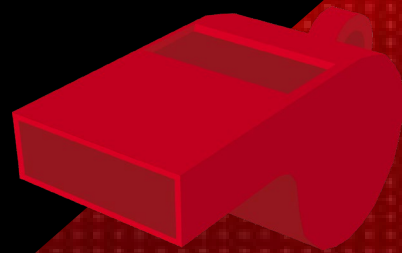


TAX ALERT

September 11, 2024



Fees Rules on Customs Services

Background

In April 2016, Saudi Arabia introduced the Vision 2030 plan to reduce its dependency on oil and diversify the economy and develop service sectors. Tax policy will play a significant role in bringing about reforms and create a fertile business environment by attracting foreign direct investment.

Notably, the Saudi Arabia Government has been proactive in implementing several tax and procedural measures in recent times in alignment with the above objectives. Amongst the various initiatives introduced, the Zakat, Tax and Customs Authority (ZATCA) published a draft Income tax law in October 2023 intending to replace the Income tax law formulated in the year 2004. The draft Income tax law is in line with international best practices and is seeking to improve compliance, transparency, and facilitate foreign investment. Furthermore, the recently introduced new Zakat and Tax Procedures Law aims to unify tax and zakat procedural protocols for consistency and harmonization.

In continuation with these objectives, in a newsletter published on the ZATCA portal dated September 6, 2024, ZATCA has stated that starting from October 6, 2024, customs service fees for exports will be abolished and a new pricing system for imports would be applicable. The new regulations have been summarized in the ensuing paragraphs.

Key highlights

1. No export fees - Waiver of export fees on custom services of "customs declaration, processing service, lead seal, land port load services, X-ray inspection, customs data exchange and sample analysis exchange at specialized laboratories"
2. Reduced import costs – Introduction of a predictable custom fees structure as follows:
 - New Calculation Mechanism – Custom fees chargeable 0.15% on the value of imported goods, including insurance and shipping. The same is capped at SAR 500 with a minimum fee of SAR 15
 - Shipments exempt from custom duties and taxes – Custom fees capped at SAR 130
 - Online Shopping – A flat rate of SAR 15 would apply to purchase of shipments through online stores provided the value of shipments does not exceed SAR 1,000. It may be noted that in case value of online shipments exceeds SAR 1,000, it appears that the new calculation mechanism applicable for custom fees on imports would apply



Benefits of the new regulations

1. Significant boost for Small and Medium Enterprises (SMEs), reducing financial burden and driving business growth
2. New import fee mechanism simplifies and unifies calculations across all entry points – whether by land, sea or air and aims to increase transparency and support trade facilitation
3. Enhances competitiveness by lowering costs for Saudi exports, thereby increasing the competitiveness in the global market
4. With the digital era booming with increased cross border trade facilitated through E-commerce platforms, the reduced import costs provide significant impetus to E-commerce growth and make global goods more accessible to Saudi customers



Dhruva comments:

The revised custom fee structure reflect the commitment of Saudi Arabia Government towards its strategic objectives of Vision 2030 by turning the nation into a global logistics and investment hub.



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