

## CHAPTER 23

### FREE ZONES

#### 23.1 Introduction

In this chapter we are going to look at what **Free Zones** are and the advantages of putting our goods into a free zone.

#### 23.2 Legislation

You will find legislation on free zones in a variety of places. The Code contains the basic rules in **Articles 166 to 181**. These are amplified in **Articles 799 to 814** of the Implementing Regs.

[Art 166-181  
2913/92](#)  
[Art 799-814  
2454/93](#)

#### 23.3 Free Zones

Article 166 of the Code says that a free zone is a place that is **deemed to be outside the customs territory of the community for customs duty and import VAT purposes**. This concept is one that we've covered already, for instance when we looked at customs warehouses. Excise duty is also suspended until the goods are released to the UK market.

[Art 5\(2\)  
92/12/EEC](#)

[Art 799  
2454/93](#)

Each member state designates areas that are free zones and there are two types of control over free zones. **'Control type one'** is where controls are based on a **fence or wall** surrounding the free zone and checks are made on goods entering and leaving. **'Control type two'** is where controls are essentially based on those required under the **customs warehouse** procedure. For instance, the control is carried out mainly through audits of the trader's records.

In the re-write of the Code it is intended that control type two free zones will no longer be available.

Free zones are under Customs supervision and tight controls must be maintained over entry and exit points and the perimeter. Customs may check goods entering, leaving or remaining within the free zone.

#### 23.4 Advantages of a Free Zone

There are a number of other advantages to storing goods in a free zone. Both **Community and non-Community goods can be stored within a free zone**.

As there is generally **no time limit** that goods can remain there, free zones can be good duty free storage facilities. In addition, whilst the goods remain in the zone the **goods can be put to other customs procedures**. For instance, they could be placed under IPR, processing under Customs control, or temporary importation to name a few. If this is going to happen, it needs to be on the free zone authorisation. Goods can also **undergo the "usual forms of handling"** whilst there and we've now seen this phrase a few times. For a reminder you may want to revisit the customs warehousing or IPR chapter.

[Art 173  
2913/92](#)

### 23.5 Administration requirements

People carrying on activities within the free zone must keep **stock records** to enable Customs to identify the goods and record their movements. The stock records should contain:

- **identifying numbers** of goods and containers;
- a **commercial description** of the goods;
- information enabling the **goods to be monitored** at any one time; and
- particulars of any **usual forms of handling**.

When the goods are imported into the free zone a Customs declaration is required. This could be a C88 or paperless declaration under CFSP.

#### Illustration 1

We import toy cars into a free zone. Our toy cars might be stored within the free zone and undergo usual forms of handling before being released from the free zone to free circulation. **When the goods are released to free circulation a further customs declaration would need to be completed and duties and VAT paid as appropriate.** In declaring the value of the goods for duty purposes, the **cost of warehousing the goods in the free zone can be excluded** if it is shown separately and the **cost of any handling can be ignored**. To evidence the value of the goods prior to the handling an **INF8** Information Sheet can be used. There is an example of this in Annex 71 of the Implementing Regulations.

[Art 178  
2913/92](#)

[Annex 71  
2454/93](#)

An additional benefit of using a free zone is that if the goods are **destroyed whilst there, duties are not due.**

[reg. 21  
SI 1984/1177](#)

### 23.6 Designated UK Free Zones

Our final look at Free Zones is to see the areas that have been designated, at some point, in the UK. You can find a list of them in the note underneath **Section 100A of CEMA 1979.**

[s. 100A  
CEMA 1979](#)

They are:

Belfast Airport Free Zone  
Cardiff Free Zone  
Birmingham Airport Free Zone  
Liverpool Free Zone  
Prestwich Airport Free Zone  
Southampton Free Zone  
Port of Tilbury Free Zone  
Port of Sheerness Free Zone  
Isle of Man Free Zone and  
Humberside Free Zone

However, although all of these areas have at some point received designated Free Zone status, not all of them are currently operational. Free Zones tend to be authorised for a 10 year period. Some of the designations have expired and not been renewed. As a quick reference the public notice on Free Zones tells us which Free Zones are currently in use.

They are: Liverpool, Prestwich, Sheerness, Southampton and Tilbury.

### Example 1

You need to insert the following words into the gaps in the paragraph below.

Usual, handling, limit, customs, VAT, import, of, forms, time, excise, duty

"A Free Zone is a place where goods can remain without payment of ..... duty and ..... is also suspended until the goods are released to the home market. Whilst there, the goods can undergo ..... There is no ..... for how long goods can remain there."

**Answer 1**

"A Free Zone is a place where goods can remain without payment of customs duty and import VAT. Excise duty is also suspended until the goods are released to the home market. Whilst there, the goods can undergo usual forms of handling. There is no time limit for how long goods can remain there."