

Notice

Payments relating to external transactions Merchanting

I General information

In accordance with the Foreign Trade and Payments Regulation, transactions are deemed to be merchanting trade when residents purchase goods from abroad from non-residents, and then resell said goods to non-residents without the goods having entered the economic territory. This also on principle includes commodity forward contracts involving physical deliveries.

Transactions when goods are brought into the economic territory to a **bonded warehouse, free warehouse** or to a **free zone** before the sale by the **non-resident seller** without import clearance are also deemed to be merchanting trade.

If, however, the goods are brought into economic territory to a **bonded warehouse, free warehouse** or to a **free zone** by a **resident** without import clearance and then resold to a non-resident, these transactions are not to be reported as merchanting transactions. For the purposes of the balance of payment statistics, these transactions are treated as imported and exported goods, and are recorded in the external trade statistics.

Merchanting transactions are to be reported in accordance with sections 59 to 61, 63 and 66 of the Foreign Trade and Payments Regulation.

The following distinctions should be made in reports.

- Direct merchanting transactions are when residents purchase goods from non-residents and then resell them immediately to non-residents.
- Indirect merchanting transactions are when residents purchase goods from non-residents and then sell them to other residents even before these goods are sold on to non-residents.
If the seller (first purchaser) knows that the resident buyer will clear the goods pursuant to import law, no report is required.
- With warehouse transactions, goods purchased in merchant trading are initially stored in a warehouse abroad. They are then resold to non-residents at a later date.

II Reporting merchanting transactions

Merchanting reports must always contain the following information.

- **Purpose of payment** ("Tr" (merchanting), "gebr. Tr" (indirect merchanting) or "Kauf auf Lager Ausland" (purchase for warehouse abroad))
- **Designation of goods**
- **Two-digit chapter number** of international trade classification statistics
- **Country of purchase** and/or **country of buyer**

The following points should be considered when specifying countries.

- The country of purchase is the country in which the non-resident seller of the goods is resident.
- The country of buyer is the country in which the non-resident buyer of the goods is resident.

One of the following codes must be specified in reports.

	Code	Party required to report
Direct merchandising	001	The resident merchant trader must report the purchase price paid as an <u>outgoing</u> payment and the received or expected sales as an <u>incoming</u> payment marked with "Tr" on the form Annex Z 4 to the AWV.
		To rule out errors, incoming and outgoing payments should be entered in separate lines on form Z 4. If the purchase price is paid in instalments, the total proceeds from the resale of the goods must be reported upon payment of the first instalment. The other outgoing part payments should be entered under incoming as "bereits gemeldet am ..." (already reported on ...).
Indirect merchandising	002	The resident first buyer must report the purchase price paid as an <u>outgoing</u> payment marked with "gebr. Tr" and specify the name and address of the subsequent resident purchaser on form Z 4.
	002	The resident subsequent buyer reports the received sales proceeds upon subsequent resale of the goods to non-residents as an <u>incoming</u> payment marked with "gebr. Tr" and specifies the name and address of the resident previous purchaser on form Z 4.
	002	Provided the goods obtain import clearance via the first buyer or a resident subsequent buyer, the resident first purchaser must report a "Stornierung im Transithandel" (cancellation of merchandising) on form Z 4 (see item IV).
Warehouse transactions	003	The resident merchant trader reports the purchase price paid as an <u>outgoing</u> payment marked with "Kauf auf Lager Ausland".
	003	Upon subsequent resale to non-residents, the received sales proceeds must be reported as an <u>incoming</u> payment marked with "Verkauf aus Lager Ausland" (sale ex-warehouse abroad).
	003	If the goods in storage have obtained import clearance and thus enter the economic territory, a report on "Stornierung im Transithandel" pursuant to section 66 (2 and 3) of the AWV must be submitted (see item IV).
	Code	
Incidental costs incurred and their reimbursement in connection with merchandising	250	Incidental costs include freight, insurance premiums, VAT, commissions, cash discounts, warranties, payments due to liability, cost-of-living premiums and other incidental payments.

