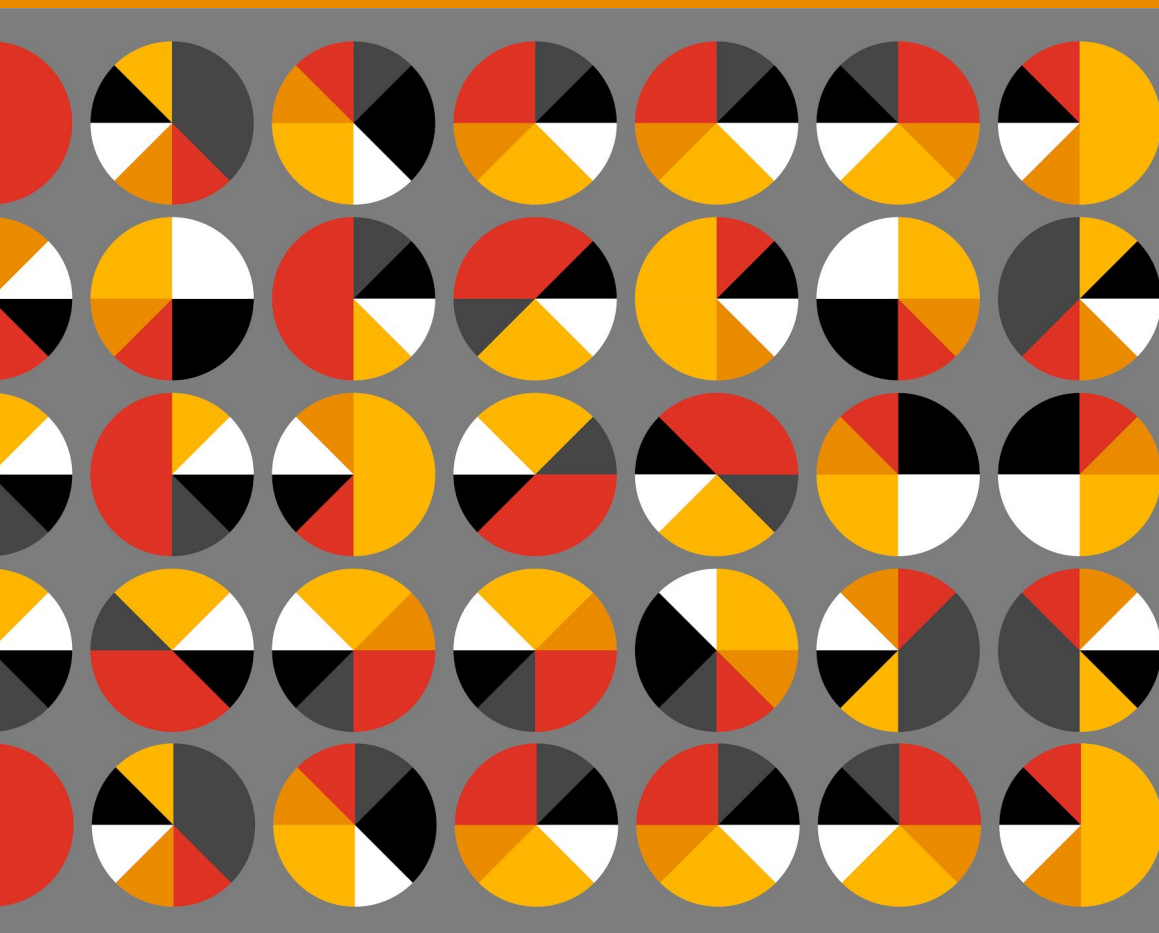


Egypt: The new Customs law no. 207 of 2020

November 2020



In brief

As a continuation to the Egyptian tax and customs reform journey and after being approved by the Parliament, the Egyptian Government published the new customs law number 207 for the year 2020 on 11 November. Consequently, the old customs law no. 66 for the year 1963 and the customs exemptions law no. 186 for the year 1986 have now been canceled.

Background:

As Egypt seeks to simplify and facilitate procedures and rules for trade and investment, the government has issued a package of new laws (such as the newly introduced unified tax procedures law) aiming to develop the tax regime.

One of the most recently published laws is the long awaited new customs law no 207 for the year 2020, incorporating and amending the rules, procedures and processes of the old customs law no. 66 for the year 1963, and the customs exemptions law no. 186 for the year 1986, into a law that simplify and streamlines customs procedures.

In detail

Key highlights of the new customs law are as follows

- Implementation of the single window system to facilitate the customs procedures
- Implementation of the pre-query system to address technical queries from businesses
- Subjecting the goods purchased through the e-commerce channels to the rules and requirements of E-commerce law
- Waiver of customs debts in certain cases specified by the law
- Introducing the risk management system in the implementation of the customs procedures
- Integrating the provisions of the Customs Exemptions Law into the new customs law
- Managing the temporary admission regime and tax refund through the customs authority only
- In the temporary admission regime, goods must be re-exported within a year and a half from the date of release, with the possibility of extending them for another period not exceeding one year
- The customs authority is obliged to monitor the intellectual property rights associated with the goods
- New fees to be paid for the services provided by the customs authority, not exceeding EGP 10,000
- Acceptance of temporary release for machinery, equipment and devices to be operated or rented inside the country and subject to a customs duty of 2% for each month or part thereof and up to a maximum of 20% per annual
- Toughening of the penalties for customs violations or customs smuggling

- The necessity of a distinctive mark (i.e. Pandrol) on cigarettes, cigars, tobacco, and alcoholic beverages that are already exempted from customs taxes
- The necessity to keep customs documents for five years to be presented upon request by the customs authority

The application of this law takes into consideration the provisions of the Investment Law and the Special Economic Zones Law, as well as the international agreements and exemptions established by other laws.

