

KSA Customs Alert

Full implementation of the Integrated Customs Tariff

March 2016

In brief

The Saudi Arabia Customs Authorities (KSA Customs) have refined the customs classification system applicable in the Kingdom for all customs transactions. Four additional digits have been added to the eight digit codes set by the Unified Gulf Cooperation Council (GCC) Customs Tariff, creating a new system based on twelve digit codes.

This development is expected to facilitate the customs controls and duty collection in the Kingdom. Importers and exporters are urged to review the tariff classification of their products to make sure they comply with the new system, avoiding unnecessary delays in the clearance process at the borders.

In detail

After the successful execution of the pilot phase at the Riyadh dry port, the new Integrated Customs Tariff has been fully implemented within all Saudi borders as of 10 January 2016. KSA Customs have added four digits to the eight digit codes set by the Unified GCC Customs Tariff to classify goods for customs purposes. All importers and exporters in KSA are required to apply the new Integrated Customs Tariff in all their customs transactions, i.e. the Unified GCC Customs Tariff will no longer be valid to complete the tariff classification of goods for customs purposes.

Harmonized System and Unified GCC Customs Tariff

The Harmonized System (HS) is a multipurpose international product nomenclature developed by the World Customs Organization (WCO). It comprises about 5,000

commodity groups; each identified by a six digit code.

The HS is used by more than 200 countries and economies as a basis for their Customs tariffs and for the collection of international trade statistics. Over 98% of the merchandise in international trade is classified in terms of the HS.

As members of the WCO, the GCC countries have agreed to use a common system based on the HS: the Unified GCC Customs Tariff, which sets eight digit codes to classify goods for customs purposes (the first six digits correspond to the HS).

KSA Customs Initiative

As a member of the GCC, KSA Customs applied the Unified GCC Customs Tariff. Importers and exporters in KSA were required to identify their goods using an eight digit code as applicable to each category of goods.

As a result of the continuous industrial and technological development, changes in trade patterns, and other local considerations, KSA Customs have ruled that the Unified GCC Customs Tariff is no longer adequate to classify and differentiate the range of products that are traded today.

To overcome those impediments, KSA Customs initiated the development of a new Customs tariff in April 2012, obtaining feedback and technical information from several customs departments and the private sector.

The new system consists of 12 digit codes compared to the eight digit codes of the current Unified GCC Customs Tariff. With the application of the Integrated Customs Tariff, KSA Customs have refined the tariff classification in the Kingdom, allowing a more accurate and detailed classification for the hundreds of thousands of

different goods imported to and exported from KSA.

Integrated Customs Tariff objectives

KSA Customs expect the new system to:

- Facilitate the collection, analysis and comparison of international trade statistics based on international standards.
- Enhance the inspection of goods and collection of customs duties (it is to note that KSA applies additional customs duty rates to a significant number of tariff lines in addition to the unified GCC standard duty rate of 5%).
- Facilitate the identification of restricted and prohibited items entering the Kingdom.

- Facilitate the identification of goods subject to the various Saudi Standards, Metrology and Quality Organization (SASO) requirements as applicable to the goods imported into the Kingdom.
- Reduce the risk for importers, exporters and customs brokers associated to the entry of invalid and wrong classification data in the customs declarations submitted to the KSA Customs.

The takeaway

A significant number of the HS codes used by importers and exporters in KSA will no longer be valid according to the new Integrated Tariff System.

A review of the current HS codes used for import/export purposes based on the new tariff is highly recommended to avoid any delays during the customs clearance process due to non-compliance with the new system.

Importers and exporters are additionally recommended to provide clear instructions to their customs agents to comply with the new system.

The use of incorrect HS codes may lead businesses to declare products for entry into the Kingdom without the applicable import permits or certificate of conformity; furthermore it may lead to the assessment of the wrong customs duty rates, underpaying or overpaying customs duties to KSA Customs.

Let's talk

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

PwC Middle East Customs & International Trade

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

Mohammed Yaghmour
Tax Leader, KSA
+966 50 569 8572
mohammed.yaghmour@sa.pwc.com

Carlos Garcia - Director
Middle East Customs & International Trade, UAE
+971 (0) 56 682 0642
c.garcia@ae.pwc.com

Suleman Mulla - Director
Tax, KSA
+966 54 122 8051
suleman.mulla@sa.pwc.com