influence the specific provisions, applicable to transport of goods placed under a customs procedure with economic impact.

Article 105

The transit procedure shall be terminated with the presentation of the goods and associated documents to the Customs Office of destination according to the provisions of the procedure concerned.

Article 106

The principal shall be the bearer of the transit procedure, who is responsible:

- a) for production of the goods intact at the Customs Office of destination by the prescribed period and for respecting the measures adopted in order to ensure identification of the goods, and
- b) for respecting the provisions relating to the transit procedure.

Regardless of the principal's obligations stated in paragraph 1 of this Article, a carrier or recipient of goods who accepts goods knowing that they are placed under the transit procedure shall be responsible for production of the goods intact by the prescribed period at the Customs Office of destination as well as for respecting the measures taken to ensure identification of the goods.

II. Specific provisions relating to transit procedure

Article 107

The principal shall be liable for laying down the guarantee for the payment of customs debt and other charges that may incur referring to the goods.

The Government of the Republic of Croatia may prescribe that the guarantee under paragraph 1 of this Article needs not to be laid down in the case of:

- a) transport by sea, river or air
- b) transport by oil pipeline, and
- c) transport by the Croatian railways

Article 108

The Minister of Finances may prescribe in which cases, instead of a guarantee, another form of security in the transit procedure may be laid down.

Article 109

Transit procedure may be permitted for transporting Croatian goods from one point to another within the customs territory of the Republic of Croatia through the territory of another state as well, without its customs status being changed.

The transport referred to in paragraph 1 of this Article shall be performed:

- a) by the transit procedure under the condition that such a possibility is foreseen under an international agreement,
- b) by a procedure of the TIR-Convention,
- c) by a procedure of the ATA-Convention,
- d) by post (parcel post)

In the case of paragraph 2, item a) of this Article, the provisions of Articles 104, 106 and 108 of this Law are to be applied accordingly.

C. CUSTOMS WAREHOUSES

Article 110

The customs warehousing procedure may be permitted for placing in a customs warehouse of:

- a) foreign goods, without such goods being subject to import duty and commercial measures, and
- b) Croatian goods assigned to the purpose of exportation that, by being placed in a customs warehouse, attract the application of measures applicable to the export of such goods according to special rules.

Customs warehouse is a place approved by the Customs Office, which is under the customs supervision, so that the goods may be stored according to the conditions prescribed.

The Minister of Finances shall prescribe cases, where the goods under paragraph 1 of this Article may be placed under the customs warehousing procedure without being stored in the customs warehouse.

Article 111

The customs warehouse may be either a public warehouse or a private warehouse.

A public warehouse shall be a customs warehouse in which any person may store the goods.

A private warehouse shall be a customs warehouse intended for storing of goods by the warehousekeeper.

The warehousekeeper is the person who is authorized by the Customs Office to operate the customs warehouse.

By exception of the paragraph 1 of this Article, the customs warehouse may also be operated by the Customs Office.

The depositor is the person bound by the declaration to place the goods under the customs warehousing procedure or the person to whom the rights and obligations of such a person have been transferred.

Article 112

The authorization for operating the customs warehouse shall be issued on the basis of an application, containing data required for granting the authorization that prove the existence of the economic need for warehousing.

The authorization for operating the customs warehouse may be issued only to persons established in the Republic of Croatia.

The Customs Office issues the decision for operating a customs warehouse that determines the sort of warehouse, the conditions under which the warehousekeeper has to operate it, the sort of goods that are allowed to be stored in the warehouse as well as other warehousekeeper's obligations towards the Customs Office.

The applicant must enclose evidence about fulfilling the conditions prescribed in the specific rules regarding the storage of specific sorts of goods, operating of specific activities or handling of goods stored in such a warehouse.

Article 113

The warehousekeeper shall be responsible for:

- a) the goods, while they are in the customs warehouse, not to be removed under the customs supervision,
- b) fulfilling of all obligations that arise from the procedure of customs warehousing,
- c) fulfilling the particular conditions comprised in the authorization for opening a customs warehouse.

The Customs Office may require from the warehousekeeper to provide a guarantee according to his obligations specified in the previous paragraph.

Article 114

By way of derogation from Article 113 of this Law, in the authorization concerning a public warehouse may be stipulated that the obligations referred to in Article 113, item a) or b) of this Law devolve exclusively upon the warehousekeeper.

The depositor is responsible at all times for fulfilling the obligations arising from the placing of goods under the customs warehousing procedure.

Article 115

The rights and obligations of the warehousekeeper may, with the agreement of the Customs Office, be transferred to another person.

Article 116

The warehousekeeper shall be obliged to keep stock records regarding the goods that are placed under the customs warehousing procedure in a form prescribed by the Minister of Finance.

Goods that are subject to the customs warehousing procedure must be entered in the stock records as soon as they are brought into the customs warehouse.

The Customs Office may dispense the warehousekeeper with keeping stock records under paragraph 1 of this Article, where the obligations referred to in Article 113, item a) and b) of this Law lie exclusively with the depositor and the goods are placed in a customs warehouse on the basis of a declaration in writing for the normal procedure or administrative documents in accordance with Article 88, paragraph 1, item b) of this Law.

Article 117

In the case where an economic need exists and customs supervision is not jeopardised thereby, the Customs Office may allow:

- a) Croatian goods, other than those referred to in Article 110, paragraph 1, item b) of this Law, to be stored in the premises of a customs warehouse,
- b) foreign goods to be processed in the premises of a customs warehouse within the inward processing procedure, according to the conditions for the implementation of this procedure, and

c) foreign goods to be processed in the premises of a customs warehouse within the procedure for processing under customs control, according to the conditions for the implementation of this procedure.

In the cases under paragraph 1 of this Article, the goods shall not be subject to the customs warehousing procedure.

The Customs Office may require the goods under paragraph 1 of this Article to be entered in the stock records determined for the goods under the customs warehousing procedure according to Article 116 of this Law.

Article 118

There shall be no time limit for the goods to remain in the customs warehousing procedure.

In exceptional cases the Customs Office may set a time limit by which the depositor must assign the goods a new customs-approved treatment or use.

The Minister of Finances may prescribe specific time limits for certain goods referred to in Article 110, paragraph 1, item b) of this Law, in order to apply the protective measures of the agricultural policy.

Article 119

Imported goods may be subject to the usual forms of handling performed in order to preserve the goods, improve their appearance or marketable quality, or prepare them for distribution or resale.

The Minister of Finances may prescribe cases where those forms of handling are prohibited for goods covered by the measures of the agricultural policy that are proposed by the Minister of Agriculture and Forestry.

The Croatian goods under Article 110, paragraph 1, item b) of this Law, placed under the customs warehousing procedure and covered by the measures of the agricultural policy, may be subject only to such forms of handling which are expressly stipulated for such goods.

The forms of handling under paragraphs 1 and 2 of this Article have to be allowed in advance by the Customs Office.

Article 120

If circumstances of the particular case shall request so, goods may be temporarily removed from the customs warehouse. The Customs Office must previously approve such removal and determine the conditions on which it may be performed.

While they shall be outside the customs warehouse, the goods may be subject to handling under Article 119 of this Law according to the conditions set out in the authorization.

Article 121

The Customs Office may allow the removal of goods from one customs warehouse to another.

Article 122

Where a customs debt incurs in respect of import goods placed under the customs warehousing procedure, the costs of warehousing and of preserving goods while they were stored are not included in the customs value on condition that they are shown separately from the price actually paid or payable for the goods.

In the case when the goods have been subject to usual forms of handling according to Article 119 of this Law, when determining the amount of customs debt, at the request of the declarant, the nature of goods, the customs value and the quantity may be accepted as they were at the time referred to in Article 218 of this Law, and as if the goods had not been subject to such handling.

If import goods shall be released for free circulation according to Article 88, paragraph 1, item c) of this Law, the nature, the customs value and the quantity of goods as they were at the time of placing the goods under the customs warehousing procedure shall be accepted.

Paragraph 3 of this Article applies if, at the moment of placing the goods under the customs warehousing procedure, the value of goods is being accepted as their customs value, except when the declarant requires the acceptance of the customs value determined at the moment when the customs debt incurred.

Paragraph 3 of this Article applies without prejudice to a post-clearance examination within the meaning of Article 90 of this Law.

Article 123

Croatian goods under Article 100, paragraph 1, item b) of this Law, covered by the measures of the agricultural policy and placed under the customs warehousing procedure, must be exported or be assigned some other procedure or use, provided for by the specific rule.

D. INWARD PROCESSING PROCEDURE

1. General

Article 124

The inward processing procedure with one or more processing operations may, without prejudice to Article 125 of this Law, be allowed for:

- a) foreign goods, without being subject to the payment of the customs duty or to the commercial measures, and intended for re-export in the form of produced products (a system of the suspension),
- b) foreign goods, released for free circulation with the payment of customs duty, for which repayment or remission may be allowed, if those goods are exported from the customs territory of the Republic of Croatia in the form of the compensating products (a system of repayment).

The meaning of the following expressions:

- a) processing operations are:
 - the working of goods, including erecting, assembling and building-in other products
 - the processing and finishing of goods,
 - the repair of goods, including restoring them and putting them in order,
 - the use of certain goods which are not incorporated as an integral part in a product obtained, even if they are wholly or partially used up therein, but allow or facilitate the production of those products,
- a) compensating products: all products obtained in processing operations,
- b) equivalent goods: Croatian goods which are used instead of the import goods for the manufacture of the compensating products, and
- c) rate of yield: the quantity or percentage of the compensating products that is obtained in the production procedure from a certain quantity of import goods.

Article 125

If the conditions under paragraph 2 of this Article shall be fulfilled, the Customs Office may allow:

- a) that compensating products may be produced from equivalent goods,
- b) that compensating products which are produced from equivalent goods may be exported from the Republic of Croatia before importation of the import goods.

Equivalent goods must be of the same quality and have the same features and the same tariff subheading as the import goods.

When paragraph 1 of this Article is being applied, the import goods shall be considered for customs purposes as equivalent goods, and equivalent goods as the import goods.

The Minister of Finances may, with the consent of the Minister of Agriculture and Forestry, prescribe cases where equivalent goods cannot be used and cases where equivalent goods must not necessarily be of the same quality, with the same features and of the same tariff subheading as the import goods.

If the compensating products, produced from the equivalent goods, are exported from Croatia before importation of the imported goods and they would be otherwise liable to the payment of export duty if they shall not be exported under the inward processing procedure, the holder of the authorization is obliged to lay down security for the payment of export duty that would be collected if the import goods shall not be imported within the period approved.

II. Grant of the authorization

Article 126

The Customs Office shall issue the authorization at the request of the person that performs processing operations or who arranges their performance.

The authorization may be granted only:

- a) to persons established in the Republic of Croatia; in the case of non-commercial imports, the authorization may be granted to persons established or domiciled outside the Republic of Croatia;

- b) if the import goods may be identified within the compensating products, without prejudice to the use referred to in Article 124, paragraph 2, item 4 of this Law, or, in the case when equivalent goods were being used if it is possible to fulfil the conditions laid down in Article 125 of this Law;
- c) if by the inward processing procedure the more favourable conditions for export or re-export of compensating products are created, without jeopardising the essential interests of Croatian producers of similar or identical products (economic conditions).

