TO: ALL OFFICERS

ENTREPO T TRADE

A. DEFINITION

Entrepot Trade means a facility for a country to import manufactured or unmanufactured goods from one party of other country free of customs duty and other levies for re-export to a third party of any country, as imported or after simple processing (viz. re-packing, re-labelling etc.) and with a value addition. Trader becomes the consignee and the exporter as well under this transaction and two-way payment mechanism takes place to obtain a profit margin. HS Code of the goods should remain unchanged at the time of importation and re-exportation.

B. OBJECTIVE

Objective of Entrepot Trade is to expand the potential of the country in global market by trading products of other countries in order to generate more revenue based on external resources of the country and to promote the allied services for employment generation. This Trade provides the country, a relatively easy method of earning foreign exchange either by value addition or by re-exporting at a higher value.

C. POLICY OF MINISTRY OF COMMERCE & CONSUMER AFFAIRS

C.1 Entrepot Cargo to be free from all local duties and taxes.

C.2 The goods those subjected to Import Control Licences are exempted when imported under this procedure.

C.3 The F.O.B. value of export invoice should be higher than the C.I.F. value of import invoice.

C.4 The following goods are not permitted to import under "Entrepot Trade"

- Narcotics
- Arms and Ammunition
- Goods which are prohibited to import and export under International Conventions for which Sri Lanka is a contracting party.

C.5 (1) Import of cloves is not permitted for re-export to member countries of Preferential Trading Arrangements (Please see Annex I).
(II) Cloves imported for re-export to other countries should be treated and declared as goods originated from the respective country of export (first country of export).

(III) Existing quarantine regulations are adhered to in respect of import of cloves.

C.6 Textiles and clothing are eligible to import under Entrepot Trade subject to the following conditions.

(I) Import of textiles and clothing are not permitted for re-export under Entrepot Trade to the countries listed in Annex II.

(II) Textiles and Clothing for re-export under Entrepot Trade to other countries should be treated and declared as goods originated from the respective country of export (first country of export).

D. POLICY OF THE DEPARTMENT OF EXCHANGE CONTROL

D.1 Import of goods for Entrepot Trade shall be made on D/P, D/A or L/C terms.

D.2 Re-export is not permitted under D/A terms.

D.3 Goods imported from one country can be re-exported to a third party in the same country.

D.4 Exportation of goods directly from a second country to a third country without goods physically arriving in Sri Lanka is permitted (this does not involve local Customs Procedure).

E. CUSTOMS PROCEDURE

E.1 Section 22A(1) of the Customs Ordinance provides facility for cargo to be imported on duty free basis for re-exports.

E.2 Traders operating under Entrepot Trade procedure will be registered with Customs Automated Data Processing Division.

E.3 The applicant should be a person or belongs to a class of person eligible to import goods under the Special Import Licence No. 1 of 1977 in terms of Schedule III of the S.I.L.

E.4 The goods under Entrepot Trade can be either;
(i) Stored in a Customs Bonded Warehouse provided the re-export will not be effected immediately;

(ii) Repacked, re-labelled or simple processed to meet the buyers requirements within the bonded area under Customs supervision;

(iii) Transferred from a Ship/Aircraft directly to another without the cargo being landed into a bonded warehouse;

(iv) Changed the status as transshipment to divert cargo to a consignee in a third country by switching of Bill of Lading on a request made by the original consignee in Sri Lanka to the Shipping Agent/Air Line. The relevant amendment to the manifest should be submitted to the Customs by the Agent within 24 hours from the time of arrival of the goods.

Consignments can be transferred from a Seaport to Airport or from Airport to Seaport in a bonded carrier approved by the Customs with adequate security.

When the Importer wishes to store his consignments in a Public Bond, space should be allocated by the Sri Lanka Ports Authority prior to submitting the Customs declarations. If he needs to operate a private bond it will be considered by Bonds Division when the formal application is submitted.

Entrepot trade may be allowed at approved Multi Country Consolidation (MCC) Bonded Warehouses under Customs supervision on the security/guarantee provided by MCC operator/importer, when requests are made by both parties.

On receipt of consignment, Importer/Clearing Agent requests DDC(WHK) or ADC(WHK), Bonds Division for approval of the transaction under Entrepot Trade.

Customs To-bond declaration (To-bond CusDec) is submitted to Bonds Division with seven copies, namely, warrant copy, delivery copy, party's copy, statistical copy, C.B.D. copy, locker's copy and exchange copy.

The declaration (Cusdec) will be supported by -

(i) Delivery Order
(ii) Invoice
(iii) Packing List
(iv) Endorsement of Commercial Manager, SLPA in the Cusdec
(v) Letter approved by DDC/ADC (WHK)

To-bond Cusdec is assessed at Computer Section of the Bonds Division, a serial number is assigned and processed. After payment to service charges,
particulars of the import consignments are noted in the Bonding Register maintained by the Bonds Division.

E.11 On satisfaction of the declaration by the SC (WHK), To-bond Cusdec is referred to DDC (WHK) for the determination of the examination of the goods. He will decide on the type and place of examination depending on the type and movement of the goods as well as the security furnished by the importer and past performance of the importer, etc.

E.12 Goods under Entrepot Trade within Seaport/Airport will not be subjected for examination unless the Director General of Customs, Deputy Director General of Customs or the Director of Customs (Bonds) authorizes the examination of such cargo for any specific reason.

