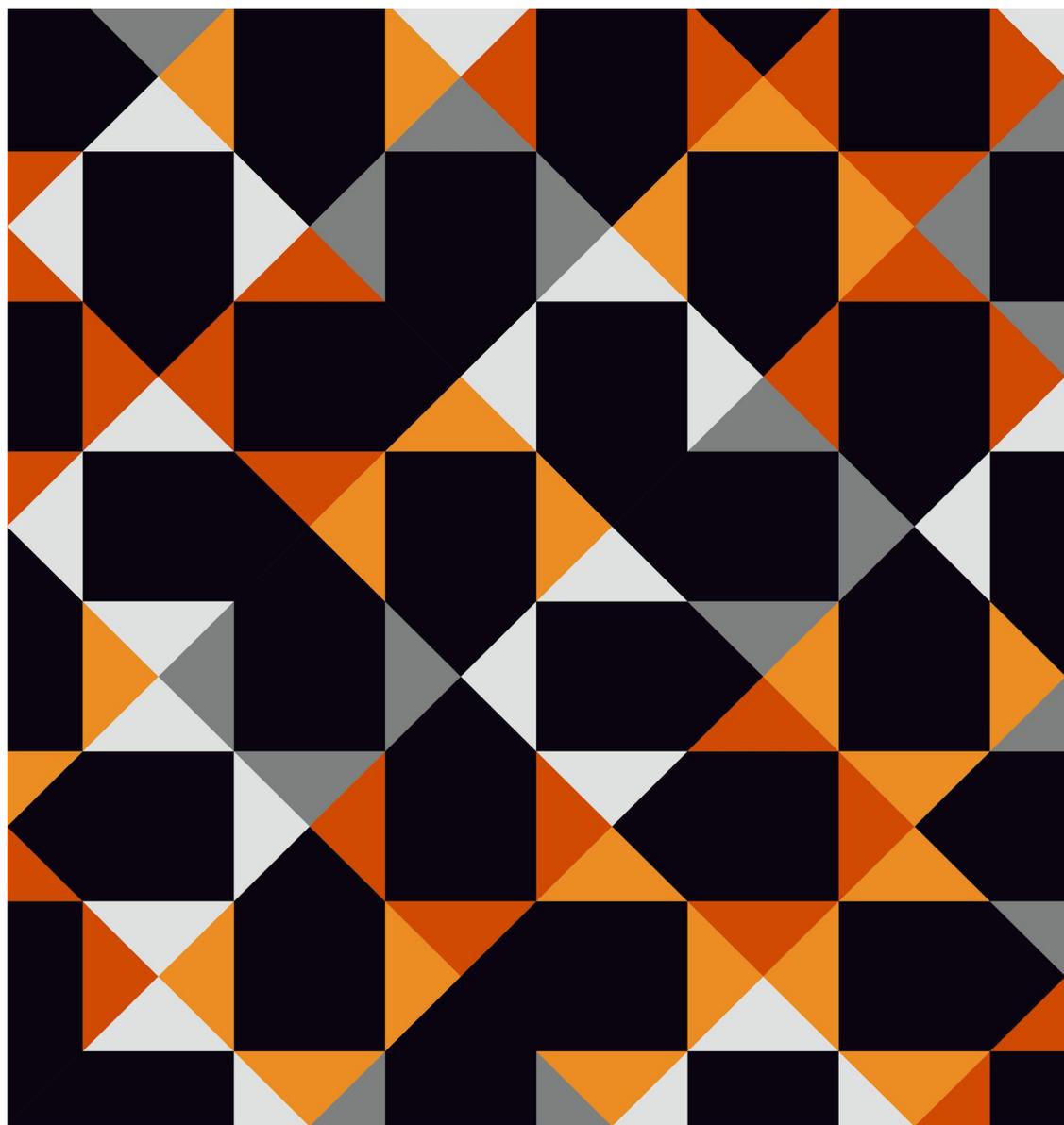


Saudi Arabia: National Rules of Origin

Guidelines to Procedures to Issue Origin Reports

December 2021





In brief

ZATCA has recently published the long-awaited “Guideline to Procedures to Issue Origin Reports”, clarifying the necessary steps for Chartered Accountants and GCC producers looking to issue and obtain an Origin Report, respectively, in accordance with the KSA National Rules of Origin. The Guideline can be accessed [here](#).

