

UAE-Israel Comprehensive Economic Partnership Agreement (CEPA) enters into force

The CEPA is expected to increase trade between UAE and Israel, eliminate most tariffs and enhance market access

April 2023



In brief

General overview

The UAE Ministry of Economy has recently published the full text of the UAE-Israel CEPA ("the Agreement") signed between the Government of the United Arab Emirates (UAE) and the Government of the State of Israel (Israel). The landmark Agreement was signed on 31 May 2022, and has officially entered into force on **1 April 2023**.

The Agreement ensures greater market access across multiple sectors for both trade in goods and services:

- **Trade in Goods:** Over 96% of tariffs are removed or reduced immediately on 1 April 2023, benefitting sectors such as agriculture and pharmaceuticals. This covers 99% of the UAE's trade with Israel.
- **Trade in Services:** Access to Israel's domestic services market for UAE businesses including financial services, communications, tourism, transportation and distribution.

For trade in goods, businesses should look at the rules of origin defined in the Agreement to maximise the benefits. The full text of the agreement can be accessed [here](#).

Key benefits of the UAE-Israel CEPA

The UAE-Israel CEPA guarantees key benefits such as:



Certainty and market access for services providers



Reduced customs tariffs and non-tariff barriers



Development of a digital economy and promoting digital trade



Collaboration on shared challenges such as technology, energy security and the environment



Platform for UAE SMEs to export goods and services to Israel

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According to the UAE Ministry of Economy, non-oil UAE-Israel trade hit \$2 billion in the first 9 months of 2022, up 114% from the same period in 2021. Under the Agreement, The UAE-Israel Business Council predicts that trade will reach \$3.5 to \$4 billion in 2023, and will exceed \$5 billion in 2025.

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Unlocking new opportunities for UAE businesses

The UAE-Israel CEPA has unlocked for the first time new opportunities for UAE businesses. These opportunities are as follows:

1

UAE businesses can now participate in a non-discriminatory competition for some of Israel's government procurement contracts.

2

99% of goods traded with Israel now enjoy zero or reduced customs duties.

3

Greater market access to Israel's services market in industries including business, communications, distribution, environmental, financial, and transport services, as well as tourism and travel-related services.



In detail

The Agreement makes commitments in multiple areas such as trade in goods, rules of origin, customs and trade facilitation, technical barriers to trade, sanitary and phytosanitary standards, trade in services, digital trade, investment, intellectual property, government procurement, trade remedies, dispute settlement, SMEs, and economic cooperation.

Notable benefits of the Agreement for the UAE and Israel include:

1. Elimination or reduction of 96% of tariffs for trade in goods

The UAE-Israel CEPA provides UAE exporters greater access to the Israeli market through tariff elimination or reduction on more than 96% of tariff lines, which cover 99% of the total value of trade with Israel. Some tariff lines will access complete customs duty elimination immediately upon entry into force, others will be eliminated over a period of up to 3, or 5 years, and the rest will be reduced. This represents a significant advantage compared to the existing customs duty rates in Israel (e.g. most to be eliminated, with a smaller number reduced by either 10%, 15%, 20%, 25%, 40%, or 60%). The tariff elimination/reduction schedules and timelines vary depending on the nature of the goods. In addition, some tariff lines are to be excluded from the preferential treatment, prohibited or included in the special goods category.

UAE goods shipped to Israel that comply with the Rules of Origin (RoO) will be granted one of the following three statuses: Tariff Elimination Immediate (TEI), Tariff Elimination Phased (TEP), or a Tariff Reduction (TR).

