

Egypt: New Customs Regulations Minister of Finance Decree No. 430 of 2021

September 2021



In brief

In a continued effort to reform the Egyptian tax and customs regime in Egypt, to promote international trade and investment, the Minister of Finance has recently published on 31 August the new Customs Regulations, which introduce significant changes in the existing customs rules and practices in the country.

Background

Further to the introduction of the new Customs Law No. (207) of 2020 and the Minister of Finance Decree No. (38) of 2021 regulating the Advance Cargo Information (“ACI”), the (new) Customs Regulations to the Customs Law No. (207) of 2020 were published on 31 August via the Minister of Finance Decree (430) of 2021.

The new Customs Regulations develop the provisions of the Customs Law, including the procedures recently introduced by the Egyptian Customs Authority to simplify and facilitate international trade and investment in Egypt.

Some of the key developments include:

- 1) The accreditation of the Approved Economic Operator (“AEO”) system, which is expected to further expedite the clearance of shipments and reduce the physical inspection for AEO importers.
- 2) The ACI system (Advanced Cargo Information), which provides business automation services to handle imported goods prior to their arrival at Egyptian ports.
- 3) The introduction of a unified set of rules that includes the procedures of the customs and exemption laws in one single streamlined regulation.
- 4) The introduction of e-signature for customs transactions with the accreditation of all electronic secured methods in transferring and receiving documents and data.

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In Detail

Key points of the Customs Regulation

- Implementation of the “Nafeza Single Window” system
- Implementation of the pre-arrival registration system for inbound goods (“ACI”)
- Implementation of the pre-arrival clearance system
- Implementation of the pre-query customs system to address technical queries from businesses before importation of the goods.
- Introduction of specific procedures for e-commerce shipments
- Waiver of customs debts in certain cases (e.g. death, bankruptcy) as specified in the Customs Regulations
- Identify specific procedures for the risk management system during the implementation of customs procedures in case of importation
- Introduction of a cap of EGP 10,000 for each of the customs services provided by the Egyptian Customs Authority
- Management of the temporary admission regime and its tax refund process solely through the Customs Authority
- In the temporary admission regime, the re-exportation of goods within a year and a half of the date of release, with the possibility of extending an additional period not exceeding one year
- Establishment of an Intellectual Property Rights (IPR) department at the Customs Authority
- Introduction of a 10% increase of fees for the services provided by the Customs Authority every three years
- Acceptance of temporary release for the 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 year
- Mandatory presence of a distinctive mark (i.e. Pandrol) on cigarettes, cigars, tobacco, and alcoholic beverages that are already exempted from customs taxes
- Obligation to maintain the customs documents for five years to be presented upon request by the Customs Authority

Customs benefits

- Unified customs rules on dry ports
- Installment of customs tax due on machines, equipment, devices and production lines for production projects with a maximum of six months for existing projects and one year for projects under construction
- The collection of a customs duty of 2% of the value of machinery, equipment, devices and production lines, which is necessary for the establishment or expansion of projects in accordance with the provisions of the law regulating investment guarantees and incentives, as well as construction, hotel and tourism projects
- A customs duty of 5% levied on passenger cars being used for the purpose of touristic transportation which does not exceed EGP 400,000
- Refund of custom duties on raw material imported under the drawback system in case of exportation, within a period that does not exceed a year and a half
- A refund on the custom duties and other taxes and duties for foreign goods that have been executed
- A refund of the guarantees issued immediately upon the export of the goods under the temporary admission regime or the re-export of machinery and equipment for the temporary release regime
- The variety of special customs regimes such as the drawback regime, temporary admission regime, temporary release, and warehouses
- 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 of the personal baggage of travelers from tourists, transients, and residents of the country upon arrival and departure

Customs violations

The following shall be considered a customs violation and a fine of ten thousand pounds will be imposed:

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

Customs Fines

- 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 about the value of the goods if a deficiency exceeds 20% of the value
- 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
 - Violation of customs rules and procedures established in special customs regulations such as free zones, transit and warehouses
 - The increase in the inventory in private customs regimes such as warehouses and duty free shops, and not listed in the records

Customs Smuggling

Smuggling is the illegal entry of goods in Egypt. The following actions shall be considered an act of smuggling:

- Unloading the goods in ports not equipped for it
- Hiding of goods
- Providing false or fabricated documents or invoices
- Unloading cargo from aircrafts outside the airports equipped with customs offices.
- Possession of prohibited foreign goods
- Utilization of the rejected goods
- Dealing with the property in goods released under a special customs regime without paying the prescribed taxes
- The exportation of fake goods
- Manipulating samples of goods for the purpose of refunding the customs tax
- Possession of cigarettes, cigars, smoke and alcoholic beverages exempt from customs tax for the purpose of selling
- Any other act with meant to avoid the customs taxes due



Customs Smuggling Penalties

- In cases where a person is accused of smuggling goods, customs dealings are suspended until a final judgment is rendered in that case.
- When smuggling with the intention of trading, the penalty shall be imprisonment for a period of no less than two years and not exceeding five years, and a fine of no less than EGP 25,000 and not exceeding EGP 250,000 or one of these two penalties. In addition, a compensation equivalent to double the due customs duty.
- If the goods are prohibited or rejected items, the penalty shall be imprisonment for a period no less than two years and not exceeding five years, and a compensation equivalent to double the value or double the tax due, whichever is greater, along with confiscation of the goods.

The takeaway

The (new) Customs Regulations are introduced to further develop the provisions of the Customs Law No. (207) of 2020, and are expected to ease the customs activities in the country, promote international trade with Egypt's trade partners and unify the customs release and clearance processes across the country. Business established in Egypt are expected to benefit from the new provisions, including easier access to refunds for exporting businesses and a streamlined, digitally enabled import/export procedures.

Additionally, it is important to bear in mind that the Customs Regulations impose a comprehensive penalty regime on customs violations and customs smuggling cases, and reinforce the post clearance audit process aimed at ensuring that businesses importing and exporting in Egypt comply with the existing customs rules and regulations.

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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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