III Payments via paperless exchange of data media procedure (DTAZV)

Reporting **direct merchanting transactions**:

Merchants giving payment orders to their bank via the paperless exchange of data media procedure (DTAZV) and request them to forward the reports on the Z 1 form. The form must show the outgoing payment alongside the expected sales proceeds. In that case, no Z 4 form needs to be completed.

Reporting **indirect merchanting transactions** or **warehouse transactions**:

If payments are recorded using the paperless Z 1 report, the received sales proceeds are reported as incoming payments in Annex Z 4 to the AWV (see above "indirect merchanting" and "warehouse transactions").

IV Cancellation of merchanting

If merchanting transactions are cancelled, form Z 4 must be submitted by the resident who submitted the report on the outgoing merchanting payment.

The report must contain the following information in addition to the note "cancellation of merchanting transaction".

- Month of payment
- Designation of goods and two-digit chapter number of the list of goods for foreign trade statistics
- Country of purchase
- Amount reported preceded by a minus sign (in the case of a partial reclassification, only the amount accounted for by the part of the goods that is being imported).

V Notes

If goods originally intended for import, for which no report is required, are reclassified as a merchanting transaction, the corresponding transaction type must be entered under the current transaction month on form Z 4. If the merchanting transaction involves the buying and reselling of various types of goods, the partial amounts to be assigned to each chapter number must be specified in the reports. If a precise breakdown is not possible, partial amounts can be estimated.

VI Reporting commodity forward transactions as financial derivatives (no physical delivery)

Payments on exchange-traded futures and commodity options as well as payments on OTC commodity derivatives, such as premiums, marginal payments and variation margins, should be reported as financial derivative transactions. Commodity forward contracts in which goods are not delivered upon maturity or exercise of the contract must be reported under the relevant code for financial derivatives.

Commodity forward transactions – not reported under merchandising		
General information on commodity forward contracts		Form Z 10 is used to report derivative transactions. Detailed information on country allocation and how to determine the payments to be reported can be found in the "Explanatory notes on the coding list for the balance of payments statistics – section III Financial derivatives".
Commodity futures		
	Code	
Types of contract	882	Exchange-traded commodity forward contracts on foreign futures exchanges The payments subject to reporting requirements are either the respective variation margins or the final exchange profit or loss upon closure of the position.
	842	Exchange-traded commodity forward contracts on domestic futures exchanges The payments subject to reporting requirements are either the respective variation margins or the final exchange profit or loss upon closure of the position.
	883	OTC commodity futures contracts For marginal payments for OTC commodity futures contracts, code 883 and country of the non-resident counterparty should be specified.
		<u>Margin payments on commodity forward purchases and sales</u> which are concluded as hedging transactions and made freely available again upon closure of the positions should be considered short-term investments and are <u>not</u> subject to reporting requirements pursuant to the exemption in section 59 (2) no 3 of the AWV.
Commodity options		
	Code	
Types of contract	821	Option contracts on foreign futures exchanges Premium and marginal payments between German and foreign counterparties resulting from options settled by a foreign clearing house (CCP) of a futures exchange.

Commodity options		
	Code	
Types of contract	831	Option contracts on domestic futures exchanges Premium and marginal payments between German and foreign counterparties resulting from options settled by the domestic clearing house of a futures exchange.
	820	OTC commodity options, foreign option writers Payments for option premiums or marginal payments paid and received must be reported and the country of domicile of the foreign option writer specified.
	830	OTC commodity options, domestic option writers Option premiums and marginal payments paid and received in connection with OTC transactions between domestic option writers and foreigners must be reported and the country of domicile of the foreign counterparty specified.
Wash-out and circle transactions		
<p>These are special commodity forward transactions where reciprocal claims between two or more parties arising from matured forward contracts for goods of the same type and quantity are offset completely against each other without goods actually being delivered. The market price differential resulting from such transactions must be reported under "commodity futures" or "commodity options" depending on the type of underlying contract.</p>		

VII Reporting commodity forward transactions as merchanting transactions involving physical delivery

Upon physical delivery (settlement) of commodity forward transactions, the following should be noted. Payments on deliveries, the contractual terms of which require goods to enter foreign territories, should be considered export revenue. They are not subject to reporting requirements (section 59 (2) no 2 of the AWW). This also applies to payments (charged for imported goods) in connection with which goods are delivered from foreign economic territories to the economic territory.

