

CUSTOMS ALERT

July 10, 2026



Customs Valuation of Imports from UAE Free Zones to the Mainland

Practical Considerations

IS YOUR COMPANY PAYING MORE CUSTOMS DUTY THAN REQUIRED?

Many businesses operating in the UAE import goods into UAE Free Zone ('FZ') warehouses before subsequently transferring them to the UAE Mainland. In many cases, customs values declared during mainland clearance are based on customer resale prices or marked-up transfer prices. This approach may result in customs duty being paid on an inflated value, leading to excess customs duty costs

This alert outlines the key practical considerations for evaluating customs valuation positions.

CUSTOMS LEGISLATION



Customs legal framework

Federal Decree No. 40 of 2002
(GCC Common Customs Law)



WTO Valuation Agreement

Prescribes the hierarchy of
customs valuation methods



Other guidance

Federal Customs Authority and
Emirate-level regulations/circulars



Transaction value method: Article 26 of the GCC Common Customs Law states that customs value is generally based on the price actually paid or payable for imported goods.

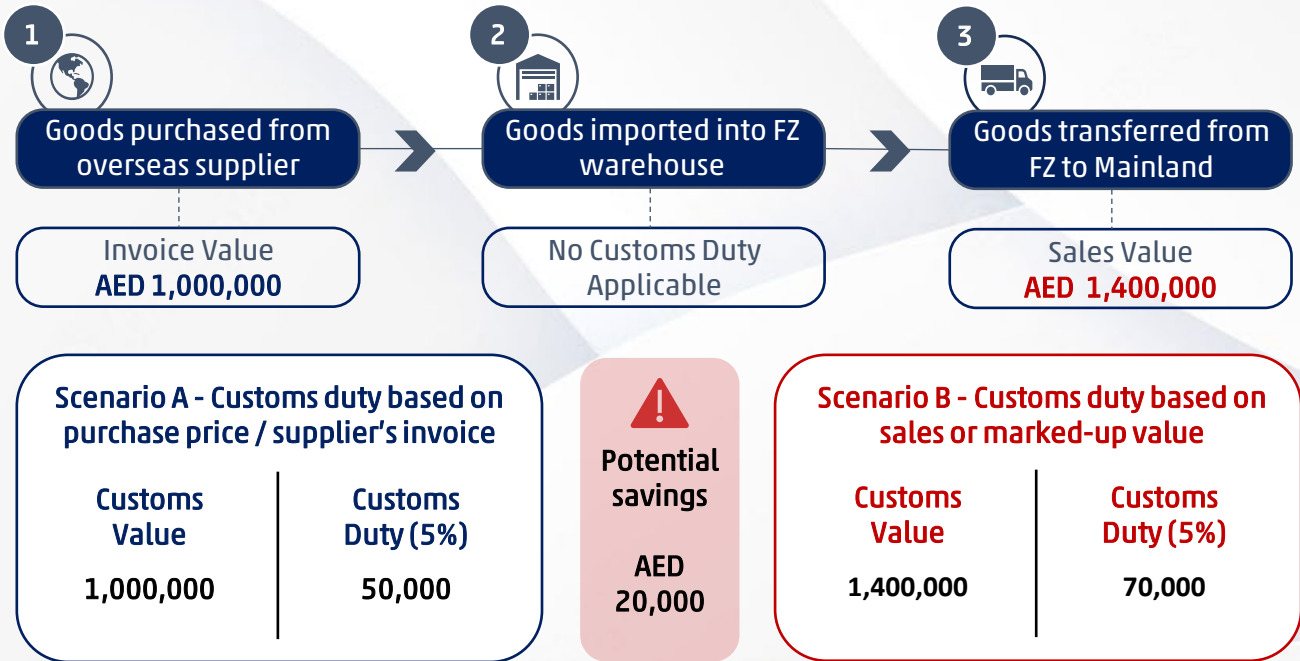
GENERAL FRAMEWORK

For customs valuation purposes, goods are typically imported into a FZ from abroad based on the purchase price from the supplier, as reflected on the original supplier invoice. While customs duty is not typically levied upon importation of goods into a FZ, it may become payable when the goods are subsequently cleared into the UAE Mainland. In effect, the payment of customs duty is deferred until goods enter the UAE Mainland.

In practice, many businesses declare the customer sales invoice value to the Customs Authority when clearing goods from a FZ to the Mainland. This may result in customs duty being calculated on an inflated sales value that includes business's resale margin, rather than the original import value. This is illustrated in the following section.

IMPORT EXAMPLE

Import of goods into the UAE FZ and subsequent transfer to the UAE Mainland



In both scenarios, the customs value declared for the Mainland clearance may be accepted by the Customs Authority. However, under Scenario B, the Company incurs an additional AED 20,000 in customs duty as a result of using the marked-up resale value instead of the original purchase price adopted in Scenario A.

Businesses that have historically adopted a marked-up value approach may be eligible for a refund of the excess customs duty paid, subject to the applicable customs requirements. Relevant considerations include:






- Whether customs duty has been calculated based on an inflated customs value.
- Whether resale prices or intercompany transfer prices have been used instead of the appropriate import transaction value.
- The availability of supporting documentation to substantiate the appropriate customs valuation.
- Compliance with the applicable customs refund procedures and statutory time limits.

KEY CONSIDERATIONS

Businesses intending to adopt the original supplier transaction value for Mainland clearance purposes should ensure that the relevant customs valuation requirements under the GCC Common Customs Law are carefully considered. In this regard, the following areas may be required to be assessed:

- ✓ Review of overseas supplier invoices and transaction arrangements.
- ✓ Assessment of CIF values declared at the time of Free Zone importation.
- ✓ Evaluation of customs values declared in "Import to Local" customs declarations.
- ✓ Review of Incoterms applied to shipments to assess whether freight and insurance charges have been correctly included or excluded in determining the customs value.
- ✓ Analysis of related-party pricing structures and intercompany mark-ups.
- ✓ Review of transfer pricing policies in relation to customs valuation methodology.
- ✓ Assessment of historical customs declarations and valuation practices adopted.

A detailed review of the customs valuation position may help businesses identify opportunities to mitigate customs risks and optimise customs duty outcomes, including:

 <p>Optimising future customs duty exposure</p>	 <p>Evaluating eligibility for a potential refund</p>
 <p>Identifying potential customs duty savings</p>	 <p>Aligning valuation methodologies with UAE and GCC Customs Law</p>
 <p>Reducing customs audit and valuation dispute exposure</p>	 <p>Strengthening record-keeping for adopted customs positions</p>

HOW WE CAN HELP

Businesses that regularly import goods from a UAE FZ into the Mainland may benefit from assessing whether their customs valuation methodology is appropriately aligned with the UAE and GCC customs valuation rules, and whether opportunities exist to optimise customs duty costs or recover excess customs duty previously paid.

Our Customs and Indirect Tax team has extensive experience advising businesses on UAE and GCC customs valuation matters and can assist with:

- Reviewing existing customs valuation methodologies and practices;
- Identifying opportunities for customs duty optimization; and
- Assessing historical customs declaration to identify potential refund opportunities.
- Assisting with the preparation and submission of customs duty refund applications.

Ranking 2026:

- Tier 1 – Indirect Tax
- Tier 2 – General CT, Transfer Pricing, Transactional Tax
- Other Notable: Tax Controversy



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