E.13 Where the goods are exempted from examination, the Importer/Clearing Agent will submit Cusdec and documents at the respective Customs delivery points for passing the goods for delivery. When the goods are subjected for examination, such examinations will be done in accordance with the decision of DDC (WHK).

E.14 After the above decision, delivery copy, locker's copy and party's copy together with other relevant documents are released back to the Importer/Clearing Agent for the clearance of cargo.

E.15 If an officer needs to examine entrepot cargo for any other reason, he should obtain prior approval from the Director General of Customs or the Deputy Director General of Customs. The officer should submit a report to the Director General of Customs or the Deputy Director General of Customs, with a copy to Director of Customs (Bonds), of the outcome of the examination.

E.16 When the shipment is ready for re-export, export CusDec is submitted to the Bonds Division in six copies, namely, warrant copy, security copy, party's copy, statistical copy, C.B.D. copy and locker's copy.

E.17 Export CusDec will be supported by -

(i) Shipping Note or Airway Bill.
(ii) Invoice (with a value addition)
(iii) Packing List (if necessary)
(iv) Party's copy of To-bond Cusdec.

E.18 Customs declarations (Cusdecs) are assessed at the Computer Section of the Bonds Division; a serial number is assigned and warranted. The particulars of the declaration are noted in the respective pages of the Bonding Register. Security copy, locker's copy and the party's copy of export declaration are released to the Exporter/Forwarding Agent.
E.19 Customs declarations (Cusdecs) processed under this procedure should bear the words "Entrepot Trade" prominently printed in the top right hand corner.

E.20 When Entrepot Cargo is transferred from ship to ship or aircraft to aircraft directly without cargo being moved to a bonded warehouse, the approval from DDC (WHK)/ADC(WHK) has to be obtained on production of the To-bond and export Cusdecs processed at Bonds Division, simultaneously if necessary. The transfer of the consignment from import warehouse to export warehouse is authorized by the ASC - Import Warehouse on an internal pass issued by SLPA on recovery of due charges.

E.21 The approval for transfer of cargo from Public bond (B1) to export warehouse is granted by the Locker on production of the security copy and the locker's copy of export declaration duly warranted at Bonds Division, on the internal pass issued by SLPA on recovery of due charges.

E.22 For re-export of cargo arrived by air, Customs To-bond and export declaration are produced to ADC (Air Cargo). The particulars of the declarations are noted in the Entrepot Cargo Register. When ADC (Air Cargo) authorizes the release of Cargo for re-shipment M/s. Sri Lankan Airline makes arrangements to transfer the goods to Cargo Village after recovery of due charges.

E.23 When Cargo arrived by air to be reshipped by Sea or deposited in a bonded warehouse on approval of ADC (Air Cargo), goods are loaded into the bonded carrier arranged by the entrepot trader. ASC (Air Cargo) seals the bonded carrier with a Customs seal on recovery of seal charges. ASC (Gate Pass) retains the delivery copy of To-bond declaration and issues the gate pass.

E.24 On receipt of Entrepot Cargo at export warehouse for re-export by air or sea the security copy of export Cusdec is produced to ASC (Exports) along with other documents. On his approval SLPA/Sri Lankan Airline makes arrangements to effect the reshipment.

E.25 Consolidation of Entrepot cargo with other export cargo can be permitted. However, the local cargo should be identifiable with specific marks.

E.26 Liabilities of Cargo imported are cancelled when proof of remittance is produced within one month of the date of re-export to Bonds Division.
F. SECURITY FOR THE LIABILITIES (DUTIES AND TAXES)

F.1 No security is required for Entrepot Trade for the movement of goods within the Ports.
F.2 Removal of goods out of Ports is allowed on Bank/Corporate Guarantee to cover liabilities. Guarantee is released only after the proof of export is established.

G. COUNTRY OF ORIGIN

G.1 The entrepot trader should declare actual Country of Origin in Customs documents.
G.2 He should not declare Sri Lanka as the Country of Origin.

The previous Departmental Orders bearing numbers PL 93 of 31.03.1989 and PL 93A of 01.11.1991 on this subject are hereby rescinded.

The provision of this Departmental Order will come into effect from 01st April, 2002.

R.U. Gooneratne
Director of Customs
Policy Planning & Research Division,
Sri Lanka Customs,
Colombo.

1st April 2002.
Ref. No. PL/93A.

Sgd. J.R. de S. Gunaratne,
Director General of Customs.
### Annex I

#### Preferential Trading Arrangement

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<tr>
<th>Generalized System of Preferences (GSP)</th>
<th>Country</th>
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<tbody>
<tr>
<td>Australia, Bulgaria, Canada, Czechoslovakia, EU- (Austria, Belgium, Denmark, Greece, Germany, Finland, Finance, Ireland, Italy, Luxemburg, Netherlands, UK, Spain, Portugal &amp; Sweden), Hungary, Japan, Poland &amp; Federation of Russia.</td>
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<tr>
<th>Bangkok Agreement</th>
<th>India</th>
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<td>Cuba, Romania</td>
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<th>Global System of Trade Preferences (GSTP)</th>
<th>Bangladesh, India, Nepal, Pakistan</th>
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<tr>
<th>SAARC Preferential Trading Arrangement (SAPTA)</th>
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<td>Cuba, Romania</td>
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<th>Free Trade Agreement with India</th>
<th>India</th>
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<tr>
<td>Cuba, Romania</td>
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### Annex II

USA, Canada, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxemburg, Netherlands, Portugal, Spain, Sweden, United Kingdom and India.