

New Bonded Zones Rules in Saudi Arabia

What businesses need to
consider to enjoy the
benefits and stay compliant

March 2024



In brief

The Zakat, Tax and Customs Authority (“ZATCA”) has recently approved the Bonded Zones Rules (the “Rules”), which were earlier made available for public consultation and have now been published officially on “ZATCA” platform. You may access the updated regulations [here](#).

The Rules outline ZATCA's responsibilities and duties, regulating customs aspects related to bonded zones and working controls in line with the GCC Common Customs Law.

The Rules were published on 9 December 2023 under Administrative Resolution No. (28918), and shall be effective ninety (90) days from the date of publication, on 8 March 2024.

In detail

Bonded Zones in KSA

Bonded zones are special customs areas that allow importers, exporters and logistics companies to store goods and carry out logistics activities and operations under **suspension of customs duties, Value-Added Tax (VAT) and Excise Tax**, until they enter the local market or are re-exported. The Rules provide businesses with increased flexibility for cash-flow and liquidity management, a flexible setup promoting the cross-border movement of goods, and simplified procedures to clear, store and re-export goods to different destinations.

The published Rules aim to outline the statutory provisions for licensing of bonded zones and for conducting economic activities within these zones.

In addition, the Rules specify the obligations of operators and ZATCA with respect to the control and supervisory functions pertaining to the bonded zones.

With the enactment of these Rules, ZATCA is aiming to enhance the advantages and benefits of operating Bonded Zones in KSA, namely by:

- Promoting commercial activity through bonded zones and facilitating the re-exporting of goods to neighboring countries.
- Increasing flexibility to clear, store and re-export goods to regional and global destinations and providing several options for importers and exporters.
- Improving cash flow and liquidity for businesses operating in the bonded zones
- Enabling non-resident businesses to carry out operations within the bonded zones without requiring a commercial register.

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These Rules aim to define the tasks and responsibilities between ZATCA and all external parties, and organize the customs controls in the bonded zones in accordance with the unified customs system of the Gulf Cooperation Council countries.

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Bonded Zones Rules

Key Aspects to operate in the bonded zones

Bonded zones licenses

The Rules establish different types of bonded zones licenses, according to the nature of the operations permitted therein:

1- Bonded zone License (generic)

- (a) Storage & Handling.
- (b) Value-Added Operations.

In addition to the operations permitted under the generic bonded zone license, specific operations are also permitted under the following licenses:

2- Specialized Bonded Zones License

- (a) E-Commerce.
- (b) Maintenance.
- (c) Mixing & Combination.
- (d) Simple Assembly Operations.

3- Bonded Zones Tanks License

- (a) Storage of liquid petroleum and petrochemical derivatives and bulk products.
- (b) Mixing & Combination.

4- Temporary Bonded Zone License

- (a) All operations carried out in the bonded zones are permitted as decided by ZATCA.
- (b) Limited to a maximum period of six (6) calendar months.

License validity and renewal

The license will be valid for maximum period of 10 years starting from the date of issuance, and may be renewed for a similar period.

If it's not renewed, the licence will expire upon the end of the validity period, or upon the formal request of the operator to cease the license and close the bonded zone.



Bonded Zones Rules

Operations permitted in the bonded zones

Value added operations

It is permissible to carry out value-added operations, using both foreign goods and domestic/GCC goods, provided that customs duties are collected on the products if they enter the KSA local market based on the value of the product after these operations are undertaken within the bonded zone.

If the goods are moved from the KSA local market to the bonded zone, collection of customs duty upon re-import to the local market is based on the value added to the product only, provided that the value added does not result in a change in the HS code of the product.

Maintenance

Maintenance operations may be carried out on both foreign goods and domestic/GCC goods. Customs duties and VAT are only collected on foreign goods after these are imported to the KSA local market. For KSA goods, customs duties are collected only if there is an increase in the value of the goods as a result of completing their maintenance or repair.

E-Commerce

It is permitted to conduct e-commerce activities in the bonded zones in accordance with the GCC Common Customs Law, provided that the shipments are cleared through one of the express transportation companies licensed by the competent authority in KSA.

To perform e-commerce operations in bonded zones, a specific license has to be obtained for this matter.

Consumption processes

Materials consumed within the bonded zone, required to preserve the goods, value-added operations, maintenance, etc., are not subject to customs duties or taxes, provided that ZATCA authorization is obtained beforehand, and the relevant guidelines are followed.

Damage to goods

In case there are damaged or expired goods in the zone, the operator shall dispose of such goods after obtaining the applicable approvals from ZATCA.



Bonded Zones Rules

Goods storage and transportation

Movement of goods into the bonded zones

Goods moved into the bonded zone shall not be subject to customs duties, VAT or excise tax, provided a declaration is submitted to ZATCA, supported by relevant documentation (namely, commercial invoice, transport document, certificate of origin and packing list).

The goods can be stored in bonded zones for an unlimited period of time under customs duties, VAT and excise tax suspension (except for temporary bonded zones, where time limitations apply).

Movement of goods from bonded zones

Goods can be moved from one bonded zone to another, or to areas where customs duties, VAT and excise tax are suspended, within or outside KSA without incurring customs duties, VAT and excise tax as long as the movement adheres to the relevant customs procedures.

Movement of goods within Bonded Zones

Goods can be transported from one warehouse to another within the same bonded zone without being subjected to customs duties, VAT or excise tax, provided the movement of the goods complies with the relevant customs procedures.

Operators' obligations in the bonded zones

The main obligations for operators within bonded zones include:

- Operate the zones and provide it with employees, security measures, and the necessary tools and equipment for performing customs operations, all in coordination with ZATCA.
- Take responsibility for managing the bonded zone, ensuring the security of stored goods, and covering any related expenses, penalties, and fines.
- Comply with ZATCA's regulation regarding the entry and release of the goods to and from the bonded zones.
- Use systems approved by ZATCA to complete all customs operations.
- Maintain relevant records and documents related to customs operations for at least 5 years.
- Preserve the goods stored in the zone, and avoid introducing damaged or expired goods within; if these have been introduced, operators must proceed to dispose them.
- Pay customs duties and VAT on materials and equipment imported from outside KSA required for the construction and/or operation of the bonded zone.
- Ensure goods sold between seller and purchaser are transported from one warehouse to another within two working days following ZATCA's approval.

The Takeaway

The new Bonded Zone rules are expected to have a significant positive impact on multinational and local businesses that are involved in international trade activities both in KSA and in the wider Middle East region, as well as on new investors. Key benefits include the ability to use KSA as a distribution hub without incurring customs duties, VAT or Excise Tax, enhanced cash flow management and flexibility to conduct international trade activities in KSA.

We recommend that businesses further analyse the benefits as well as the practical aspects of the new regulations, with particular consideration to potential supply chain restructuring opportunities. This is a fantastic opportunity for all types of businesses operating in KSA to explore the possibility of reducing their duty bill, improving their cash flow and streamlining their import/export procedures in line with global best practices.

Let's talk

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

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