III. Operation of the procedure

Article 127

The Customs Office shall specify the period within which the compensating products must be exported or re-exported or within which another customs-approved treatment or use must be assigned. When specifying that period, the time that is needed for carrying out the processing operations and disposing the compensating products should be taken into consideration.

The period shall run from the date on which the foreign goods are placed under the inward processing procedure. The Customs Office may grant an extension on submission of a duly substantiated application by the holder of the authorization.

When Article 125, paragraph 1, item b) of this Law is applied, the Customs Office shall specify the period within which the foreign goods must be declared for the procedure. That period shall run from the date of acceptance of the export declaration relating to the compensating products from the corresponding equivalent goods.

Article 128

The Customs Office shall set either the rate of yield, or where appropriate, the method of determining such rate. The rate of yield must be determined based on the actual circumstances in which the processing operation is, or is to be, carried out.

If circumstances allow so, and in particular, in the case of processing operation customarily carried out under clearly defined technical conditions involving goods of the same characteristics and the compensating products are of the equalized quality, the Customs Office may determine standard rates of yield.

Article 129

Compensating products and the goods in the unaltered state have to be re-exported. The Customs Office may, in particularly justified cases, allow the release of goods for free circulation, placing them into the processing procedure under the customs control, destroying of goods or abandoning them to the Exchequer.

Paragraph 1 of this Article shall be also applied for those products, for which the inward processing was previously completed by the procedure of customs warehousing, or by the procedure of temporary import, or by transit procedure, or by placing the goods in a free zone or free warehouse.

The Government of the Republic of Croatia shall prescribe which goods can be released in free circulation with the application of Article 131, paragraph 1, item a) the first indent of this Law.

Article 130

In the case where the customs debt incurs, the amount of debt shall be determined on the basis of the rules, relevant for determining the amount of duty, that were valid for the import goods at the time of acceptance of the declaration for placing those goods under the inward processing procedure.

If, at the time referred to in paragraph 1 of this Article, the import goods fulfilled the conditions for the application of Article 21 of this Law within quotas, the application of Article 21 may be accepted if it is eligible for identical goods at the time of acceptance of the declaration of release for free circulation.

Article 131

By way of derogation from Article 130 of this Law:

a) for compensating products, the appropriate import duty is to be accounted:

- if they are released for free circulation under the condition that they are specified on the list stipulated by Article 129, paragraph 3 of this Law, to the extent that they are in proportion to the exported part of the compensating products, not included in that list. However, the holder of the authorization may ask the duty on those products to be calculated in the manner referred to in Article 130 of this Law,

- if they are specific duties that are subject to changes determined by the agricultural policy

a) for compensating products, the import duty is to be calculated according to the rules for the customs-approved treatment or use, where they have been placed after the inward processing procedure.

However, the holder of the authorization may ask the duty on those products to be calculated in the manner referred to in Article 130 of this Law. In the case when the import duty is calculated in the manner referred to in this Article, the calculated amount must be at least equal to the amount that was calculated in accordance with Article 130 of this Law.

b) for compensating products, the import duty is to be calculated according to the rules laid down under the procedure for processing under the customs control,

c) for compensating products, the preferential import duty is to be calculated, by virtue of their end use, if such duty is foreseen for the identical import goods.

d) compensating products are not liable to the payment of import duty, if such provision for a relief from import duty is stipulated for the identical goods imported according to Article 187 of this Law.

IV. Processing operations outside the customs territory of the Republic of Croatia

Article 132

Compensating products or goods in the unaltered state may be, wholly or partially, temporarily exported for further processing outside the customs territory of the Republic of Croatia with the authorization of the Customs Office, and in accordance with the conditions prescribed for the outward processing procedure.

If customs debt incurs related to re-imported products, it shall be charged:

a) import duty on compensating products or on goods in the unaltered state from paragraph 1 of this Article, calculated according to Articles 130 and 131 of this Law, and

b) import duty on products which are re-imported after processing outside the customs territory of the Republic of Croatia, the amount of which will be calculated in accordance with the conditions related to the outward processing procedure, on the same conditions as would have applied had the products exported under the latter procedure been released for free circulation before export.

V. Special provisions relating to the drawback system

Article 133

The drawback system may be used for all goods, except for those which, at the time of the acceptance of the declaration of release of goods for free circulation:

- a) are liable to quantitative import restrictions,
- b) may, within quotas, fulfil the conditions for the application of preferential tariff measures in Article 21 of this Law,
- c) are liable to duty on the basis of quantity unit or any other import charge within the framework of the agricultural policy, or are liable to the specific measures applicable to the goods obtained from the processing of agricultural products.

The drawback system may be applied only if no export refunds have been set for the compensating products at the time of the acceptance of the declaration of release of goods for free circulation.

The drawback system shall not be granted at the time of the acceptance of the declaration of exportation, if:

- a) the import goods are liable to one of the charges from Paragraph 1, item c) of this Article,
- or
- b) export refunds are set for the compensating products

Article 134

It must be indicated on the declaration of release of goods for free circulation that the drawback system is to be applied, and it must contain particulars of the authorization given.

The Customs Office may demand the mentioned authorization to be attached to the declaration of release of goods for free circulation.

Article 135

In the framework of drawback system, the provisions of Article 125, paragraph 1 under b), and paragraph 3 and 5 of the same Article, Article 127, paragraph 3, Articles 129 and 130, Article 131 under a), second indent and under c) of this Law shall not apply.

Article 136

Temporary exportation of compensating products, implemented according to Article 132, paragraph 1 of this Law, shall not be considered as exportation within the meaning of Article 137 of this Law, except if those products are not re-imported into Croatia within a period prescribed.

Article 137

The holder of the authorization may demand the remittance or repayment of the import duty, if he proves to the Customs Office that import goods released for free circulation under the drawback system in the form of the compensating products, are being:

- a) exported, or
- b) placed, with the intention to be re-exported, under the transit procedure, the customs warehousing procedure, the temporary import procedure of the inward processing procedure (the suspensive procedure), in a free zone or free warehouse, under the condition that all other conditions for use of procedure have been fulfilled.

When procedures referred to in the second indent of the paragraph 1 of this Article are implemented, the compensating products and the goods in unaltered state are considered as foreign goods.

The repayment of duty may be demanded at the latest within the period of three years from the date the customs debt originated.

If the compensating products or the goods in unaltered state, placed in the customs procedure or in a free zone or free warehouse according to paragraph 1 of this Article, are being released for free circulation, the amount of the import duty repaid or remitted shall constitute the amount of customs debt.

In order to determine the amount of the import duty to be repaid or remitted, Article 131 under a), second indent of this Law shall apply appropriately.

E. PROCESSING UNDER CUSTOMS CONTROL

Article 138

Within the procedure of processing under customs control, the use of foreign goods in the customs territory of Croatia shall be allowed without charging import duty or implementing the commercial measures for processing which alters their

nature or state, and the products resulting from such operations shall be released for free circulation at the rate of import duty that is prescribed for them.

Such products shall be termed processed products.

Article 139

The Government of the Republic of Croatia shall prescribe in which cases the procedure of processing under the customs control may be allowed.

Article 140

The authorization for processing under the customs control shall be granted at the request of the person who carries out or arranges the processing.

Article 141

The authorization shall be granted only:

- a) to persons established in Croatia,
- b) if the import goods can be identified in the processed products,
- c) if the goods cannot be economically restored after processing to their description, structure or state as it was when they were placed under the procedure,
- d) if use of the procedure cannot result in avoiding the rules concerning origin or quantitative restrictions applicable to the imported goods,
- e) if use of this procedure helps in creating or maintaining a processing activity in Croatia, without jeopardising the essential interests of producers of similar or identical goods in Croatia.

Article 142

Authorizations referred to in Article 127, paragraphs 1 and 2, and Article 128 of this Law are also to be implemented in the procedure of processing under the customs control appropriately.

Article 143

If the customs debt incurs within the procedure of processing the goods under the customs control in connection with the goods in unaltered state or with the products which are not processed to the extent foreseen in the authorization, the amount of customs debt shall be established on the basis of the rules competent for charging the amount of duty appropriate for the import goods at the time of

acceptance of the declaration by which the goods are placed under the procedure of processing under the customs control.

Article 144

If the import goods fulfilled the conditions for preferential tariff treatment when they were placed under the procedure for processing under customs control, and such preferential tariff treatment may be implemented to products identical to the processed products released for free circulation, the import duty for the processed products shall be accounted at the rate of duty which applies to that preferential treatment.

If the preferential tariff treatment under paragraph 1 of this Article is subject to quotas or ceilings, the preferential tariff treatment may be allowed only in the cases where, at the time of acceptance of the declaration by which the processed goods are released for free circulation, the import goods fulfil the conditions for the implementation of the preferential tariff treatment. In this case, the quantity of import goods shall be written off from the quota which applies to the import goods, and not to the processed products.

F. TEMPORARY IMPORTATION PROCEDURE

Article 145

The temporary importation procedure shall allow the use of foreign goods in the customs territory, with total or partial relief from the import duty and with the exemption from commercial measures, that are intended for re-export in unaltered state, except normal depreciation due to the use made of them.

Article 146

Temporary importation may be authorized at the request of the person who uses the goods or arranges for their usage.

Article 147

The Customs Office shall refuse the request for the authorization of the temporary importation procedure, if it is not possible to ensure the establishment of the identification of the import goods.

However, the Customs Office may allow the temporary importation procedure also in the cases, where it is not possible to ensure that the import goods can be identified, if regarding to nature of goods or its foreseen usage the abuse of the procedure is not possible.

Article 148

The Customs Office determines the period within which import goods have to be re-exported or assigned a new customs-approved treatment or use. Such period must be sufficient for obtaining the purpose of the temporary exportation.

The goods may remain in the temporary importation procedure for the maximum period of twenty-four months, without prejudice to the applicable rules referring to the special periods laid down in Article 149 of this Law.

The Customs Office may, if exceptional circumstances so warrant, extend the periods determined in accordance with paragraphs 1 and 2 of this Article in order to fulfil the purpose of the authorized usage.

Article 149

The Government of the Republic of Croatia shall prescribe the cases and the special conditions for the implementation of the temporary importation procedure with total relief from the payment of import duty.

Article 150

The application for the temporary importation procedure with partial relief from import duty shall be granted for the goods that remain in the possession of the person established or domiciled outside the customs territory of Croatia, and that are not covered by the provisions of the rules stipulated on the basis of Article 149 of this Law or, if they are covered but do not fulfil all conditions necessary for the temporary importation with total relief.

The Government of the Republic of Croatia shall prescribe the list of goods for which the temporary importation procedure with partial relief of import duty is not allowed.

Article 151

The amount of the import duty payable for the goods in the temporary importation procedure with partial relief from the payment of the import duty shall be set for every month or fraction of a month during which the goods are in the temporary importation procedure at 3% of the amount of duty which would have been payable for them had they been released for free circulation on the date of acceptance of the declaration of placing the goods under the temporary importation procedure.

The amount of import duty to be paid cannot exceed the amount that would have been paid if the goods had been released for free circulation on the date of

placing them under the temporary importation procedure, without including the associated interests in this amount.

Transfer of the rights and obligations that result from the temporary importation procedure according to Article 102 of this Law shall not mean that the same relief must be applied to each of the periods of use.

If the transfer under paragraph 3 of this Law is made with partial relief for both persons which are authorized to use the procedure during the same month, the holder of the initial authorization has to settle the amount of import duty owed for the whole of that month.