An Origin Report issued in Arabic by a Chartered Accountant is a mandatory requirement to benefit from the customs duty exemption on GCC manufactured goods as per the Rules and Conditions for Verification of Proof of Origin published on 6 August 2021. This comes as a further development to the Ministerial Decree dated 22/11/1442 (02/07/2021) approving the new KSA National Rules of Origin.

In detail

National Rules of Origin (“RoO”)

The KSA Minister of Finance, the Chairman of the Zakat, Tax and Customs Authority (“ZATCA”) Board of Directors issued, earlier this year, the Ministerial Decree no.3852, dated 22/11/1442 (02/07/2021), approving the new National Rules of Origin (“RoO”) Regulations. The Ministerial Decree is based on the KSA Cabinet Decision no.620 dated 20/10/1442 (01/06/2021) that authorises the Minister of Finance to issue and approve all decisions related to National, Arabic and GCC RoO. The new National RoO are already in effect and will be valid until the Unified GCC RoO are issued and become effective. Our summary of the key aspects of the KSA National RoO, which apply to products manufactured in the GCC that are imported into KSA looking to benefit from preferential tariff treatment can be accessed [here](#).

Rules and Conditions for Verification of Proof of Origin

In addition to the Ministerial Decree, further details in the form of “Rules and Conditions for verification of Proof of Origin” were published by ZATCA on 6 August 2021. Amongst others, the Rules and Conditions provide guidance on the following:

- The requirement for an importer to provide a cash or bank guarantee that covers the value of customs duties and other related taxes for products claiming preferential tariff treatment in accordance with the National RoO
- The process to challenge origin claims and to request exporting authorities to conduct re-verification of a producer’s origin claims
- The process and circumstances to reject preferential tariff treatment claims from an importer
- The minimum supporting documents required to be submitted to claim preferential tariff treatment in KSA

These supporting documents include:

- A valid Certificate of Origin issued by the competent authority in the GCC country of origin
- Copies of invoices of the goods being imported
- An Origin Report issued by a Chartered Accountant
- Any other documents required by ZATCA to support the origin claims including transport documents, evidence of manufacture, certificate of an existing licensed factory, nationalisation certificate, etc.

“

ZATCA has just published the long-awaited “Guideline to Procedures to Issue Origin Reports”, clarifying the necessary steps to issue an Origin Report to benefit from the customs duty exemption according to the KSA National Rules of Origin

”



Guideline to Procedures to Issue Origin Reports

Origin Report issued by a Chartered Accountant

While the process for requesting a Certificate of Origin may not be new to producers and exporters in the GCC, the requirement for an Origin Report is new. To assist Chartered Accountants, producers and exporters with the issuance of the Origin Report, a detailed step-by-step Guideline has recently been published by ZATCA, clarifying the procedures to request and issue an Origin Report. Below we summarise the procedure:

Engagement with a Chartered Accountant

Producers looking to export products or sell products to exporters who would then export to KSA will be required to engage a Chartered Accountant to obtain an Origin Report, as a mandatory requirement to be able to claim preferential treatment upon entry into KSA, i.e. customs duty exemption.

Producers are required to engage with a Chartered Accountant that meets the following criteria:

- Is a natural or legal person licensed to practice the profession of accounting and auditing in the country of origin;
- has a branch in KSA, an office, a partnership, a network, or a legal representative, accredited and licensed with the Saudi Organization for Chartered and Professional Accountants (“SOCPA”); and
- must be different from the Chartered Accountant who audits the final annual accounts of the producer in the country of origin.

The Chartered Accountant shall collect all the information of the producer in the Producer Engagement Form, prescribed by the ZATCA in the Guideline.

Product Information Declaration and supporting documents

To allow the Chartered Accountant to reach reasonable independent assurance that the producer’s statements meet the KSA National RoO, the producer is required to provide the Chartered Accountant with the following:

- the preparation of the Product Information Declaration Form in accordance with the KSA National RoO, and
- the producer’s assessment that the product covered in the form is compliant with the KSA National RoO.

The Product Information Declaration Form is required to be submitted on a per product basis and requires all the details of the product’s Bill of Materials, originating status of raw materials, values of raw materials and finished product, as well as specific statements from the producer that the product meets the qualifying requirements under the KSA National RoO.

