Saudi Arabia: Increase in customs duty rates announced by Saudi Customs

May 2020

Insights
Tax and Legal Services
PwC Middle East

In brief

The Government of the Kingdom of Saudi Arabia ('KSA') has announced an increase in the customs duty rates for an extensive range of goods, including foodstuff, mineral and chemical products, plastic, rubber, leather goods, textile and footwear, base metals (e.g. steel, iron, nickel, copper, aluminium), cement, ceramic, machinery, equipment and electrical equipment, toys, furniture, vehicles and various other manufactured goods. The measure affects a total of 57 Chapters and more than 2,000 Tariff Lines of the KSA Integrated Customs Tariff. The announced increase in customs duty rates would be applicable from June 10, 2020 onwards.

In detail

Proposed changes to the KSA Integrated Customs Tariff

The Government of KSA has decided to increase the customs duty rates for an extensive range of goods. A total of 57 Chapters and more than 2,000 Tariff Lines of the KSA Integrated Customs Tariff are expected to be affected. The full list of products affected was recently published on the Saudi Customs website and can be accessed through this link (only the Arabic version is currently available): HS codes subject to increased duty rates

For ease of reference, we have listed the main categories of goods that will be subject to higher customs duties, starting June 10, 2020, below:

- Foodstuff
- Mineral products
- Chemical products
- Plastic products
- Rubber products
- Leather products
- Textile
- Footwear
- Base metals, e.g. steel, iron, aluminium, etc.
- Cement
- Ceramic
- Machinery, equipment, electrical equipment
- Toys
- Furniture
- Vehicles
- Other various types of manufactured goods

What can I do to minimise the impact on my business?

The changing trade landscape has become a constant source of uncertainty for companies. More importantly, tariffs impact all aspects of an organization and have a direct impact on profitability. In managing these uncertain times, businesses are expected to understand the tariffs impact on profitability today and the impact that tariffs may have on profitability in the future.

As the customs duty rates have been increased to levels reaching 10%, 15% and 20% in many of the above listed cases, it is critical for businesses importing goods in KSA to consider the possibility of reviewing their customs and international trade policies to ensure efficient duty management.

Some of the options that importers can consider, in accordance with the applicable customs rules and regulations in KSA, may include:

- Exploring alternative sourcing, focusing on the KSA local market and Free Trade Agreement ('FTA') partners, such as the GCC and other Arab countries, Singapore, Switzerland, Norway, etc.
- Considering applying for, or extending the customs duty exemption for industrial activities
- Exploring the use of the growing number of bonded warehouses and bonded zones across the KSA to store goods under duty suspension, i.e. deferring the payment of goods intended for the local market, and avoiding the payment of duties for goods to be re-exported from KSA
- Evaluating the use of the temporary admission relief for goods imported for a limited period of time
- Considering the review of the customs valuation policy, unbundling non-dutiable costs
- Considering the review of the tariff classification policy, focusing on streamlining the use of tariff lines
- Reviewing the contractual terms with suppliers and logistics service providers to minimise the supply chain costs associated to the imports in KSA
- Discussing the changes with customs brokers and third party logistics service providers to ensure compliance and avoid potential fines
- Evaluating the potential impact that the increased duty rates have on the VAT, Transfer Pricing and Corporate Tax/Zakat positions of businesses operating in KSA

It is also important to consider the use of digital automated trade solutions (many of which may exist in native ERP environments or can be added with additional software packages).These solutions can automate and standardize import and export processes across business units, manage customs data in a central location as well as enabling local, regional and global reporting dashboards. This helps reduce risk and provides an extra layer of control surrounding interactions with government agencies. These type of solutions also help organizations manage trade uncertainties by providing real time visibility to customs data that can be used to accurately set prices and provide support in managing profitability and ensuring compliance.

Next steps to consider

The announced increase in customs duty rates as of June 10, 2020 requires that importers in KSA start to consider the necessary changes required to manage the impact on their operations, and comply with the legal requirements in terms of declaring and paying the right amount of customs duty to Saudi Customs. It is also recommended that importers consider the appropriateness of reviewing their customs and international trade policies to address the impact of the new customs duty rates in KSA in an efficient manner.

Let’s talk

For a deeper discussion of how this issue might affect your business, please contact one of the KSA partners below:

Mohammed Yaghmour
Zakat and Tax Leader - KSA & Egypt
+966 56 704 9675
mohammed.yaghmour@pwc.com

Jeanine Daou
Middle East Indirect Tax Leader
+971 (0) 56 682 0682
jeanine.daou@pwc.com

Dr. Yaseen AbuAlkheer
Partner, Zakat and Tax | Jeddah
+966 54 425 0540
yaseen.abualkheer@pwc.com

Fehmi Mounla
Partner, Zakat and Tax | Jeddah
+966 2 610 4400
fehmi.mounla@pwc.com

Mohammad Amawi
Partner, Zakat and Tax | Jeddah
+966 2 610 4400
mohammad.h.amawi@pwc.com

Suleman Mulla
Partner, International Tax | Jeddah
+966 54 122 8051
suleman.mulla@pwc.com

Carlos Garcia
Middle East Customs and International Trade Leader
+971 56 682 0642
c.garcia@pwc.com

Mohammed Al-Obaidi
Partner, Zakat and Tax | Riyadh
+966 11 211 0236
mohammed.alobaidi@pwc.com

Fayez Al Debs
Partner, Zakat and Tax | Riyadh
+966 11 211 0400
fayez.aldebs@pwc.com

Soudki Zawaydeh
Partner, Tax | Riyadh
+966 11 211 0400
soudki.zawaydeh@pwc.com

Chadi Abou Chakra
Partner, Indirect Tax | Riyadh
+966 56 068 0291
Chadi.Abou-Chakra@pwc.com

Mohammad Harby
Partner, Zakat and Tax | Riyadh
+966 56 907 2618
mohamed.harby@pwc.com

Ebrahim Karolia
Partner, Tax | Riyadh
+966 56 890 3663
karolia.ebrahim@pwc.com

Ahmed Abdelmaksoud
Senior Manager – KSA Customs and International Trade
+966 56 677 1358
ahmed.abdelmaksoud@pwc.com

Mugahid Hussein
Partner, Zakat and Tax | Khobar
+966 54 425 6573
mugahid.hussein@pwc.com

Wael Osman
Partner, Zakat and Tax | Khobar
+966 56 699 4653
wael.osman@pwc.com

Jay Riche
Middle East Tax and Legal Digital Lead
+971 56 385 4717
jay.riche@pwc.com