Article 152

If the customs debt for goods placed under the temporary importation procedure incurs, the amount of customs debt shall be determined on the basis of the calculating elements, applicable at the date of acceptance of the declaration for placing them under the temporary importation procedure. However, in the cases stipulated in Article 149 of this Law, the amount of debt for the goods is determined on the basis of the rules that are in force on the date on which the customs debt incurs, in accordance with Article 218 of this Law.

If the customs debt for the goods placed under the temporary importation procedure with partial relief incurs for reasons other than placing the goods in this procedure, the amount of the debt shall correspond to the difference between the amount of duty calculated according to paragraph 1 of this Article and the amount that is to be paid according to Article 151 of this Law.

G. OUTWARD PROCESSING PROCEDURE

1. General provisions

Article 153

Without prejudice to the provisions of Articles 162 to 167 and to Article 132 of this Law, the outward processing procedure may be authorized for Croatian goods temporarily exported from the customs territory of Croatia in order to undergo certain processing operations. The products resulting from those operations may be released for free circulation with total or partial relief from the import duty.

Export duties, the measures of the commercial policy and other formalities foreseen for the exportation of Croatian goods from the customs territory of the Republic of Croatia are applied on the temporary exportation of Croatian goods.

The meanings of the following terms are:

- a) “temporary export goods” are goods placed under the outward processing procedure,
- b) “processing operations” are operations referred to in Article 124, paragraph 2 under a), first, second and third indent of this Law,
- c) “compensating products” are all products resulting from such processing operations,
- d) “rate of yield” is the quantity or percentage of compensating products, which are obtained from the processing procedure of a certain quantity of temporary export goods.

Article 154

The outward processing procedure is not allowed for Croatian goods:

- a) whose export gives the right to the repayment or the remittance of the import duty,
- b) that were released for free circulation prior to export without charging of the duty on account of their end use,
- c) whose export gives the right to export refunds.

The Government of the Republic of Croatia may prescribe the exceptions from the cases referred to in paragraph 1 under b) of this Article.

II. Grant of the authorization

Article 155

The authorization for the outward processing procedure shall be issued by the Customs Office upon the application submitted by the person arranging for the processing operations to be carried out.

By exception from paragraph 1 of this Article, the authorization for the outward processing procedure may be also granted to the person who does not arrange for the carrying out of the processing operations, if those are goods of Croatian origin within the meaning of rules related to non-preferential origin of goods stipulated in Title II, Chapter 2, Section 1, and if the processing operation consists in incorporating of those goods into foreign goods that are than imported into the Republic of Croatia as compensating products, under the condition that the use of such procedure increases the sale of exported Croatian

goods, and the import of the obtained product does not jeopardise the essential interests of Croatian producers of such products or products similar to the imported compensating products.

Article 156

The authorization shall be granted only:

- a) to a person established in the Republic of Croatia,
- b) if it is possible to establish that the compensating products have been produced from the temporary export goods,
- c) if issuing of the authorization does not jeopardise the essential interests of Croatian producers (economic conditions).

The Government of the Republic of Croatia may prescribe in which cases may be receded from the conditions referred to in paragraph 1, under b) of this Article.

III. Operation of the procedure

Article 157

The Customs Office determines the period within which the compensating products must be re-imported into the customs territory of the Republic of Croatia. Such period may be extended based on duly substantiated request of the holder of the authorization.

The Customs Office determines the rate of yield or the method of determining the rate of yield referring to the importation and the exportation of goods in the outward processing procedure.

Article 158

The total or partial relief of the import duty according to Article 159, paragraph 1 of this Law may be granted only when the compensating products are declared for the release for free circulation in the name of or on behalf of:

- a) the holder of the authorization, or
- b) another person established in the Republic of Croatia, who has the consent of the holder of the authorization, and the conditions from the authorization are fulfilled.

Total or partial relief from the import duty according to Article 159 of this Law shall not be granted, if any of the conditions or any of the obligations regarding the outward processing procedure are not fulfilled, except when it is established that those failures have no significant effect on the correct implementation of the procedure.

Article 159

Total or partial relief of the import duty prescribed in Article 153, paragraph 1 of this Law shall be established by deducting from the amount of the import duty calculated for the compensating products released for free circulation the amount of the import duty that would be calculated on the same date for temporary export goods, if they were imported into Croatia from the country where they were being subject to the processing operation or from the country where the last processing operation took place.

The amount to be deducted according to paragraph 1 of this Article, shall be calculated on the basis of the quantity and nature of the goods on the date of acceptance of the declaration for placing them under the outward processing procedure and based on other accounting elements applicable to those goods on the date of acceptance of the declaration of the release for free circulation of the compensating products.

The value of the temporary export goods shall be the amount accepted when determining the customs value of the compensating products according to Article 38, paragraph 1 under b), indent 1 of this Law. If the value cannot be determined in this manner, the amount corresponding to the difference between the customs value of the compensating products and the processing costs determined by reasonable means shall be accepted.

Where, prior to being placed under the outward processing procedure, the temporary export goods were released for free circulation with the reduced import duty by virtue of their end use, for as long as the conditions for granting the reduced rate are applicable, the amount to be deducted shall be equal to the amount of the import duty actually paid when the goods were released for free circulation.

If the temporary export goods would qualify, when released for free circulation, for the preferential tariff treatment on account of their end use, that import duty shall be taken into account, if those goods were subject to the operations, in accordance with such purpose, in the country where the processing operations were carried out or where the last such operation took place.

If the application of Article 21 of this Law has been foreseen for the compensating products, and if such measure is foreseen for the goods falling

within the same tariff subheading as the temporary export goods as well, the amount which will be deducted according to paragraph 1 of this Article shall be established by taking into account the import duty that would be applied, if the temporary export goods fulfilled the conditions for the application of Article 21 of this Law.

If an international agreement, that is compulsory for the Republic of Croatia, prescribes the relief of the import duty for certain products, the provisions of this Article shall not apply.

Article 160

If the outward processing procedure is allowed for the purpose of the repair of temporary export goods, they may be released for free circulation with total or partial relief of the import duty where it is proved to the Customs Office that the goods were repaired free of charge, either because of a contractual or statutory prescribed guarantee obligation or a manufacturing defect.

Paragraph 1 of this Article shall not be applied when the manufacturing defect was established at the time of the first release of goods for free circulation.

Article 161

If the outward processing procedure has been allowed for the purpose of the repair of the temporary exported goods in return for the payment, the goods may be partially relieved of the import duty. The amount of duty shall be established on the basis of accounting elements applicable to the compensating products on the date of acceptance of the declaration of release for free circulation of those products, whereby the amount accepted as the customs value is equal to the repair costs, under the condition that those costs represent the only payment of the holder of the authorization and are not influenced by any form of connection between the holder of the authorization and the person who performed the repair.

IV. Outward processing with use of the exchange system

Article 162

In accordance with the previous provisions and the provisions under Articles 162 to 167 of this Law, the standard exchange system shall allow an import product (hereinafter referred to as "replacement products") to replace an obtained product.

The Customs Office may allow the application of the exchange system when the processing operation refers to the repair of Croatian goods, which were not subject to the special provisions stipulated within the agricultural policy.

The provisions that shall apply to the compensating products shall be applicable to the replacement products as well, except the provisions provided for in Article 167 of this Law.

The Customs Office may, under determined conditions, permit the replacement products to be imported before the temporary export goods are exported (prior importation). In such case security has to be laid down to cover the amount of the import duty for the replacement product.

Article 163

The replacement products must have the same tariff subheading, the same commercial quality and the same technical characteristics as the goods that are temporarily exported for the repair.

If temporary exported goods have been used before export, the replacement products have also to be used, and not new products.

The Customs Office may allow the exceptions, if the replacement products have been supplied free of charge on the basis of a contractual or statutory prescribed guarantee obligation or because of a manufacturing defect.

Article 164

The exchange system may be allowed only when it is possible to verify that the replacement product fulfils the conditions laid down in Article 163 of this Law.

Article 165

In the case of prior importation, the goods must be temporarily exported within a period of two months from the date when the Customs Office accepted the declaration relating to the release of the replacement products for free circulation.

However, if exceptional circumstances so warrant, the Customs Office may extend that period based on a duly substantiated request by the holder of the authorization.

Article 166

In the case of the previous importation with the application of Article 159 of this Law, the amount to be deducted shall be determined on the basis of the

accounting elements that are valid for the temporary export goods on the date of acceptance of the declaration by which the goods are placed in the outward processing procedure.

Article 167

The provisions of Article 155, paragraph 2 and of Article 156, paragraph 1, item b) of this Law shall not apply within the framework of the exchange system.

V. Other provisions

Article 168

In the procedures provided for within the framework of the outward processing, the commercial measures shall be applied.

4. Export procedure

Article 169

In the export procedure Croatian goods shall be permitted to leave the customs territory of the Republic of Croatia. In the export procedure, the commercial measures shall apply and the export duty is calculated, if so prescribed.

All Croatian goods intended for export must be placed under the export procedure, with the exception of goods placed under the outward processing procedure or transit procedure according to Article 109 of this Law.

The Government of the Republic of Croatia shall prescribe cases in which and the conditions under which the export declaration is not to be lodged for goods leaving the customs territory of the Republic of Croatia.

The export declaration is to be lodged at the Customs Office that is responsible for the supervision of the area where the exporter is established or domiciled or where the goods are packed or loaded for export.

Article 170

Release of the goods for the export procedure is permitted under the condition that the goods are exported from the customs territory of the Republic of Croatia in the same condition as they were at the moment of acceptance of the export declaration.

3. OTHER TYPES OF CUSTOMS-APPROVED TREATMENT OR USE

1. Free zones and free warehouses

A. General

Article 171

The establishment of free zones and free warehouses, the management of free zones and free warehouses, and the conditions for the performance of economic activities in free zones and free warehouses shall be prescribed by the special law.

Article 172

The free zone is a part of the customs territory that is separated from the rest of the customs territory, where:

- a) foreign goods are not considered to be within the customs territory of the Republic of Croatia for the purpose of paying the import duty and commercial policy import measures, on condition that the goods are not released for free circulation or placed under some other customs procedure or use, or that they are not consumed or used otherwise than provided for in the conditions regulated by the customs rules, and
- b) on the Croatian goods intended for export, that are regulated by special rules based on their placing in a free zone or free warehouse, are to be applied measures which would have been applied when exporting those goods.

Article 173

The perimeter of a free zone and free warehouse, and their immediate access area, including their entry and exit points, are under the customs supervision.

The goods, means of transport and persons entering or leaving a free zone or free warehouse are under the customs supervision and may be subject to a customs inspection.

The access to a free zone or free warehouse may be denied or limited to particular persons, if the basis for the suspicion incurs that they shall not comply with the customs rules during their stay in the area of free zone or free warehouse.

The Customs Office may inspect the goods and carry out other measures of the customs supervision on goods entering, remaining or leaving free zone or free warehouse.

B. Placing of goods in free zones or free warehouses

Article 174

Both Croatian and foreign goods may be placed in a free zone or free warehouse.

The depositor may, with special consent from the Customs Office, store in a free zone or free warehouse, separately from other goods, Croatian goods that are not intended for export or processing in the zone. The Customs Office shall not allow the storage of such goods, if it would cause difficulties in supervising the activities in a zone or warehouse. For Croatian goods stored by the depositor in the area of a free zone or free warehouse, the stock records must be kept.