In addition to the Product Information Declaration Form, the supporting documents to be provided to the Chartered Account as evidence to the producer’s claims will include:

- Proof(s) that the producer is currently occupying the production facility(ies) such as a certificate of an existing licensed factory in the name of the producer
- Nationalisation certificate issued by a competent authority in the country of origin or other equivalent documents stating the nationalisation percentage of the producer for the last 26 weeks.
- Relevant documents to support the origin status and values of the raw materials that are used in the production of the goods that are intended to be exported to KSA, such as:
 - Certificates of Origin
 - Supplier invoices
 - Supplier declarations
 - Import declarations



Reasonable Assurance by the Chartered Accountant

Upon receiving the Product Information Declaration Form and all supporting documents, the Chartered Accountant will execute the procedures described in the recently published Guideline to obtain reasonable assurance that the origin claims by the producer are in compliance with the KSA National RoO. Some of the procedures to be carried out by the Chartered Accountant to obtain reasonable assurance include:

- Inspect the completeness of the details provided in the Product Information Declaration Form along with the supporting documents obtained from the producer such as commercial/trade license, proof of occupancy of the factory, nationalisation certificate, etc.
- Perform a re-calculation of the minimum value added percentage and nationalization percentage calculated by the producer
- Compare the details included in the Bill of Materials with the supporting commercial documents provided by the producer such as value of the good (ex-factory value) to the approved price list or equivalent commercial documents (e.g., purchase orders)
- Obtain such other representation from the producer as appropriate.

Origin Report issuance

Once the Chartered Accountant is satisfied that the representations made by the producer in the Product Information Declaration Form comply with the KSA National Rules of Origin, it will issue the Origin Report in the format prescribed by ZATCA. The Origin Report is valid for six months from the date of issuance provided that no modification has been made to the product, including a change in its customs tariff classification and description. It is the responsibility of the producer to disclose any material change subsequent to the issuance of the Origin Report to the KSA authority which may change the conclusion of the Origin Report issued by the Chartered Accountant. If the changes are not disclosed but identified by the KSA authorities during the verification procedures, the Origin Report may not be considered valid by the competent authority.

The takeaway

Businesses manufacturing goods in the GCC countries need to assess the impact of the new KSA National RoO when exporting products to KSA and are required to obtain an Origin Report in Arabic from a Chartered Accountant, in accordance with the new “Guideline to Procedures to Issue Origin Reports” recently issued by ZATCA. Although requesting a ‘Certificate of Origin’ may not be a new process for companies in the GCC, you now need to obtain an ‘Origin Report’ in Arabic from a Chartered Accountant in order to benefit from the preferential treatment in KSA. Non-compliance with the KSA National Rule of Origin may generate significant costs to your business as customs duty will be levied on GCC manufactured goods imported to KSA.

Want to learn more?

We will be holding a briefing session to break down the requirements, practical considerations under the KSA National RoO, and the procedures for issuing the Origin Report on 10 January, 2022 at 11:00 am GST. Register [here](#) to find out how we can assist you in complying with the new rules.

Let's talk

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

Mohammed Yaghmour

Middle East Tax & Legal Services leader

+966 56 704 9675

mohammed.yaghmour@pwc.com

Carlos Garcia

Middle East Customs & International Trade Leader

+971 56 682 0642

c.garcia@pwc.com

Chadi Abou Chakra

Middle East Indirect Tax Leader

+966 56 068 0291

Chadi.Abou-Chakra@pwc.com

Mohammed Al-Obaidi

Zakat and Tax Leader, KSA

+966 50 525 6796

mohammed.alobaidi@pwc.com

Jochem Rossel

Partner, UAE Tax Leader

Tel: +971 50 225 6909

jochem.rossel@pwc.com

Ken Healy

Partner, Tax Leader, Bahrain

Tel: +973 3840 0897

ken.healy@pwc.com

Sajid Khan

Qatar Tax Leader

Tel: +974 4419 2830

sajid.khan@pwc.com

Darcy White

Partner, Oman Tax Leader

Tel: +968 2455 8154

darcy.white@pwc.com

Sherif Shawki

Partner, Tax leader, Egypt and Kuwait

Tel: +965 9724-0432

sherif.shawki@pwc.com

Rakan Alhiary

Director, Customs & International Trade

+971 50 189 3238

rakan.alhiary@pwc.com

Thank you

©2021 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details. This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.