

# Saudi Arabia: Increase in customs duty rates announced by Saudi Government

June 2022





## In brief

The Government of the Kingdom of Saudi Arabia (KSA) has announced an increase in the customs duty rates for an extensive range of goods, including live animals, foodstuffs, mineral, chemical, plastic, glass products, base metals (namely aluminium), machinery, equipment and electrical equipment and vehicles. The measure affects a total of 17 Chapters and 99 Tariff Lines of the KSA Integrated Customs Tariff for the purpose of protecting and encouraging national industries and local agricultural products. The announced increase in customs duty rates entered into effect on June 12, 2022.

## In detail

### Proposed changes to the KSA Integrated Customs Tariff

The Government of KSA has decided to increase the customs duty rates for an extensive range of goods. A total of 17 Chapters and 99 Tariff Lines of the KSA Integrated Customs Tariff are impacted. The full list of products was officially published on 12 June 2022 and can be accessed through this link (only the Arabic version is currently available): [HS codes subject to increased duty rates](#).

For ease of reference, we have listed the main categories of goods that will be subject to higher customs duties, starting 12 June 2022, below:

- Live animals
- Foodstuffs
- Mineral products
- Chemical products
- Plastic products
- Glass products
- Base metals, namely aluminium
- Machinery, equipment, electrical equipment
- Vehicles

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## What can I do to minimise the impact on my business?

The changing trade landscape has become a constant source of uncertainty for companies. More importantly, tariffs impact all aspects of an organization and have a direct impact on profitability.

As the customs duty rates have been significantly increased, it is critical for businesses importing goods in KSA to consider the possibility of reviewing their customs and international trade policies to ensure an efficient duty management.

Some of the options that importers can consider, in accordance with the applicable customs rules and regulations in KSA, may include:

- Exploring alternative sourcing, focusing on the KSA local market and Free Trade Agreement (FTA) partners, such as the GCC and other Arab countries, Singapore, Switzerland, Norway, etc.
- Considering applying for, or extending the customs duty exemption for industrial activities.
- Exploring the use of the growing number of bonded warehouses and bonded zones across the KSA to store goods under duty suspension, i.e. deferring the payment of goods intended for the local market, and avoiding the payment of duties for goods to be re-exported from KSA.
- Evaluating the use of the temporary admission relief for goods imported for a limited period of time.
- Considering the review of the customs valuation policy, unbundling non-dutiable costs.
- Considering the review of the tariff classification policy, focusing on streamlining the use of tariff lines.
- Reviewing the contractual terms with suppliers and logistics service providers to minimise the supply chain costs associated with the imports in KSA.
- Discussing the changes with customs brokers and third party logistics service providers to ensure compliance and avoid potential fines.
- Evaluating the potential impact that the increased duty rates have on the VAT, Transfer Pricing and Corporate Tax/Zakat positions of businesses operating in KSA.

It is also important to consider the use of digital automated trade solutions (many of which may exist in native ERP environments or can be added with additional software packages). These solutions can automate and standardize import and export processes across business units, manage customs data in a central location as well as enabling local, regional and global reporting dashboards. This helps reduce risk and provides an extra layer of control surrounding interactions with government agencies. These type of solutions also help organizations manage trade uncertainties by providing real time visibility to customs data that can be used to accurately set prices and provide support in managing profitability and ensuring compliance.

# Next steps to consider

The announced increase in customs duty rates as of 12 June 2022 requires that importers in KSA start to consider the necessary changes required to manage the impact on their operations, and comply with the legal requirements in terms of declaring and paying the right amount of customs duty to the Zakat Tax and Customs Authority.

It is also recommended that importers consider the appropriateness of reviewing their customs and international trade policies to address the impact of the new customs duty rates in KSA in an efficient manner.

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## Let's talk

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# Thank you

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