



# Oman: Important Update on KSA National Rules of Origin (Requirement of Origin Report)

June 2022



## In brief

This is to update you regarding an important development relating to the KSA National Rules of Origin, for companies exporting goods manufactured in Oman to KSA and proposing to claim a customs exemption on import of goods in KSA.

**In practice, the KSA customs authorities (ZATCA) were not strictly enforcing the requirement to submit the origin report until recently. However, as part of the latest development from the beginning of June 2022, we understand that this requirement has now been put into place by the KSA customs authorities for Oman-manufactured goods and they are demanding an origin report for claiming the customs duty exemption.**

## In detail

Previously, Omani manufactured goods could benefit from preferential duty treatment (i.e. customs duty exemption) on import into KSA providing the 40% value added rule was met and a certificate of origin was obtained from the competent authorities in Oman. However, additional requirements, referred to as the 'National Rules of Origin' were introduced in July 2021 in KSA, and are now enforced in Oman. Importers into KSA must meet the following conditions:

- GCC manufacturing entities must have a localisation rate of national workforce of not less than 25%\*
- Manufacturing process must have a value add of at least 40%\*
- The goods must not be produced in a Free Zone
- An origin report must be issued by a Chartered Accountant in Arabic verifying the origin of the goods

\*There is a minimum localisation requirement of 10% and value add requirement of 20% for all manufacturing entities. The shortfall in one of these requirements will increase the minimum percentage in the other, e.g. a localisation rate of 10%, means the 15% deficit will be added to the value add requirement, increasing this to 55% and vice versa.



## Update on KSA National Rules of Origin

In furtherance to the above rules, ZATCA also released further guidance on the new rules of origin, 'Rules and Conditions for Verification of Proof of Origin' in October 2021 and the long-awaited "Guideline to Procedures to Issue Origin Reports" in December 2021, 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.

Below are the links to the PwC news alerts previously issued in this regard, along with the guidelines for issuance of origin report:

[PwC News Alert \(KSA Rules of Origin\): Issued on 6 July 2021](#)

[PwC News Alert \(KSA Rules of Origin - Guidelines to Procedures to Issue Origin Reports\): Issued on 29 December 2021](#)

[ZATCA issued guidelines for on the procedure for issuing an origin report](#)

# The takeaway

This is an important development for manufacturing businesses who are exporting or proposing to export Oman-manufactured goods to the KSA and intending to claim customs duty exemption. Such businesses will be required to determine if they fulfill the eligibility conditions for claiming the customs duty exemption, especially relating to the minimum localisation percentage and value-addition percentage. Further, such businesses will also be required to obtain an Origin Report from a qualifying chartered accountant, certifying the fulfillment of the prescribed eligibility conditions.

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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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