Payments for deliveries, the contractual terms of which require goods located abroad to be delivered or received, must be reported as merchanting purchases or sales.

Commodity forward transactions – reporting of merchanting upon delivery	
Definition of merchanting transactions	Transactions in which residents purchase goods from non-residents (eg on a foreign or domestic exchange) on a forward date or sell goods to non-residents on a forward date and, upon maturity of the contracts, goods located abroad are delivered or received.

Commodity forward transactions – reporting of merchanting upon delivery

Definition of merchanting transactions

Depending on whether, in connection with forward purchases, the goods are then sold to non-residents or initially to residents or stored abroad, the contracts should be treated on maturity as

- direct transactions
- indirect transactions
- warehouse transactions

The same applies to forward sales in which goods are purchased by non-residents or residents or taken out of storage abroad.

The notes on pages one to three of this notice apply to these transactions.

String or series transactions

These are a special case of commodity forward purchases and sales where goods are bought forward and then resold to a series of subsequent buyers. Since goods are actually delivered when the contracts mature, these transactions are to be reported as merchanting transactions if the transactions are related to goods located abroad that will remain there. String and series transactions are characterised by the fact that, when the contracts mature, it is not the agreed purchase and selling prices between the individual buyers and sellers of goods which have to be paid out but residual balances which arise from the multilateral offsetting of the claims of the parties to the series transactions among themselves. Each resident party to a string and series transaction who purchases the goods from a non-resident or sells them to a non-resident must report as incoming and outgoing payments in merchanting trade in accordance with section 59 of the AWW the buying and selling prices originally agreed and not the residual balances paid out. To avoid double counting, it is important to note that the residual balances to be paid out are not to be reported.

VIII Special cases

The external transactions in goods described below differ from the usual merchanting transactions in that the goods purchased in foreign economic territories are not the object of a special resale contract between the merchant and the non-resident buyer.

This is the case when *inter alia* they

- a) are delivered together with other goods (export goods) or services (construction and assembly work)
- b) are not sold (eg deliveries in connection with payments of indemnification and guaranteeing)
- c) are contributed to a non-resident business enterprise for the purpose of capital investment (non-cash capital contribution)

Transactions of this type are to be reported as follows.

Reported under merchanting	001	<p>Deliveries of goods purchased for export goods from foreign economic territories</p> <p>These transactions are to be treated as <u>direct merchanting transactions</u>, ie the price of the delivery to be paid by the non-resident buyer or, if it cannot yet be ascertained, the amount paid to the non-resident supplier is to be reported – at the same time as the outgoing payment – as an incoming payment.</p>
Not reported under merchanting	580	<p>Supplies from non-residents (machines, materials, etc) in connection with construction and assembly work and repairs by resident firms abroad</p> <p>Such payments come under code 580 (costs incurred by resident firms for machines, materials and wages and salaries for construction and assembly work and repairs in foreign economic territories). The equivalent of these supplies is reflected under receipts for construction and assembly work, which must be reported under code 570.</p>
	570	<p>Purchases of spare parts and the like in connection with indemnifications on export goods</p> <p>Since these are "incidental payments in merchandise transactions", such payments come under code 600 (activated guarantees on exports).</p>
	600	<p>Purchase of capital goods to be contributed as assets to non-resident subsidiaries, branches and permanent establishments</p> <p>The codes for capital transactions can be found in the "Explanatory notes on the coding list for the balance of payments statistics – section I Investments of residents in foreign economic territories".</p>

Contacts

Further information may be obtained from the Service Centre 'Außenwirtschaftsstatistik', 55148 Mainz, Germany, as well as from the Deutsche Bundesbank, Balance of Payments Statistics Division, Postfach 30 09, 55020 Mainz, Germany.

Information: ☎ (0800) 1234 111 (freephone when calling from within Germany)

Internet: www.bundesbank.de

Newsletter (in German): registration on the website under "Meldewesen → Newsletter"

(Kategorie: Außenwirtschaft)