The goods that enter a free zone or free warehouse directly, as provided for in Article 50, paragraph 1, item b) of this Law, are to be presented to the Customs Office based on the transport document.

The goods, for which entering a free zone or free warehouse means the completion of some other customs procedure, shall be placed in a free zone or free warehouse on the basis of the document which terminates the prior procedure.

Croatian goods shall be placed in a free zone or free warehouse on the basis of the invoice or some other document containing all particulars necessary for the stock recording of the goods in a free zone or free warehouse.

The authorized Customs Office may demand keeping of special stock records of the goods liable to the payment of the export duty or application of other measures of the commercial policy.

At the request of the participant involved in a certain customs procedure in question or other persons concerned, the authorized Customs Office confirms that the goods, placed in a free zone or free warehouse, have the status of either Croatian or foreign goods.

C. Operating of free zone or free warehouse

Article 175

Placing of goods in a free zone or free warehouse is not limited in time.

For certain goods referred to in Article 172, paragraph 1, item b) of this Law, specific time limits may be prescribed.

Article 176

Foreign goods placed in a free zone or free warehouse may:

- a) be released for free circulation on conditions prescribed for such procedure and according to Article 181 of this Law,
- b) without a special authorization obtained by the authorized Customs Office, undergo the usual procedures for preserving and improving their usable and commercial characteristics in order to prepare them for sale (Article 119),
- c) be placed under the inward processing procedure on conditions prescribed for such procedure,
- d) be placed under the processing procedure under customs control, on conditions prescribed for such procedure,
- e) be placed under the temporary import procedure, on conditions prescribed for such procedure,
- f) be abandoned to the Exchequer according to Article 185 of this Law, and
- g) be destroyed or made in some other manner improper for any use, on condition that all particulars, considered as necessary by the Customs Office, are submitted to the Customs Office in a prescribed mode.

The goods may be placed in one of the procedures referred to in items c), d) or e) of the paragraph 1 of this Article on the basis of the authorization given by the Customs Office and in accordance with the provisions relating to those procedures.

By exception, the authorization in paragraph 2 of this Article may be given to any depositor in a free zone or free warehouse, regardless if the depositor is a foreign or Croatian, legal or natural person.

Article 177

Croatian goods in Article 172, item b) of this Law which are covered by the special measures of the agricultural policy may, in a free zone or free warehouse, undergo only such procedures which are expressly prescribed in Article 119, paragraph 2 of this Law. Those procedures may be undertaken without special authorization.

Article 178

The goods placed in a free zone or free warehouse, on which Articles 176 and 177 of this Law apply, cannot be consumed or used during their storage.

Article 179

A person that performs activities in a free zone or free warehouse at the area of storage, working or processing, or sale or purchase must keep stock records for the purpose of the customs supervision in a prescribed form referring to the entry, the amount, the use and changes made on the goods.

The goods shall be entered in the stock records as soon as they are brought into the premises of such person. The stock records must enable the Customs Office to identify the goods and have to record their movement.

The stock records in paragraph 1 of this Article shall be kept chronologically, according to the particulars from the documents accompanying the goods when exporting or importing, and on the basis of rates of yield for the material used and the production of goods.

The Minister of Finances shall prescribe the manner of keeping stock records in paragraph 1 of this Article and the application of the measures of the customs supervision in a free zone or free warehouse.

D. Removal of goods from free zone or free warehouse

Article 180

Goods leaving a free zone or free warehouse may be:

- exported or re-exported from the customs territory of the Republic of Croatia, or
- introduced into another part of the customs territory of the Republic of Croatia.

The provisions of Title III, with the exception of Articles 60 to 65 of this Law, shall apply to goods brought from a free zone or free warehouse into another part of the customs territory of the Republic of Croatia, except in the case of goods that leave a free zone by sea or air without being placed under a transit or other appropriate customs procedure.

Article 181

If the customs debt incurs in respect of foreign goods, which are introduced from a free zone or free warehouse into another part of the customs territory of the Republic of Croatia, the customs value is to be established on the basis of the price actually paid or payable. The costs of warehousing and of preserving the goods while they remain in a free zone or free warehouse are not included in the customs value if they are shown separately from the price actually paid or payable.

If by bringing the goods into another part of the customs territory of the Republic of Croatia the customs debt incurs for the product obtained in the inward processing procedure in a free zone, the amount of debt shall be determined on the basis of the value of imported goods that are incorporated in the compensating products.

If the goods have been subject to handling referred to in Article 119, paragraph 1 of this Law, previously authorized by the Customs Office, the declarant may request the amount of the customs debt to be determined in accordance with the nature of the goods, the customs value and the quantity of the goods on the basis of which the amount would have been determined under Article 218 of this Law, if the goods had not undergone such handling.

The Government of the Republic of Croatia shall prescribe cases where paragraph 3 of this Article shall not apply.

Article 182

Croatian goods referred to in Article 172 under b) of this Law, if covered by the measures of the agricultural policy, may be assigned some of the procedures or use if they, when being brought in a free zone or free warehouse, comply with the conditions prescribed for the export of such goods.

If Croatian goods in Article 172 under b) of this Law are not exported within the period prescribed in Article 175 of this Law, or are returned to another part of the customs territory of the Republic of Croatia, the Customs Office shall take the measures relating to the case when the goods fail to comply with the specified conditions.

Article 183

If the goods are introduced into or returned from an area of a free zone or free warehouse to another part of the Croatian customs territory, or are placed under the customs procedure, the certificate referred to in Article 174, paragraph 7 of this Law may be used as evidence of the Croatian or foreign customs status of the goods.

When their status as the Croatian or foreign goods cannot be proved by the certificate or in some other manner, they shall be considered to be:

- a) Croatian goods, regarding the payment of export duties, obtaining the export licences (certificates) and applying the commercial measures related to export, and
- b) foreign, in all other cases.

Article 184

The Customs Office shall supervise the application of the rules on exportation or re-exportation in the case where the goods are exported or re-exported from a free zone or free warehouse as well.

2. Re-exportation, destruction and abandonment of the goods in behalf of the Exchequer

Article 185

Foreign goods may be:

- re-exported from the customs territory of the Republic of Croatia,
- destroyed, and
- abandoned to the Exchequer

When re-exporting, if necessary, the conditions prescribed for export, including the application of commercial measures, shall be applied in the appropriate manner.

The Government shall prescribe cases when, for foreign goods placed under a suspensive procedure, commercial measures on exportation from the Republic of Croatia shall not be applied.

The Customs Office has to be previously informed about the intention of re-exporting or destroying the goods. The Customs Office shall prohibit re-exportation if the formalities or measures referred to in paragraph 2 of this Article so provide. If the goods, placed under the procedure with an economic impact are re-exported, the declaration is to be lodged for them according to Articles 71 to 90 of this Law. In those cases Article 169, paragraph 3 and 4 of this Law shall apply.

The Government shall prescribe the rule determining in which cases and in what manner the goods may be abandoned to the Exchequer.

Destruction or abandonment of the goods to the Exchequer shall not entail any expense for the Exchequer.

Any waste or scrap resulting from destruction shall be assigned a customs-approved treatment or use prescribed for foreign goods.

Waste and scrap shall remain under customs supervision according to Article 49, paragraph 2 of this Law.

V. GOODS LEAVING THE CUSTOMS TERRITORY OF THE REPUBLIC OF CROATIA

Article 186

Goods that leave the customs territory of the Republic of Croatia shall be subject to customs supervision and may be inspected according to the rules in force. The goods shall leave the territory of the Republic of Croatia in a manner and within a time-period determined by the Customs Office.

VI. PRIVILEGED OPERATIONS

1. Relief from Payment of Customs Duty

Article 187

The relief from import duties shall be granted for:

- 1) goods determined by international agreements that are compulsory to the Republic of Croatia;

- 2) goods of non-commercial nature, specified according to their sort, value and quantity, brought in from abroad by travellers;
- 3) goods contained within deliveries which are sent from abroad free of charge by natural persons to natural persons in the Republic of Croatia on condition that those are deliveries of non-commercial nature and comply with prescribed sort, value and quantity;
- 4) medals and awards obtained within the framework of international events and gifts received in the framework of international relationships;
- 5) goods which satisfy basic human needs, such as food, medicaments, clothes, or bedding imported by the humanitarian organizations for the distribution to jeopardised persons and victims of natural and other disasters. The relief does not include alcohol and alcoholic beverages, tobacco products and motor –driven vehicles. The relief shall be granted only to those organizations whose entries in the accounts and procedures enable the Customs Directorate to verify transactions related to such goods;
- 6) humanitarian organisations and associations for blind, deaf and hearing impaired persons, as well as for persons with muscular and neuromuscular diseases-for specific equipment, apparati and instruments, as well as spare parts and expendable materials used by those persons, which are not manufactured in the country,
- 7) trade marks, patents, models and accompanying documents and forms for acknowledging patents or innovations which are sent to organizations for the protection of royalties and industrial property;
- 8) the following objects:
 - a) forms and documents received by the governmental institutions for performing of their public warrants;
 - b) objects which present evidence in legal or other proceedings in front of the governmental institutions of the Republic of Croatia;
 - c) exemplars of signatures and printed circular-letters which are sent as a part of information-exchange between public services or banking institutions;
 - d) official forms received by the National Bank of Croatia;
 - e) draft-plans, technical drawings, models, descriptions and other similar documents imported in order to fulfil the conditions for participating in international tenders organised within the country;
 - f) printed forms, used in international traffic of vehicles and goods as official documents, according to international agreements, and
 - g) parcel post.

- 9) agricultural, cultivational, stock-breeding, forestry, piscicultural and bee-keeping yields produced on the property of Croatian citizens living in the border zone, having possessions in the border zone of the neighbouring country, as well as breeding and other products gotten from stock on those possessions for purposes of land cultivation, grazing or spending the winter,
- 10) equipment for the prevention and extinguishment of fires which is not manufactured in the Republic of CROATIA and is not the subject of co-operation ventures of Croatian manufacturers of equipment and machinery for the prevention and extinguishment of fires,
- 11) items which are imported, for reasons of relocation, by physical persons who continuously resided abroad at least five years, under the condition that they possessed and used them in their households at least 12 months and under the condition that they did not make use of an exemption on this basis. These items can be brought into the country in a period of 12 months from the day of return, or relocation to the Republic of CROATIA,
- 12) items on business inventories, which persons from paragraph 11 of this Article are relocating to the Republic of CROATIA, under the condition that they were used abroad at least 12 months for the same purposes that they will be used in the Republic of CROATIA,
- 13) items, which Croatian citizens and foreign nationals permanently residing in the Republic of CROATIA, inherited abroad,
- 14) goods used for reparation, maintenance and restoration of protected cultural monuments, on the basis of an expert opinion of the Ministry of Culture,
- 15) goods which directly serve to assist in the operation of museums, archives, restoration activities, operation of libraries, fine art activities, musical/drama activities and filming activities, on the basis of an expert opinion of the Ministry of Culture,
- 16) goods, in the form of a donation, given to cultural institutions and other non-profit legal persons in culture, to independent artists or to artists for the purpose of carrying out their trades, on the basis of an expert opinion of the Ministry of Culture,
- 17) goods, which as one's own pieces of work created abroad, are brought in to the country by researchers, writers and artists.