Non-comprehensive examples of the tariff schedule for UAE goods imported into Israel include:

- **TEI - customs duty to be made 0% in the first year:**

HS code	Description
2710191100	Fuel oil (mazout) if marketed from manufacturing area
7601100000	Aluminium, not alloyed

- **TEP - customs duty to reach 0% in 3, or 5 years:**

HS code	Description
8448491000 (in 3 years)	Shafts for weaving machines and parts thereof, including shafts with their healds
3105200000 (in 5 years)	Mineral or chemical fertilisers containing the three fertilising elements nitrogen, phosphorus and potassium

- **TR - customs duty to be reduced:**

HS code	Description
4819100000 (reduction of 25%)	Cartons, boxes and cases of corrugated paper or paperboard
8504230000 (reduction of 60%)	Liquid dielectric transformers, having a power handling capacity exceeding 10,000 KVA



In detail (cont'd)

2. Rules of Origin

For goods to benefit from the preferential tariff treatment, they must comply with the following RoO stipulated by the Agreement:

1. Be wholly obtained or produced in the territory of the contracting party, or
2. Have undergone sufficient working or production to be regarded as “substantially transformed”.

With regards to the second requirement, products are regarded as “substantially transformed if they generally meet either one of the following:

- The value add of the final produced is at least 40%. This value can be attributed to the cost of originating raw materials and/or production costs. There are some cases where this requirement is 50%.
- The manufacturing of the goods has resulted in a change in tariff classification of the products. This means that the tariff code of the non-originating raw materials used in production is different to the tariff code of the final, manufactured product.

The Agreement also provides the following benefits to businesses with regards to production in free zones and countries outside either the UAE or Israel:

- Products manufactured in a free zone situated within either country, shall be considered products originating in that country and eligible for the preferential treatment.
- Introduction of an ‘outward processing’ regime whereby goods can be exported to another country (not UAE or Israel) for temporary processing or works and still qualify as originating under the Agreement. In order to qualify, the temporary processing or works must not result in a change in the tariff heading to the good (4 digit level of the HS code) and the total value of non-originating materials does not exceed 15% of the ex-works price.

Compliance with the RoOs needs to be supported by a proof of origin, which can be provided by any of these means: paper certificate of or, fully digitalized certificate of origin in the format prescribed in the Agreement. Alternatively a declaration on an invoice can be made by an approved exporter.

3. Customs and trade facilitation

In alignment with the WTO’s Agreement on Trade Facilitation (TFA) and the World Customs Organisation (WCO), the Agreement introduces measures to facilitate cross-border trade of goods and ensure an efficient customs procedures, such as issuing customs rulings prior to import, facilitating cross-border clearance for economic operators, and adopting international best practices of customs management techniques.

4. Trade in services

The Agreement allows greater access for UAE businesses to the Israel domestic market such as in communication services, business services, communications services, distribution services, environmental services, financial services, tourism and travel related services, and transport services. In addition, the Agreement provides for common rules and regulations to ensure that the requirements to provide cross-border services is harmonised across both jurisdictions.

Additional provisions adopted by the Agreement

In addition to tariffs elimination and reduction, the Agreement includes other key provisions that will benefit exporters and importers both from UAE and Israel, as well as service providers. Some of these benefits include:

- Further cooperation in relation to the Agreement on Technical Barriers to Trade (TBT) such as conformity arrangements between assessment bodies, firm use of international TBT standards, cooperation between authorities on sanitary and phytosanitary measures, etc.;
- Cooperation on information exchange between the two tax authorities;
- Promotion of trade opportunities for small and medium sized enterprises such as promotion of digital trade and ease of access of information for SMEs, and collaboration to identify new commercial opportunities; and
- Agreement on transparency and impartiality on government procurement.

The takeaway

The UAE-Israel CEPA has come into force in 1 April 2023, and businesses trading in goods and services between the UAE and Israel are encouraged to assess the impact of this landmark agreement to unlock the benefits that it will bring to their operations.

Origin compliance management and proactive application of preferential tariff treatment should be prioritised to optimise the benefits. The implementation of the additional tariff reductions, customs procedures, rules of origin and other technical standards should be actively monitored to further reduce the costs and enhance efficiencies in the supply chain.

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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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Thank you