

Notice Merchanting

Payments relating to external transactions

Summary of the most important changes

- No distinction now between direct merchanting and warehouse transactions.
- Indirect merchanting is to be reported according to the rules for other goods transactions.
- Incidental costs are to be reported as service transactions using the appropriate codes.
- Gold trading is generally to be reported according to the rules for other goods transactions.

I General information

In accordance with the Foreign Trade and Payments Regulation (*Aussenwirtschaftsverordnung*), transactions are classified as to be merchanting when residents purchase goods located abroad from foreign sellers, and then sell these goods on to foreign buyers without the goods having entered Germany. This also generally includes physical delivery on forward commodities contracts.

Transactions in which goods are introduced into Germany by **foreign sellers** without import clearance and placed in a **bonded warehouse, free warehouse or free zone**, prior to the goods being sold, are **not** classified as merchanting. These transactions are to be reported as other trade in goods using code 997 on Annex Z4.

If the goods are introduced into Germany by a **domestic party** without import clearance and placed in a **bonded warehouse, free warehouse or free zone**, and then sold on to a foreign party, these transactions are not to be reported as merchanting transactions. For the purposes of the balance of payment statistics, these transactions are treated as the import and export of goods, and are recorded in the foreign trade statistics.

Merchanting transactions are to be reported in accordance with sections 67, 68 and 71 to 72 of the Foreign Trade and Payments Regulation.

II. Reporting of merchanting transactions

Annex **Z4 (merchanting transactions)** to the Foreign Trade and Payments Regulation is to be used for reporting.

Merchanting reports must always contain the following information:

- **code 003,**
- **purpose of the payment,**
- **designation of goods,**
- **two-digit chapter number** from the list of goods for the foreign trade 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 foreign seller of the goods is resident.
- The country of buyer is the country in which the foreign buyer of the goods is resident.

Example 1: Direct merchanting

A domestic party purchases goods from a foreign party and immediately sells the goods on to a foreign party without the goods entering Germany.

The **domestic merchant** must report the purchase price paid as an outgoing payment and the sales proceeds received as an incoming payment using code **003** on Annex Z4 to the Foreign Trade and Payments Regulation.

Example 2: Warehouse transactions

A domestic party has goods produced abroad and warehouses them outside Germany. In the course of time, the goods are sold to non-residents.

The **domestic merchant** reports the purchase price paid as an outgoing payment using code **003** on Annex Z4 to the Foreign Trade and Payments Regulation, with the note "*Kauf auf Lager Ausland*" ("purchase for warehouse abroad").

Upon subsequent onward sale to non-residents, the sales proceeds received must be reported as an incoming payment using code **003** on Annex Z4 to the Foreign Trade and Payments Regulation, with the note "*Verkauf aus Lager Ausland*" ("sale ex-warehouse abroad").

If import clearance is obtained for the goods in storage and they are thus introduced into Germany, a "Cancellation in merchanting" report pursuant to section 68 (2) of the Foreign Trade and Payments Regulation must be submitted (see section IV below).

The costs for storage are to be reported on Annex Z4 to the Foreign Trade and Payments Regulation using code 594.

Example 3: Indirect merchandising

A domestic party purchases goods from a foreign party and sells them on to a domestic party before the latter sells the goods on to a foreign party, without the goods entering Germany.

Indirect merchandising does **not** constitute **merchandising** in the actual sense and therefore needs to be reported according to the rules for other trade in goods . The **domestic merchant** reports the purchase price paid as an outgoing payment using code **997** on Annex Z4 to the Foreign Trade and Payments Regulation. Further information may be found on the notice "Other trade in goods ".

Example 4: Gold trading

A domestic buyer purchases gold from a foreign party and sells it on to a foreign party without the goods entering Germany.

Gold trading does **not** generally constitute **merchandising**, but is to be reported according to the rules for "other goods transactions". The **domestic merchant** must report the purchase price paid as an outgoing payment and the sales proceeds received as an incoming payment using code **989** on Annex Z4 to the Foreign Trade and Payments Regulation.

III Cancellation in merchandising

The report must contain the following information in addition to the note "Cancellation in merchandising":

- month of payment,
- designation of goods and two-digit chapter number from the list of goods for the 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).

IV Further information

If an original intention to import goods, for which no report is required, becomes a merchandising transaction, the corresponding transaction type must be entered under the current transaction month on Annex Z4. If a merchandising transaction involves the purchase and resale of different 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 may be estimated.

Whilst the goods are in the possession of the domestic party, minor changes may be made. Minor changes do not result in a change in the chapter number in foreign trade. If more major changes are made which result in a change in the chapter number in foreign trade, then contract production is involved. For further information, please see the information sheet on **contract production**.

Information on the foreign trade and payments system

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)
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