Goods released into free circulation, having been exempted from customs duty payment on the basis of paragraphs 11 and 12 of this Article, cannot be sold, lent, given to another person for their use, mortgage, rent, or given as collateral for other obligations, without priorly notifying the responsible Customs House

and paying the customs duty, up until the expiration of the period of 12 of months from the day the goods are released into free circulation. Every course of action in respect to the goods, as priorly cited, brings with it the payment of customs duty at the effective rate valid on the day of the carrying out of that course of action, on the basis of the type of goods and customs value established and accepted by the Customs House. The Government of the Republic of Croatia shall prescribe the conditions for the realisation and the limitation related to the disposal of goods relieved from paying duties according to paragraph 1 of this Article.

If the relocation of households and equipment is being done from transoceanic countries and from countries that have different technical standards than of those available in the Republic of CROATIA, items and equipment in accord with sub-legislative acts for a defined type, amount and value, can be bought in third countries or in a system involving domestic non-customs purchases and are exempted from paying customs duty, irregardless if the items are new or used, in accord with the present legislation.

A list of other European countries which do not have corresponding technical standards will be defined by the National Directorate for Standardisation and Measurement, while transoceanic countries will be considered to be technically non-harmonised with the standards in the Republic of CROATIA.

2. RETURNED GOODS

Article 188

Croatian goods which, having been exported from the customs territory of the Republic of Croatia, are returned within a period of three years in the customs territory of the Republic of Croatia and are released for free circulation shall, at the request of the declarant, be granted relief from the import duty.

The period of three years may be exceeded, if special circumstances so require.

When the returned goods, prior to their exportation from the customs territory of Croatia, had been released for free circulation at more favourable duty on account of their end use, exemption from duty under this paragraph shall be granted only if they are to be re-imported for the same purpose.

If the goods shall not be re-imported for the same purpose, the customs amount chargeable upon them shall be reduced for the amount of duty already paid when they were first released for free circulation. If the amount of duty first paid exceeds the amount levied on the entry for free circulation of returned goods, the refund of duty shall not be granted.

The relief from import duties provided for in paragraph 1 of this Article shall not be granted in the case of:

- a) goods exported from the customs territory of the Republic of Croatia within the framework of the outward processing procedure, unless those goods remain in the state in which they were exported,
- b) goods which have been submitted to the measures conditioning their exportation to a third country. The Government may prescribe the circumstances and the conditions for enabling the exception from this provision.

Article 189

The relief from the import duty referred to in Article 188 of this Law shall be granted for goods that are re-imported in the same state in which they were exported. The Government may prescribe the circumstances and the conditions for enabling the exception from this provision.

Article 190

The provisions of Article 188 and 189 of this Law shall be applied appropriately to the compensating products first exported or subsequently re-exported within a framework of the inward processing procedure.

The amount of duty shall be determined based on the rules governing the inward processing procedure, whereby the date of re-exporting shall be considered as the date of release for free circulation.

3.PRODUCTS OF SEA-FISHING AND OTHER SEA-PRODUCTS

Article 191

Taking into consideration the provisions of Article 24, paragraph 2 under f) of this Law, the following products shall be exempted from the payment of duty when they are released for free circulation:

- a) products of sea-fishing and other sea-products caught in the territorial sea of a third country by vessels registered or recorded in the ship-register of the Republic of Croatia and flying the flag of the Republic of Croatia, and
- b) compensating products from products referred to in item a) on board-factory-ships fulfilling the conditions of that item.

VII. CUSTOMS DEBT

1. Security to cover customs debt

Article 192

If the Customs Office shall require security for covering customs debt according to the customs rules, the customs debtor or the person that may become customs debtor shall provide such security.

For one customs debt the Customs Office may require only one security to be provided.

The Customs Office may approve the security to be provided by a person other than the person liable to provide security.

Providing security for covering the customs debt cannot be required from the public authorities.

Article 193

If providing security is not compulsory according to the customs rules, the Customs Office is authorized to require security when considering that for the recovery of a customs debt, which has been or may be incurred, is not certain to be paid within the prescribed period.

Instead of security referred to in paragraph 1 of this Article, the Customs Office may, from persons specified in Article 192, paragraph 1 of this Law, require an undertaking in writing referred to complying with their legal obligations.

The security according to paragraph 1 of this Article may be required:

- at the time of application of the rules requiring such security to be provided
- at any subsequent time, if the Customs Office finds that a customs debt, which has been or may be incurred, will not be paid within the prescribed period.

Article 194

At the request of persons referred to in Article 192, paragraphs 1 and 3 of this Law, the Customs Office may allow for two or more procedures, relating to which customs debts have been or may be incurred, comprehensive security to be provided.

If the comprehensive security referred to in paragraph 1 of this Article relates to a number of procedures, not determined in advance, or to all procedures within a

certain period, the authorization referred to in paragraph 1 of this Article shall be issued by the Headquarters of the Customs Directorate.

The Minister of Finances shall be authorized to regularize details regarding the conditions and the procedure of security that is to be provided according to paragraphs 1 and 2 of this Article.

Article 195

If providing of security is compulsory according to customs rules, the Customs Office determines the amount of security that complies:

- with the precise amount of the customs debt or debts which are covered by the security, if this amount may be established beyond doubt at the moment of requiring security, and

- with, in other cases, the maximum amount of a customs debt or debts, which has incurred or may incur as estimated by the Customs Office.

In the case of comprehensive security for a number of customs debts, which vary in amount over time, the amount of the security shall be set as the amount that enables those customs debts to be covered at all times.

If the Customs Office shall require security to be provided when, according to the customs rules, security for covering the customs debt shall not be compulsory, the amount of security must not exceed the amount established according to the provisions in paragraph 1 of this Article.

The Minister of Finances shall prescribe cases in which security for covering the customs debt includes also security for covering of legally owed charges, compulsory charged by the Customs Directorate according to special rules when importing or exporting the goods.

The Minister of Finances shall prescribe in which cases and under which conditions security shall not be required.

Article 196

Security may be provided:

- by a cash deposit in kuna, or
- by guarantor.

Article 197

Equivalent with cash deposit shall be submitting of modes of payment, which shall be considered by the Customs Office as such regarding their issuer and conditions and modes of their collection.

The Minister of Finances shall be authorized to regularize details regarding the conditions and mode of depositing cash and other modes of payment equalised with it.

Article 198

The guarantor must undertake in writing to pay, jointly and severally with the debtor, the total secured amount of customs debt and tax, including the rate of interest and costs incurred in the procedure of collecting the payment of customs debt that remained unpaid although falls to be paid.

The guarantor may be a third person established in Croatia, whose security the Customs Office considers as acceptable.

The Customs Office may refuse the guarantor or type of security proposed, if considers that they appear uncertain for ensuring the payment of the customs debt on time.

Article 199

The person obliged to provide security is free to choose the type of security laid down in Article 196 of this Law.

The Customs Office may refuse the type of security proposed, if considers it unsuitable for the appropriate customs procedure.

The Minister of Finances may prescribe that the type of security chosen shall be valid during a certain period.

Article 200

The Minister of Finances may prescribe types of security other than those that are specified in Article 196 of this Law if such securities provide equivalent assurance that a customs debt will be collected.

Article 201

If the Customs Office establishes that produced security does not ensure the payment of the customs debt either entirely or within the prescribed period, it may require the person referred to in Article 192, paragraph 1 of this Law to provide additional security or to replace the initially presented security with the new one.

Article 202

The security cannot be released until either the customs debt has not been extinguished or the customs debt may no longer arise.

By extinguishing the customs debt or by incurring of such circumstances that the customs debt may no longer arise, the security for collecting that customs debt ends. If a customs debt which may incur for goods released under the procedure with drawback system is ensured with security, and the Customs Office fails to inform the guarantor within a period of one year from the date of ending the procedure that the procedure has been completed, the security shall cease to be valid by expiring of that period.

If the customs debt has been extinguished partially or may arise only related to the part of the amount secured, at the request of the person concerned an adequate part of the obligation related to the security is to be extinguished unless the amount involved does not justify such action.

Article 203

The Minister of Finances may, if necessary, prescribe derogation from the particular provisions in this chapter in order to fulfil the obligations arising when joining to the appropriate international agreements.

2. INCURRENCE OF A CUSTOMS DEBT

Article 204

A customs debt on importation shall arise:

- a) by releasing the goods for free circulation, or
- b) by placing the goods under the temporary importation procedure with partial relief from paying customs duty.

A customs debt shall incur at the moment of acceptance of the customs declaration.

The customs debtor is the declarant; in the case of indirect representation, the customs debtor is also a person on whose behalf the customs declaration is lodged.

If data shown in the customs declaration for one of the procedures referred to in paragraph 1 of this Article resulted in the fact that that whole or a part of the

prescribed duty has not been calculated and collected, the person who produced the data shown in the declaration and who knew or ought to have known according to the circumstances that those data were false, shall be considered the customs debtor.

Article 205

A customs debt on importation shall incur also:

- a) if goods are unlawfully introduced into the customs territory of the Republic of Croatia
- b) if goods are unlawfully introduced from a free zone or free warehouse into another part of the customs territory of the Republic of Croatia.

For the purposes of this Article, as unlawful shall be considered each case where the goods are introduced by violating the provisions referred to in Articles 50 to 53 and Article 180, paragraph 1, second indent of this Law.

The customs debt shall incur at the moment when the goods shall be unlawfully introduced into the customs territory of the Republic of Croatia.

If the amount of the customs debt cannot be determined precisely, the Customs Office shall determine it based on the tariff subheading of those goods that have the highest rate of import duty within that appropriate tariff heading.

The customs debtor shall be:

- a) a person who has unlawfully introduced the goods into the customs territory or from a free zone or free warehouse into another part of the customs territory of the Republic of Croatia,
- b) a person who participated when the goods were unlawfully introduced, knowing or according to circumstances having to know that such an act is unlawful,
- c) a person who owns or acquires the goods concerned, although knowing or according to circumstances having to know at the moment of acquiring or receiving the goods that they have been introduced unlawfully into the customs territory of the Republic of Croatia, or unlawfully introduced from a free zone or free warehouse into another part of that territory.

Article 206

The customs debt on importation shall also incur through the unlawful removal of the goods from customs supervision.

The customs debt referred to in Article 1 of this case incurs at the moment of removing the goods which are under the customs supervision.

If the amount of customs debt cannot be determined precisely, the Customs Office shall determine it based on the tariff subheading of those goods that have the highest rate of import duty within that appropriate tariff heading.

The customs debtors for the customs debt referred to in paragraph 1 of this Article shall be:

- a) a person who removed the goods from customs supervision,
- b) a person who participated when removing the goods, although knowing or according to circumstances having to know that they have been removed from customs supervision,
- c) a person who acquired or received such goods, although knowing or according to circumstances having to know at the moment of acquiring or receiving the goods that they have been removed from customs supervision,
- d) a person who has to hold on to the obligations related to the temporary placing of goods liable to the payment of customs duty or to the customs procedure in which the goods were placed.

Article 207

The customs debt may incur:

- a) through non-fulfilment of one of the obligations for the goods, which arises from the status of temporary storage or some other customs procedure in which the goods were placed,
- b) through non-fulfilment of one of the conditions for placing the goods under the appropriate customs procedure or for granting of a more favourable duty by virtue of their end use, in the cases different from those referred to in Article 206 of this Law, except if established that failures mentioned have not essentially affected the correct temporary storage or certain customs procedure.