Customs benefits

- The customs duty due on machinery, equipment, devices and production lines imported to manufacturing projects may be paid in installments for a period not exceeding one year in exchange for an additional tax of 1.5% of the value of the unpaid customs tax for each month or part of it
- Collecting a customs duty of 5% from the value of machinery, equipment, devices and production lines, which is necessary for the establishment of projects in accordance with the Companies Law, as well as construction projects, hotel and tourism projects
- A customs duty of 5% of the value shall be levied on passenger cars which does not exceed EGP 400,000 and is intended for use in touristic transportation
- Refund of customs duties on raw materials imported under the drawback system in case of exportation, within a period not exceeding one and a half years (which was previously two years)
- Refund on customs duties and other taxes and duties relating to foreign goods that have been destroyed. This shall be in accordance with the rules stated within the executive regulations of the law
- Clarifications provided on the special customs regime, such as drawback, temporary admission, and special warehouses
- The refund of the guarantees shall be issued immediately upon the exportation of the goods under the temporary admission regime or the re-export of machinery and equipment under the temporary release regime
- Acceptance of financial / non-financial guarantees as an alternative to taxes and fees in the case of the temporary admission regime
- Exemption on the condition of reciprocity for luggage, personal tools, home furniture, vehicles of diplomatic bodies, and embassies
- Exemption on the personal baggage of travelers whether tourists, travellers in transit, or residents of the country upon arrival and departure

Customs violations

The below are considered customs violations and a fine of EGP 10,000 will be imposed in the following cases:

- If incorrect data is included in the customs declaration
- Not preserving the seals placed on parcels, containers, or transportation means
- Violating the established customs rules
- Failure to enable customs employees to carry out their duties in inspecting, requesting and examining documents

Customs Fines

Firstly, a fine equivalent to half of the customs duty value shall be imposed in the following cases:

- The unjustified decrease or increase in the imported goods
- Providing incorrect data of the value of the goods if the discrepancy exceeds 20% of the value
- An increase in the inventory of special customs regimes such as warehouses and duty free shops, if the goods are not listed in the records

Secondly, a fine equivalent to the value of the customs duty shall be imposed in the following cases:

- Providing wrong information about the type of goods or their origin
- Violating customs rules and procedures established in special customs regimes such as free zones, transit and warehouses

Customs smuggling cases

Smuggling is defined as the illegal entry of goods in the Egyptian customs territory, and the below actions are considered an act of smuggling:

1. Unloading goods in ports not equipped for them
2. The dissimulation of the goods
3. Providing false or fabricated documents or invoices
4. Unloading cargo from aircrafts outside airports equipped with customs offices
5. The possession of prohibited foreign goods
6. The utilization of the goods rejected by the regulatory authorities
7. Dealing with the property of goods released under a special customs regime without paying the prescribed taxes
8. The fake exportation of the goods
9. Manipulating samples of goods for the purpose of refunding the customs tax
10. Possession of cigarettes, cigars, tobacco and alcoholic beverages exempted from customs tax for the purpose of selling
11. Any other act which is intended to avoid the customs taxes due

Customs smuggling penalties

- The customs dealing number (i.e. customs registration) of the concerned party accused of smuggling goods will be suspended until a final judgment is issued in the case.
- In cases where goods are smuggled with the intention of trading, the penalty shall be imprisonment for a period of no less than three years and no more than five years, and/or a fine of no less than EGP 25,000 and not exceeding EGP 250,000 will be imposed. At least one of these two penalties will be applied, as well as an additional fine payable to the customs authority equivalent to double the customs duty rate due.
- If the goods related to the smuggling are prohibited or rejected items, the penalty shall be imprisonment for a period no less than two years and not exceeding five years, and there will be a compensation equivalent to double the value or double the tax due, whichever is greater, along with the confiscation of the goods.

The takeaway

The new Egyptian Customs Law has been issued to promote foreign investment and facilitate the international trade between Egypt and other countries, through facilitating and unifying customs release operations and processes, streamlining customs procedures, as well as improving the customs tax refund process, which shall contribute to increasing the exports of Egyptian goods to international markets.

Additionally, the new Customs Law has clarified the penalties on violators and smugglers, and introduces a revised post clearance audit process aimed at controlling the import and export activity in an efficient manner, promoting faster release of goods at the borders, and protecting the country.

We recommend that importers and exporters in Egypt ensure adherence to the new Customs Law and to review their customs procedures to manage their customs duty liability in a compliant and efficient manner.

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Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

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