

# New list of duty free products and chemicals for the pharmaceutical industry\*

The EU has recently expanded its listing of pharmaceutical products and associated materials which benefit from duty-free treatment upon importation.

July 2008



## What is the background?

Under the WTO/GATT Agreement on Trade in Pharmaceutical Products, over 7,000 products and chemical intermediates imported into the EU are eligible for duty-free treatment.

Agreement has now been reached to expand the current listing of products covered by the duty-free status and address the backlog of newly developed pharmaceutical products to duty-free treatment. This expansion will include a further 1,290 pharmaceutical and chemical products. EU industry reports estimate annual import duty savings of €230 million as a result of this Act.

## What are the benefits?

These agreed changes are now being introduced in the EU. Therefore, pharmaceutical importers and manufacturers of pharmaceutical products may now have the opportunity to reduce their duty costs on a wide range

of finished products and raw materials, including chemicals, intermediates, and derivatives (salts, esters or hydrates etc.) and reduce their duty compliance costs in situations where previous customs planning solutions are now superseded by these changes.

## Do you import any pharmaceuticals or related raw materials from outside the EU?

If yes, you should carry out a review of your Chemical Abstract Services (CAS) registered numbers - this number can then be matched against the "INN"<sup>1</sup> listing to ascertain whether your imports may be eligible for a duty-free rate. If your products or materials are on the INN's list, we would recommend that you seek a formal classification ruling (Binding Tariff Information - BTI) from the Customs authorities to be certain that you qualify for the zero percent import duty rate.

## New List of Duty-Free Products and Chemicals For the Pharmaceutical Industry

<sup>1</sup> International Non-Proprietary Names (INN) list (as found in Annexes 3-6 to Regulation 2658/87 EC, as amended.

### Do you currently use the Customs duty relief scheme to avoid paying duty on your raw materials?

If yes, you should carry out a review of the materials to see if they are on the new list and qualify for duty-free treatment. If they are, you may be able to dismantle these schemes and eliminate their compliance costs – freeing up resources and commitments while continuing to guarantee duty savings.

### Will you still have to import dutiable raw materials, including chemicals, to manufacture finished pharmaceutical products?

If yes, and you can show that your finished product would be duty-free under the new listing, you may be able to put arrangements in place to opt to assess your duty liability on the finished products at the 0% rate and thereby avoid duty on the imported raw materials.

### Do you buy any chemical products indirectly via EU suppliers?

If yes, you may be suffering a hidden cost built in to the price if your suppliers are delivering chemicals or other raw materials they imported, and duty paid, from outside the EU.

Planning arrangements can be put in place to release this trapped cost if you use the materials to manufacture products on the new listing.

### Timing and effect of the new Duty Relief

**If you have queries relating to any of the issues referred to in this document, please contact:**



**Damian McCarthy**

Senior Consultant  
Customs and International Trade  
Email: [damian.mccarthy@ie.pwc.com](mailto:damian.mccarthy@ie.pwc.com)  
Tel: 353-1-792 6203 Fax: 353-1-792 6200



**Anna Blake**

Senior Manager  
Customs and International Trade  
Email: [anna.blake@ie.pwc.com](mailto:anna.blake@ie.pwc.com)  
Tel: 353-1-792 8645 Fax: 353-1-792 6200



**Anne Williams**

Director  
Customs and International Trade  
Email: [anne.c.williams@ie.pwc.com](mailto:anne.c.williams@ie.pwc.com)  
Tel: 353-1-792 6528 Fax: 353-1-792 6200



**Paul Rodgers**

Manager  
Customs and International Trade  
Email: [paul.rodgers@ie.pwc.com](mailto:paul.rodgers@ie.pwc.com)  
Tel: 353-1-792 6696 Fax: 353-1-792 6200

The regulation was published on 23 February 2007. It contains a provision to give retroactive effect to 1 January 2007. Therefore, it is possible to seek a refund of duties on the affected products imported from the beginning of 2007. We would be happy to assist you in identifying all such affected imports and making the associated retrospective duty refund claims.

### How we can help

Our Customs and International Trade group works with chemical and pharmaceutical companies operating in Europe to minimise duty costs and enhance supply chain efficiencies. We have a dedicated chemist working within our team and are therefore best placed to provide detailed and industry-focused advice on all aspects of Customs duty planning to your company, including development of the best strategy to meet business needs.

### Specifically for these changes, we can:

- Review your products and raw materials (including chemicals) to determine whether they can benefit from the new duty-free listing
- Obtain appropriate classification (BTI) rulings on your behalf
- Review your Customs planning schemes and arrangements to see whether these can be dismantled as a result of your finished products being on the new list
- Eliminate any associated trapped duty in your supply chain
- Secure refunds on a retrospective basis to 1 January 2007