The customs debt incurs either at the moment when the obligation, which by its non-fulfilment arises the customs debt, ceases to be met or at the moment when the goods are placed under the certain customs procedure where it is subsequently established that a condition, which governs the placing of the goods under the said procedure or granting of a more favourable tariff treatment by virtue of their end use, is not fulfilled.

The customs debtor is a person who is required, according to circumstances, either to fulfil the prescribed obligations arising in respect of goods liable to import duty from their temporary storage or from placing the goods under the appropriate customs procedure or which have to fulfil the conditions for placing the goods under the certain customs procedure.

Article 208

The customs debt on importation of goods incurs by their use in a free zone or free warehouse on conditions or in a manner that are not in accordance with the rules in force.

Goods that disappeared from a free zone or free warehouse and their disappearance is impossible to be explained to the Customs Office in an acceptable way shall be considered as they were used on conditions and in a manner that is not in accordance with the rules in force.

The customs debt referred to in paragraph 1 of this Article shall incur at the moment of the consumption of the goods or when it shall be used for the first time on conditions or in a manner that is not in accordance with the rules in force.

In the case referred to in paragraph 1 of this Article, the customs debtor is also the person who consumed or used the goods and any person who participated in their consumption or use, although they have known or according to the circumstances ought to have known that the goods could have been consumed or used only under the conditions laid down by the rules in force.

If the customs debt incurs related to the goods which disappeared in a free zone or a free warehouse, and it is impossible to determine the customs debtor in accordance with paragraph 4 of this Article, the person liable for payment of the customs debt is the last person known to the Customs Office to have been in the possession of the goods.

Article 209

By exception of the provisions referred to Articles 205 and 207, paragraph 1, indent a) of this Law, the customs debt shall not incur if the person proves that the obligations which arise from the provisions:

- a) of Articles 50 to 53 of this Law and Article 180, paragraph 1, second indent of this Law,
- b) of the temporary storage of the goods, or
- c) on the application of customs procedure where the goods were placed, could not be met due to the total destruction or irretrievable loss of the goods as

a result of the actual nature of the goods, in the case of *force majeure* or with the authorization of the Customs Office.

It shall be deemed that the goods are irretrievably lost in the sense of paragraph 1 of this Article, if they are unusable for any person.

It shall be deemed that the customs debt has not incurred for the goods that were released for free circulation with more favourable duty by virtue of their end use, if those goods were exported or re-exported with the authorization of the Customs Office.

Article 210

If in accordance with Article 209, paragraph 1 of this Law the customs debt does not arise for the goods released for free circulation on account of their end use at a more favourable duty, any waste or scrap resulting from the destruction of such goods shall be deemed as foreign goods.

Article 211

If in accordance with Articles 206 and 207 of this Law the customs debt incurs related to goods released for free circulation at a more favourable duty on account of their end use, the amount paid at the time of their release for free circulation is to be deducted from the amount of the incurred customs debt.

The provisions of paragraph 1 of this Article are appropriately applied to cases where the customs debt incurs in respect of waste and scrap resulting from the destruction of such goods.

Article 212

A customs debt on exportation shall be incurred when the goods, liable to the payment of export duty, are exported from the Croatian customs territory covered by the customs declaration.

The customs debt on exportation shall be incurred at the time when the customs declaration is accepted.

The customs debtor shall be the declarant, and in the event of indirect representation the customs debtor shall also be the person on whose behalf the customs declaration is made.

Article 213

A customs debt on exportation shall also incur when the goods liable to the payment of export duty shall be removed from the customs territory of the Republic of Croatia without lodging the customs declaration for them.

The customs debt on exportation shall be incurred at the time when the goods actually leave the customs territory of the Republic of Croatia.

The customs debtor shall be:

- a) the person who has removed the goods from the customs territory of the Republic of Croatia, and
- b) the person who participated in removing the goods, although knowing or according to circumstances of the case having to know that a customs declaration prescribed has not been lodged.

Article 214

A customs debt on exportation shall be incurred when exporting the goods for which the prescribed condition, that they can leave the customs territory of the Republic of Croatia with total or partial relief from the payment of export duty, is not fulfilled.

The customs debt on exportation shall be incurred by non-fulfilment of the conditions on the basis of which the goods were or may have been exported from the customs territory of the Republic of Croatia with total or partial relief of the payment from the export duty, or in the event that the authorized Customs Office cannot determine that moment, by the expiry of the time limit set for the production of evidence that the conditions entitling the goods to such relief have been fulfilled.

The customs debtor shall be the declarant, and in the event of indirect representation the customs debtor shall also be the person on whose behalf the customs declaration is made.

Article 215

The customs debt referred to in Article 204 to 208 and Articles 212 to 214 of this Law shall incur also for goods subject to the measures of prohibition or restriction on importation or exportation of any kind whatsoever.

By exception, no customs debt shall be incurred on the unlawful introduction into the Croatian customs territory of counterfeit currency and narcotic drugs or psychotropic substances which do not enter into the economic circuit strictly supervised by the competent authorities with the view to their application for medical or scientific purposes.

For the purposes of criminal law applicable to customs offences, it shall be deemed that the customs debt incurs in cases where the criminal law foresees the customs duty as the basis for determining penalty, or when the existence of a customs debt is the basis for taking criminal proceedings.

Article 216

The relieves of the payment of the import or the export duty, determined by the customs rules (Articles 187 to 190 of this Law) shall also be applied in the cases when the customs debt in respect of Articles 205 to 208, 213 or 214 of this Law incurs, providing that the customs debtor was not acting with the deception or obvious negligence, and if he is able to prove that the other conditions for the realization of the privilege are fulfilled.

Article 217

If several persons shall be liable for payment of the customs debt, they shall be liable jointly and severally.

Article 218

If not provided otherwise in this Law, the amount of the import duty or export duty that is to be calculated for certain goods, without prejudice to paragraph 2 of this Article, shall be determined on the basis of the competent rules for the assessment of the amount of the customs debt appropriate to those goods on the date of incurring the customs debt.

If it is not possible to determine the precise moment when the customs debt incurred, the time to be taken into account in determining the basis for assessing the customs debt shall be the time when the authorized Customs Office concludes that the goods were in a situation in which a customs debt might have incurred.

If the Customs Office, on the basis of the information available, establishes that the customs debt incurred prior to the moment under paragraph 2 of this Article, the amount of the import duty or export duty payable for the goods concerned shall be determined on the basis of the assessment appropriate to the goods at the earliest moment when, from the information available, the existence of the customs debt may be established.

Article 219

A customs debt shall be incurred at the place where the accurate circumstances from which it arises occur.

If the place referred to in paragraph 1 of this Article may be established it is to be deemed that the customs debt incurred at the place where, according to the conclusion of the Customs Office, the goods were in a situation which conditioned a customs debt to incur.

In cases where the customs procedure for certain goods is not discharged, it shall be deemed that a customs debt incurred at the place where:

- the goods concerned were placed under a certain customs procedure, or
- within the framework of the customs procedure the goods enter into the Croatian customs territory.

If the Customs Office, on the basis of the information available, concludes that the customs debt was already incurred when the goods were in some other place, it shall be deemed that the customs debt have been incurred at the place where the goods, retrospectively seen, were located at the earliest time when the existence of the customs debt may be established.

Article 220

Where, based on conditions of the agreement which the Republic of Croatia has concluded with a third country, the authorization for a more favourable duty is foreseen in the cases of goods obtained in the Republic of Croatia under the inward processing procedure entitling thereby the compensating products, by validating the documents, to the right for a more favourable import duty in a third country, the customs debt is incurred for all foreign goods that were incorporated and consumed when obtaining the compensating products under the inward processing procedure.

As the moment of incurring the customs debt referred to in paragraph 1 of this Article shall be deemed the moment of acceptance of the export customs declaration relating to the goods concerned.

The customs debtor shall be the declarant, and in event of indirect representation the customs debtor shall also be a person on whose behalf the export customs declaration is made.

The amount of duty corresponding to this customs debt is to be determined under the same conditions as if were the customs debt in question, which would have incurred if the customs declaration of release for free circulation of the goods originated from the third country would have been lodged at the same moment, after terminating the inward processing procedure.

3.RECOVERY OF THE CUSTOMS DEBT

a) Entry in the accounts

Article 221

Each amount of import or export duty resulting from a customs debt, hereinafter called "amount of duty" the Customs Office has to calculate immediately after receiving the necessary particulars and to enter them in the accounts or in any other equivalent document.

Paragraph 1 of this Article shall not apply:

- a) where temporary anti-dumping or countervailing duty is introduced,
- b) where the legally determined amount of duty exceeds the amount determined on the basis of a binding tariff information.

The Customs Office may discount the amount of duty in the cases referred to in Articles 225, paragraph 3 of this Law, if it was not able to communicate to the debtor the amount of debt after the end of the prescribed period.

The Ministry of Finances shall determine the implementing rule relating to the mode and the procedures of entry in the accounts.

The Government may prescribe the amount of duty that is not to be entered in the accounts subsequently.

Article 222

If a customs debt is incurred as a result of acceptance of the customs declaration of goods placed under a customs procedure, except under the temporary import procedure with partial relief from import duties or any other act having the same effect as such acceptance, the debt shall be entered in the accounts immediately after it has been calculated and, at the latest, on the second day following that on which the goods were released.

On condition that the payment has been secured, the total amount of duty for the goods released to the same person within the period determined by the Customs Office, which cannot be longer than 30 days, may be single entered in the accounts at the end of the period. The entry in the accounts has to be performed two days after expiring of the approved period at the latest.

If it is prescribed that goods may be released on condition that complies with special rules governing either the conditions of determining the amount of the customs debt or its collecting, the debt has to be entered in the accounts no later

than two days after the amount of debt or the obligation to pay the duty resulting from it was determined.

If the customs debt shall be related to the temporary anti-dumping or countervailing duties, the duty shall be entered in the accounts no later than two months after the rule on introducing of anti-dumping or countervailing duties has been published.

If the customs debt has incurred under the conditions different to those referred to in paragraph 1 of this Article, the amount of duty shall be entered in the accounts within two days from the date when the Customs Office shall be able:

- a) to calculate the amount of duty, and
- b) to determine the debtor.

Article 223

The time limits prescribed for entry in the accounts referred to in Article 222 of this Law may be extended if special circumstances prevent the Customs Office to comply with the prescribed time limits.

Article 224

When the amount of duty resulting from a customs debt has not been entered in the accounts in accordance with Articles 222 and 223 of this Law or has been entered at a level lower than the amount legally owed, the amount of duty or its remaining part shall be entered in the accounts within two days from the date on which it has been established by the Customs Office and the Customs Office was able to calculate the amount legally owed and to determine the debtor (subsequent entry in the accounts). Those time limits may be extended in accordance with Article 223 of this Law.

Except in the cases under paragraphs 2, 3 and 5 of Article 221 of this Law, the subsequent entry in the accounts shall not be performed if the decision not to enter duty in the accounts or to enter it at a level lower than the amount legally owed is based on the general regulations subsequently invalidated by a court decision.

Article 225

After the amount of duty is entered in the accounts, the amount of duty shall be communicated to the debtor in the appropriate manner.

If the amount of duty to be recovered shall be stated in the customs declaration, the Customs Office shall not communicate to the debtor the amount of duty,

except if the amount stated in the declaration does not correspond with the amount determined by the Customs Office.

