# KSA Customs Alert

## *Higher customs duties for 193 products – immediate effect*

*January 2017*

## *In brief*

In April 2008, the Kingdom of Saudi Arabia (KSA) government introduced temporary tariff reductions on 193 tariff lines relating to certain products in KSA by removing/subsidising the "protection duties".

In January 2017, the government support for these selected group of products expired, resulting in customs duties returning back to those in place prior to the temporary introduction of the subsidized rates.

The products impacted by the increased customs duty rates include poultry, meat, dairy products, certain consumer products, fertilizers and chemicals, electrical hardware and cables and building materials.

Based on our informal discussions with Saudi Customs and our understanding of the current practice at the borders, the new customs duty rates are already being enforced, and importers are requested to pay the increased customs duty to clear the goods into KSA. Businesses are recommended to review their portfolio of products and evaluate the impact of the new rates on their supply chain.

## *In detail*

### *Historically*

In April 2008 the KSA government issued a Resolution to reduce the customs duty rates on 193 tariff lines corresponding to highly consumed products in KSA by removing/subsidising the "protection duties" previously levied on these products.

Although the above mentioned Resolution was intended to be applied for a limited period of time, its validity has been extended several times until now.

### *Implications of economic reforms*

Following the announcement of the KSA Annual Fiscal Budget for the year 2017 and in an effort to generate non-oil revenue and achieve fiscal balance by 2020, we understand that the KSA government has decided not to renew the subsidies which were previously applied.

### *Higher customs duties for 193 products*

Based on our informal discussions with Saudi Customs and the current Saudi Integrated Customs Tariff, the following groups of products are now subject to increased customs duty rates (it is useful to note that the products are the same as those listed in the above mentioned Resolution of April 2008):

- Food and Beverages (for instance, poultry and meat products, dairy products, pasta, juices, canned food). The customs duty rate for these products has increased from 5% to a range between 6% and 25%, depending on the product.
- Fertilizers (for instance, ammonium sulphate;

fertilizers, phosphate; fertilizers, potassic). The customs duty rate for these products has increased from 5% to 12%.

- Chemicals (for instance, prepared pigments, liquid lustres, varnish, dyes and other colouring matters). The customs duty rate for these products has increased from 5% to 20%.
- Consumer products (for instance, tissues, soaps, detergents, and health care products). The customs duty rate for these products has increased from 5% to a range between 10% and 20%, depending on the product.
- Building materials (for instance, gypsum, paints, plastic tubes, door accessories, electrical accessories, prebuilt buildings, electrical cables, and apparatus for electric control or the distribution of electricity such as bases, desks or panels). The customs duty rate for these products has increased from 5% to a range between 12% and 15%, depending on the product.

## *The takeaway*

The decision of the KSA government of not renewing the subsidies on 193 products has resulted in the cost of procuring the affected products to increase for importers in KSA.

This measure will not only impact upcoming shipments (some of them already at the border) but also and more importantly all future (whether already planned or not) imports of these products to KSA.

Businesses are recommended to assess the impact of this new measure on their supply chain. This includes engaging internally, and as appropriate with suppliers and customers to evaluate how the price of the products is affected; who is responsible for the payment of the increased duties; if the impact can be absorbed by the final consumer or not; or whether there are alternative territories to source the product that enjoy preferential access to the KSA market.

## *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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