

## ***KSA Customs Alert***

### ***KSA Customs Authority introduces the Compliance Gate programme (Authorised Economic Operator)***

*July 2015*

#### ***In brief***

Following the efforts made by the World Customs Organisation (“WCO”) and its members to harmonise and facilitate trade in a safe environment across the globe, the Customs Authority of the Kingdom of Saudi Arabia (“KSA Customs”) has introduced the Compliance Gate programme, also known as the Authorised Economic Operator (“AEO”) programme, in an attempt to increase the voluntary compliance with the customs rules and regulations to enhance the security of the international supply chain. AEO certified businesses are expected to enjoy a number of customs advantages in KSA, including faster release of goods at the borders.

#### ***In detail***

The launch of the AEO in KSA was preceded by a workshop conducted by the WCO to the KSA Customs from 23 to 25 March 2015 concerning the preparation and implementation of the SAFE Framework of Standards to Secure and Facilitate Global Trade (SAFE Framework). The AEO programme, as part of the SAFE Framework, aims at enhancing the security in the international supply chain.

Following the release of its new website by end of April 2015, the KSA Customs announced the introduction of the AEO programme to achieve its main objective of ‘*expediting the release of allowed goods and preventing entry and exit of prohibited and restricted goods*’, while promoting the cooperation between private businesses and the public sector, developing the KSA national economy, encouraging investments, and above all ensuring the security and safety of supply chains.

The AEO programme requires businesses to comply with the applicable customs rules and

regulations in return for being granted certain customs advantages and facilities.

The introduction of the AEO programme is a step forward for KSA towards applying the WCO’s SAFE Framework, securing customs revenues and ensuring the security in the international supply chain. KSA will join other major trade partners such as the European Union or United States, who already apply similar programmes.

#### ***Who can benefit?***

All parties in the international supply chain who interact with the KSA Customs may apply for and benefit from the facilities granted under the AEO programme. However, based on our discussions with the KSA Customs, we understand that the programme at its initial stage will be limited to importers and exporters engaged in significant international trade activities. The programme would be gradually opened to customs clearing agents, freight forwarders, shipping lines, and other agents involved in the supply chain.

#### ***Who can apply?***

The guidelines detailing the application of the AEO programme are still under development. Additionally, the KSA Customs may carry out a pilot project involving the business community prior to officially offering the programme to all stakeholders. This has not been confirmed yet.

The KSA Customs sets out certain conditions and criteria an importer/exporter must meet in order to be able to apply for the AEO programme.

Among other conditions, an importer/exporter must have been performing import and export activities for the past two years prior to applying for the programme. In addition, the importer/exporter must meet at least one of the three following conditions:

- a) Value of imports or exports of not less than SAR 50m per year, or
- b) Customs duties paid of not less than SAR 5m per year, or
- c) Processing of minimum 1,000 customs declarations per year.

## **Application procedure AEO benefits**

The AEO application process would consist of two main steps: 1) initial application request, where the KSA Customs reviews the application provisionally and issues an eligibility approval or rejection letter; 2) if the application is provisionally approved, an AEO application according to the KSA Customs specified template will need to be completed and submitted. The application will be subject to a subsequent review process and approval.

At this stage it is unclear what information is required for each step of the AEO application process and what information should be gathered and prepared for the purpose of the AEO programme in KSA. We anticipate that based on the WCO requirements, businesses would need to comply with the customs regulations (including historical records), maintain a satisfactory system for management of commercial activities (including a capable IT system in accordance with the size and nature of the business activities), financial viability and adequate security (cargo, conveyance, personnel, premises, trading partners, etc.).

The applicant would also be required to show evidence to the KSA Customs of the availability and the implementation of an automated documentation and archiving system of its customs related transactions.

The KSA Customs provides for three categories of AEO benefits.

### **Category 1**

This category grants the applicant the following benefits:

- Release of shipments following reduced inspection procedures and time required to clear the goods
- Priority in obtaining customs facilities
- Provision of latest customs procedures and updates
- Assignment of a customs service liaison officer

### **Category 2**

Category 2 includes the benefits granted in Category 1 plus the following:

- Possibility to finalise clearance formalities prior to the shipment's arrival
- Additional emergency customs facilities, for example finalising clearance procedures after duty time
- "In-kind" benefits such as thanking letters and the like

### **Category 3**

Category 3 includes the benefits granted in Category 1 and 2 plus the following:

- Including the AEO applicant in the mutual recognition lists with countries applying the AEO programme
- Preferential customs treatment and procedural facilitation through ports of other countries that signed AEO

mutual recognition agreement with KSA

- Obtaining customs advice related to customs matters upon request

Although the KSA Customs has identified separate benefits for each category, it is unclear at this stage what are the conditions and criteria an applicant must meet in order to benefit from any of the categories.

## **Take away**

The AEO programme is expected to bring considerable benefits to importers and exporters that would contribute both to the enhancement of their supply chains' security and to the facilitation of their customs transactions within KSA, including faster clearing processes and streamlined customs inspection procedures. The AEO programme is expected to benefit both the KSA Customs and importers and exporters in the Kingdom, saving costs and efforts for both the public and the private sectors.

The KSA Customs has not confirmed the exact official launching date, as we understand that the local AEO regulations and requirements are still being developed. We recommend importers and exporters in KSA to initiate internal discussions to start preparing ahead of the introduction of the AEO programme likely to happen in the coming months.

***Let's talk***

For any questions or clarifications on how this topic may affect your business, please do not hesitate to contact us.

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