

Notice

Contract production

External transactions

Summary of the most important changes

- The narrowly defined concept of “contract processing“ is replaced by the broader concept of “contract production”.
- **The remuneration of contract production is subject to reporting requirements.**
- **The buying-in of goods abroad is subject to reporting requirements.**
- The underlying trade in goods is to be reported in accordance with the rules for “Other trade in goods”. Withdrawals from contract processing (former code 598) are not to be shown separately.

I General remarks

Contract production is any work on or processing of goods which are **not** the property of the party performing the work or processing (contract producer), with a distinction being made between two types of contract production.

Inward contract production

The **contract producer is a resident** and the good is the property of a non-resident. Inward contract production may take place both in the domestic and the foreign economic territories (inward contract production takes place abroad if the domestic contract producer goes abroad to have work or processing performed on the good).

Outward contract production

The **contract producer is a non-resident** and the good is the property of a resident (orderer). Outward contract production may take place both in the foreign and the domestic economic territories (outward contract production in Germany takes place if the foreign contract producer has work or processing performed on the good domestically).

II Reporting contract production to the Deutsche Bundesbank

Type of transaction	Information on the purpose of payment	Code
1 Inward contract production		
1.1 Import of unfinished good	No reporting requirement (When reporting for the foreign trade statistics, (Federal Statistical Office), key 41 or 42 is to be entered as the “nature of transaction ”.)	-

1.2 Export of finished good	No reporting requirement (When reporting for the foreign trade statistics (Federal Statistical Office), key 51 or 52 is to be entered as the “nature of transaction”.)	-
1.3 Production remuneration	Income from contract production	567
1.4 Buying-in of goods by the contract producer	No reporting requirement ¹	-
1.5 Finished goods after contract production purchased by a resident in the economic territory	Expenditure on withdrawals from contract production	997
2 Outward contract production		
2.1 Export of unfinished goods	No reporting requirement (When reporting for the foreign trade statistics (Federal Statistical Office), key 41 or 42 is to be entered as the “nature of transaction ”.)	-
2.2 Import of finished goods	No reporting requirement (When reporting for the foreign trade statistics (Federal Statistical Office), key 51 or 52 is to be entered as the “nature of transaction ”.)	-
2.3 Production remuneration	Expenditure on contract production	567
2.4 Buying-in of goods by the contract producer	No reporting requirement	-
2.5 Buying-in of goods abroad by the orderer	Expenditure on buying in goods for contract production	997
2.6 Sale of the finished goods after contract production to a non-resident	Income from withdrawals from contract production	997

III Examples

Example 1: Inward contract production (in the economic territory)

A domestic operator of a refinery is provided with crude oil by a non-resident from another country (e.g. United Kingdom) in order to make refined petroleum products from it. The domestic operator subsequently receives remuneration for this contract production. The finished goods are sold

¹ 997 if the good is located domestically, has been bought from a non-resident, and the good has not been imported.

domestically and abroad. The domestic operator does not become the owner of the crude oil or of the refined petroleum products.

Reporting requirement

The operator of the refinery reports the received contractor production remuneration (incoming payment) under code 567. The domestic purchaser of the refined petroleum product reports the purchase of the finished goods under code 997. The import of the crude oil and the possible export of the refined petroleum products are not to be reported (these are recorded separately in the foreign trade statistics).

Example 2: Outward contract production abroad

A domestic enterprise supplies parts to a factory abroad (e.g. France) so that finished goods can be manufactured from them. In addition, the German enterprise also buys in material abroad. The finished products are sold abroad.

Reporting requirement

The domestic orderer reports the contractor production remuneration that has been paid (outward payment) under code 567. The buying-in of material abroad is reported as expenditure under code 997. The sale of finished goods abroad is reported as income under code 997. (The export of the parts from the domestic country is to be reported as part of the foreign trade statistics.)

Example 3: Outward contract processing domestically

A domestic slaughterer commissions foreign butchers to come to Germany to dismember the cadavers. There is no employer-employee relationship between the slaughterer and the butchers.

Reporting requirement:

The domestic slaughterer reports the contractor production remuneration that has been paid to the foreign butchers under code 567.

IV Notes

Reports for the foreign trade statistics (recording of cross-border trade in goods) are to be submitted to the Federal Statistical Office (intra-community trade in goods – Intrastat) or are recorded during customs clearance (third country trade in goods – Extrastat). It is essential to state the “nature of transaction ” using key 41/42 or 51/52 in connection with contract production.

Information on external sector reporting

Hotline:	0800 1234 111 (freephone – only available if call is made from a German landline)
Internet:	www.bundesbank.de under Service/Reporting systems/External sector statistics
Newsletter (in German):	www.bundesbank.de under Service/Newsletter (category: Meldewesen Aussenwirtschaft)
E-mail:	presse-information@bundesbank.de