It shall be deemed that the amount of duty was communicated to the debtor if the Customs Office has released the goods to the declarant, except in the cases referred to in Article 222, paragraph 2 of this Law.

Communication to the debtor shall not be performed after the period of three years from the date of incurring the debt has expired. If due to the penal act of the debtor the Customs Office was not able to determine the amount of debt, the debt may be communicated to the debtor even after the period of three years expires in so far the rules in force so allow.

e) Time limits and procedures for the payment of the amount of duty

Article 226

The debtor has to pay the amount of duty communicated to him in accordance with Article 225 of this Law ten days following the communication and in the case of single entry in the accounts ten days from the date of the expiry of a period approved for the single entry.

Extending of the time limit shall be allowed on the line of the duty if the debt was communicated to the debtor too late and because of that he was not able to fulfil the recovery within the prescribed period.

The Customs Office may also extend the time limit at the request of a debtor if the amount of duty resulted from subsequent payment, under the condition that security has been laid down for its recovery.

The Government shall prescribe conditions under which the recovery of the debt may be remitted either in the case when the request for the remittance was submitted according to Articles 233 to 235 of this Law or when the goods were seized with the intention of confiscating them in accordance with Article 230, item c), second indent, or item d) of this Law.

Article 227

The payment may be performed in national currency in cash or by some other means of payment in accordance with the rules in force.

The Minister of Finances shall prescribe cases in which the Customs Office may collect the debt in cash.

The Minister of Finances may prescribe that the payment may be fulfilled by the adjustment of credit balance.

A third person may, instead of the debtor, pay the amount of debt.

Article 228

The Minister of Finances may prescribe the conditions for the deferment of the payment of the customs debt.

Article 229

If the amount of debt shall not be paid on time:

a) the Customs Office shall take all legally prescribed possibilities, including enforcement. As executive documents in executive procedure shall be considered:

- the executive decision of the Customs Office,
- the customs declaration on which the customs clearance is being performed.

a) interest on arrears shall be accounted over and above the amount of duty; the rate of interest on arrears and its accounting are to be determined by a special rule.

Money orders of the customs debtor for paying the customs debt and executive documents referred to in paragraph 1 of this Article for the payment of customs debt, shall be fulfilled prior to all other obligations of the customs debtor by the authorized institutions for money transfers.

The Government may prescribe the amount of duty and interest that shall not be collected by enforcement.

4. EXTINCTION OF CUSTOMS DEBT

Article 230

Respecting the rules in force referred to the time-barring of a customs debt or non-recovery of such a debt in the cases where the debtor is legally established as insolvent, a customs debt shall be extinguished:

a) by payment of the amount of duty;

- b) by remission of the amount of duty;
- c) if, related to goods declared for a customs procedure entailing the obligation to pay duties:
 - the customs declaration is invalidated;
 - the goods, before their release, are either seized and simultaneously or subsequently confiscated, destroyed on the instructions of the Customs Office, destroyed or abandoned to the Exchequer according to Article 185 of this Law or destroyed or irretrievably lost as a result of their nature or of unforeseeable circumstances or force majeure;
 -
- d) if goods in respect of which a customs debt is incurred in accordance with Article 205 of this Law are seized upon their unlawful introduction and are simultaneously or subsequently confiscated.

In the events of the seizure and confiscation, the customs debt shall be deemed not to have been extinguished if, according to the criminal law, customs duties are the basis for determining penalties or the existence of a customs debt shall be the ground for taking criminal proceedings.

A customs debt that incurred according to Article 220 of this Law shall also be extinguished when all formalities and proceedings, carried out in order to obtain the right to the preferential tariff treatment referred to in Article 220 of this Law, shall be cancelled.

5. REPAYMENT AND REMISSION OF DUTY

Article 231

Particular expressions within the text of this Chapter shall have the following meaning:

- a) **Repayment:** the total or partial refund of import or export duty that was already paid;
- b) **Remission:** either waiving from the recovery of the total debt or of the part of debt, or the invalidation of the entry in the accounts of the total or partial import debt or export debt which are not being paid.

Article 232

The repayment of import debt or export debt shall be carried out up to the amount for which is being proved that at the moment of paying has had not to be

paid, or if it has been entered in the accounts contrary to Article 224, paragraph 2 of this Law.

The import and export debt shall be remitted if it is established that they were entered in the accounts unlawfully or that they were entered in the accounts contrary to the provisions of Article 224, paragraph 2 of this Law.

The repayment or the remission shall not be allowed if the facts, which resulted either with the payment or with entering in the accounts of the amount which was not based on law, are the result of the deliberate action of the person.

The import or the export debt shall be repaid or remitted after submitting the request to the Customs Office within a period of three years from the date the debt was communicated to the debtor in respect of the amount of debt. The time limit shall be extended if the person provides evidence that he was hindered to submit the request within the determined period due to the unforeseeable circumstances or force majeure.

The Customs Office shall repay or remit the debt in the line of duty if, within the period of three years from the date the debt was communicated to the debtor, establishes irregularities referred to in paragraph 1 of this Article.

Article 233

The amount of the import or export debt shall be repaid if the customs declaration is invalidated and the customs duty is being paid. The remission shall be allowed at the request of the person within a period prescribed for submitting the application for the invalidation of the customs declaration according to Article 78 of this Law.

Article 234

The import debt shall be repaid or remitted in the amount for which is proved that was entered in the accounts referring to goods placed under the adequate customs procedure and returned by the importer because at the moment of acceptance of the customs declaration they were either defective or were not complying with the conditions established in the contract on the basis of which they were imported.

The repayment or the remission of the import debt shall be allowed on conditions:

- a) that the goods were not being used, except for operations necessary in establishing the defect and thereby do not comply with the contractual conditions, and

b) that the goods were exported from the customs territory of the Republic of Croatia.

At the request of a person, the Customs Office shall allow the goods, for the purpose of re-exporting, to be destroyed or placed under the transit procedure, the customs warehousing procedure, in a free zone or free warehouse instead of being exported. For the purpose of placing the goods under one of the mentioned procedures or uses, it shall be deemed that the goods have the status of foreign goods.

The import debt shall not be repaid or remitted for goods that were temporarily imported for the purpose of testing prior to the release for free circulation, except if it has been determined that it was not possible to establish by such testing the fact, that the goods either have a defect or do not comply with the conditions of the contract.

The import debt shall be repaid or remitted out of the reasons stated in paragraph 1 of this Article, if the person submits the application to the Customs Office within twelve months from the date of communicating the amount of debt to the debtor.

The Customs Office may exceed this period in duly justified cases.

Article 235

The Government of the Republic of Croatia may also prescribe other cases of the repayment or the remission of the import or the export customs debt, except those referred to in Articles 232, 233 and 234 of this Law, that cannot be attributed to the deception or obvious negligence of the customs debtor or other participants within the appropriate customs procedure and to determine special conditions and the procedure for the realisation of the repayment or the remission.

The repayment or the remission of the import duty due to reasons stated in paragraph 1 of this Law shall be allowed upon submission of an application of the declarant, submitted to the Customs Office within twelve months from the date when the debt was communicated to the debtor.

Article 236

The Government of the Republic of Croatia shall determine the amount of customs debt for which the repayment or the remission according to the provisions of this chapter shall not be approved.

Article 237

If the Customs Office repays or remits the amount of import or export duty, including the amount of credit interest or interest on arrears calculated and collected, the interest shall be calculated and paid upon the repaid amount, if so foreseen by the special rule for calculating interests.

Article 238

If any of interests referred to in Article 237 of this Law have been paid, they must be reimbursed.

If the customs debt has been unlawfully repaid or remitted in error, the original debt becomes payable again.

If so foreseen by the special rule for calculating interests, upon that amount shall also be calculated and collected the interest.

VIII. PENAL PROVISIONS

Article 239

A legal or natural person shall be fined by 50.000,00 to 2.000.000,00 kuna for the following offences:

- 1) when not presenting to the Customs Office narcotic drugs or raw materials for the production of the narcotic drugs,
- 2) when not presenting to the Customs Office weapons, ammunition, or explosive that are introduced for resale,
- 3) when not presenting to the Customs Office dangerous waste.

The person in charge within the legal person shall be also fined by 4.000,00 to 20.000,00 kuna for the offence.

Article 240

A legal or natural person shall be fined by 20.000,00 to 1.750.000,00 kuna for the following offences:

- 1) when bringing in or taking out, or trying to bring in or take out the goods in the customs territory outside the customs border-crossing, or across the customs border-crossing at the time when the customs border-crossing is not opened,
- 2) when bringing in or taking out, or trying to bring in or take out the hidden goods across the customs border-crossing,

3) when not presenting the cultural or natural assets taken out from the customs territory or bringing them in the customs territory.

The person in charge within the legal person shall be also fined by 2.000,00 to 10.000,00 kuna for the offence.

Article 241

A legal or natural person shall be fined by 10.000,00 to 1.500.000,00 kuna for the following offences:

- 1) when not presenting the goods,
- 2) if, when entering or leaving the customs territory, has tried to enter or has entered into the customs territory with a vehicle carrying falsified identification numbers of chassis or which has number plates that not belong to it, or if he presents falsified or non-belonging traffic documents or false documents related to the origin and to the ownership of the vehicle,
- 3) when not presenting the summary declaration,
- 4) when unloading or loading the goods to the another vehicle without the authorization of the Customs Office, or when doing so at the place which is not determined or approved for it,
- 5) when not transporting the goods which are brought in according to the route and in the manner approved by the Customs Office,
- 6) when removing the goods from the original place without the authorization of the Customs Office,
- 7) when using the temporary placed goods contrary to the conditions approved by the Customs Office,
- 8) when either not giving over the goods and accompanying documents to the Customs Office of destination in the transit procedure, or delivering the goods in an altered state,
- 9) when not delivering the documents, data or explanations needed by the customs authorities to implement the customs rules,
- 10) when not keeping the documents or data according to the time limits determined by this Law,

- 11) when not lodging the declaration for the customs-approved procedure or use according to time limits determined by this Law,
- 12) when either giving the incorrect data concerning the quantity, the nature, the quality, the value or the origin of goods in the customs declaration, or not declaring all goods, if this would cause the circumvention of the payment of the import customs duty, or the payment of the import duty in the amount lower, or some other privilege,
- 13) when submitting the documents related to the implementation of the customs procedure where different quantity, the nature, the quality, the value or the origin of goods is being stated, or some other data is incorrectly stated, if this would cause the circumvention of the payment of the import customs duty in the lower amount or some other privilege,
- 14) when, by presenting false facts, achieves or tries to achieve the relief from the payment of import duty or the application of more favourable duty,
- 15) when obstructing the verification of the accepted declaration,
- 16) when using the goods or dispossessing with them before the release by the Customs Office has been approved under the customs procedure requested,
- 17) when removing, damaging or destroying the means of customs identification,
- 18) when not lodging the supplementary declaration,
- 19) when not keeping the prescribed records referred to the determined customs procedure or some other mode of customs-approved treatment of the goods,
- 20) when not informing the Customs Office about the facts incurred after issuing the authorization for the customs procedure with the suspensive system, or for the customs procedure with the economic impact,
- 21) when selling, leasing, lending, pawning or renting the goods, imported with the relief of the payment of the import duty or released with a more favourable duty, prior to the expiry of the period prescribed as security for other obligations, without paying the customs debt,
- 22) when disposing with goods as if they were released for free circulation although all the formalities for releasing them for free circulation have not been performed yet, or the import duty has not been paid, or other conditions prescribed for the import of goods have not been fulfilled,

23) when not acting in accordance with the conditions and obligations prescribed and according to the authorization of the Customs Office for the customs procedure with the suspensive system and the customs procedure with the economic impact,

24) when trying to obstruct the customs supervising of business activities in a free zone or free warehouse,

25) when performing activities contrary to the legal provisions or without the authorization of the Customs Office in a free zone or free warehouse,

26) when not removing the goods, forbidden for importation, from the customs territory within a period determined by the Customs Office,

27) when achieving or trying to achieve the repayment or the remission of the customs debt by presenting false facts.

The person in charge within the legal person shall be also fined by 1.000,00 to 5.000,00 kuna for the offence.

Article 242

A legal or natural person shall be fined by 1.000,00 to 100.000,00 kuna for the following offences:

1) when not giving the goods under transit procedure over to the Customs Office of destination within a determined time limit,

2) when not re-exporting or re-importing the goods which were temporary imported or temporary exported within a determined time limit,

3) when not exporting or re-exporting the goods in the inward processing procedure within a determined time limit, or not obtaining some other customs-approved procedure or use for them,

4) when not re-importing the goods in the outward processing procedure within a determined time limit,

5) when not temporary exporting the goods placed under the outward processing procedure within the prescribed period, in the case where the replacement goods were previously imported,

6) when not paying the calculated customs debt or paying it in the amount lower than the calculated amount of the customs debt was within a prescribed time limit.

The person in charge within the legal person or a third person who performs the registered activities shall be also fined by 500,00 to 2.500,00 kuna for the offence.

Article 243

A person who, out of any reason, receives the goods that are subject to the offence referred to in Articles 239 to 241 of this Law and knew or according to circumstances should have known that, shall be fined with the same fine as it is prescribed for the offender.

A person in charge within a legal person shall be fined with the same fine.

Article 244

A natural person who, within passengers traffic does not present the goods which he has the right to import, or who does not submit the documents, data or explanations needed for the Customs Office in order to implement the customs rules, or who by presenting false facts tries to achieve the relief from the customs duty or the payment in the lower amount or any other privilege shall have to pay 400,00 kuna penalty on the spot for such an offence.

The customs officer shall collect the penalty referred to in paragraph 1 of this Law and release the goods with the calculation and recovery of the import duty. If the offender refuses to pay the fine, the regular judicial procedure shall be initiated against him.

Article 245

The goods that are subject to the offence referred to in Articles 239, paragraph 1, items 1) and 2), the goods that are subject to the offence referred to in Article 240, paragraph 1, items 1) and 2) and the goods that are subject to the offence referred to in Article 243 in connection with Article 239, paragraph 1, items 1) and 2) and Article 240, paragraph 1, items 1) and 2), must be confiscated.

The goods that are subject to the offence referred to in Article 240, paragraph 1, item 3) and the goods that are subject to the offence referred to in Article 243 in connection with Article 240, paragraph 1, item 3) may be confiscated.

The goods that are subject to the offence referred to in Article 239, paragraph 1, item 3) and the goods that are subject to the offence referred to in Article 243 in connection with Article 239, paragraph 1, item 3) must be returned abroad, or

destroyed in a manner allowed by the authorities at the costs of the persons who committed the offence referred to in Article 239, paragraph 1, item 3) and Article 243 of this Law.

Article 246

The goods shall be confiscated either if they are owned by the offender of the customs rules who is not at the disposal, or if the offender of the customs rules is unknown.

Article 247

If the goods, for which the confiscation is prescribed, shall not be found, the Customs Office must collect its customs value from the offender and initiate the procedure for the recovery of customs import duty in accordance with the provisions referred to the incurring of the customs debt.

It shall be deemed that the goods are not found if, for any reasons, they may not be confiscated from the offender of the customs rules or from their owner.

The offenders are jointly responsible for the value of the goods that have not been found and for the customs debt.

Article 248

The means of transport or means of conveyance may be confiscated if their hidden places were used for the transport or convey across the customs border-line or into the customs territory of the goods that were subject to the offence related to Article 240 of this Law, if the value of the goods that are object of the offence exceeds 1/3 of the value of the means of transport or means of conveyance.

The means of transport or means of conveyance that were used for transport of goods referred to in Article 239, or the means of transport and means of conveyance which had a special built-in space for hiding the goods, may be confiscated even in the case when the value of goods that are object of the offence does not exceed 1/3 of the value of the means of transport or means of conveyance.

The means of transport or the means of conveyance may be confiscated even if they are not possessed by the offender if their owner knew or should have known that they were used in order to commit the offence referred to in Article 239 and 240 of this Law.

Article 249

Goods that are object of the customs offence, for which the confiscation is prescribed, shall be seized under the customs supervision until the penal procedure shall not be completed.

The Customs Office may, in some justified cases, release the goods, which should have been seized, to the person concerned if he produces a guarantee for the amount of the value of goods that are to be seized, and warn him that he cannot use or sell the goods or dispose with them in any other mode.

When seizing the goods, an official record shall be made, which, among others, contains a detailed description of the goods. A copy of that official record and the receipt confirming that the goods concerned are being seized the Customs Office must hand to the person who gave up the goods, or from whom the goods were taken.

The Customs Office may, until the customs procedure has been completed, seize the goods that are not subject to paragraph 1 of this Article, if there is a reasonable doubt that the goods were either used to commit or were meant for committing the offence, or that they were obtained by committing the customs offence or obtained in exchange for the goods obtained through the customs offence.

If the seizure of the goods is no longer needed for the purposes of the further procedure, the goods shall be returned to the person from whom it had been taken.

The Customs Office may seize the goods according to paragraph 1 and paragraph 4 of this Article regardless of the rights of the third persons.

Article 250

The procedure for the customs offences cannot be initiated, if more than two years passed from the date of committing the offence.

The time barring shall be interrupted by any act of the authorized body taken in order to persecute the offender. By each interrupting, the time barring shall initiate again, but the procedure for the customs offence may not be conducted in any of the cases where the period of four years from the date of committing the offence has expired.

Article 251

At the request of the owner of the goods or the offender the Customs Office may return the goods confiscated within the customs procedure, if they fulfil the conditions for import under the condition that the submitter of the request pays the value of goods and the import duty.

Article 252

The Customs Office that conducted the procedure for the customs offence may allow, in the first instance and if so justified, that the payment of the fine and the value of confiscated goods be fulfilled in instalments, but the period of such payment may not exceed one year.

Article 253

The amounts collected from fines and those obtained by the sale of the confiscated goods, or amounts recovered due to the value of the goods, after deducting the costs, shall be the revenue of the budget of the Republic of Croatia.

IX. SALE OF GOODS

Article 254

Goods confiscated within the customs procedure and the goods that the Customs Office acquired according to other provisions of this Law shall be exposed for sale.

The Customs Office may sell the perishable goods and animals immediately, according to Article 249, paragraph 1 of this Law.

Article 255

The Customs Office shall sell the goods by exposing them for the public sale, whereby they shall act according to special rules.

If the goods concerned cannot be exposed for the public sale, the Customs Office may sell them to the person who is, according to specific rules, authorized to dispose with those goods.

If the goods concerned cannot be sold or used due to reasons relating to the health, or veterinarian, phytopathological, safety or other reasons prescribed by specific rules, the Customs Office shall dispose with them or solve the problem of the goods in question according to specific rules.

Article 256

Financial means obtained from the sale of goods must be distributed so, that the import duty, taxes and charges that are calculated on importation, and the costs

of storage and fines prescribed within the customs rules are collected first. The rest of the financial means shall be the revenue of the Exchequer.

Article 257

With the goods referred to in Article 254 of this Law may also be disposed in other modes but sale.

The Government of the Republic of Croatia shall be authorized to prescribe the procedure for other modes of disposing with goods referred to in paragraph 1 of this Article.

X. TRANSITIONAL AND FINAL PROVISIONS

Article 258

Decisions and other administrative acts related to the customs relief from the payment of customs duty or other customs privileges passed by the authorities, that have not been used at all or that have not been used in their entirety until the day of the implementation of this Law, may be used within time limits stated in those acts.

Where for the goods imported with the customs relief according to the rules that cease to be valid with the day this Law begins to be implemented, the ban foreseen either for the abalienation of those goods within a determined period or giving them for use to others or using them for purposes other than those for which the customs relief was approved, the appropriate provisions of those rules are applicable even after the implementation of this Law begins, until the expiry of the time limits set by the provisions on the ban for the abalienation of such goods within a determined period, or giving them for use to others or using them for purposes other than those for which the customs privilege has been approved.

Article 259

The administrative procedures initiated before this Law begins to be implemented shall be terminated according to the rules and provisions that were in force prior to the implementation of this Law.

Article 260

All penal procedures that have been initiated prior to the implementation of this Law shall be terminated according to the rules that are more favourable for the offenders of customs rules.

All penal proceedings for offences that are not incorporated in this Law but were initiated prior to the implementation of this Law shall be suspended.

Article 261

For goods, temporarily imported prior to the implementation of this Law and liable to the obligation of paying the customs duty according to Article 291 of the former Law, the customs duty shall be calculated and collected according to the rules that were valid at the day of lodging the customs declaration of temporary import.

Article 262

Customs warehouses, railway-customs warehouses, customs storage places, consignment warehouses, specialised warehouses for foreign goods and for goods produced in Croatia as well as central warehouses that were established in accordance with the rules ceasing to be valid with the day on which this Law begins to be implemented, may continue with their business activities as customs warehouses according to the provisions of this Law on condition that the warehousekeeper achieves to obtain the decision on founding and operating the customs warehouse in accordance with this Law within a period of six months from the day when this Law begins to be implemented.

The application for operating the customs warehouse according to this Law may be submitted prior to the day this Law begins to be implemented, whereby the decision of the authorized Customs Office is to be applied from the day this Law begins to be implemented.

If the warehousekeeper does not achieve to obtain the decision from the Customs Office referred to in paragraph 1 of this Law, or if the Customs Office establishes that the warehousekeeper does not fulfil the conditions prescribed in this Law for founding and operating a customs warehouse, the authorized Customs Office shall issue the decision on terminating the activities of the customs warehouse and other warehouses under paragraph 1 of this Article.

Article 263

The provisions for the implementation of this Law shall be issued within six months from the day this Law comes into force.

Article 264

With the day this Law begins to be implemented, the following ceases to be valid:

1. The Customs Law (("Narodne novine" No. 53 A/91, 33/92, 106/93, 92/94 and 48/98 - The Official Gazette of the Republic of Croatia – hereinafter "NN")
2. In the "Law on Free Zones" (NN No. 44/96), Articles 27 to 32 and Articles 34 and 35
3. In the "Law on Areas of special concern to the Exchequer" (NN No. 44/96 and 57/6), Article 17, and
4. In "Law on Fire-fighting" (NN No. 58/96 and 87/96), Article 40a

In the "Defence Law" (NN No.74/93 and 57/96) in Article 182, paragraph 2, the word "customs" is to be omitted.

Article 265

This Law enters into force on the eight day following its publication in the "Narodne novine" (Official Gazette of the Republic of Croatia") and shall be implemented as of 1 January 2000.