KPMG

Customs Alert: May 2020

Increase in customs duties in KSA from 10 June 2020

1 June 2020

On 27 May 2020, the General Authority of Saudi Customs (Saudi Customs) announced a list of commodities for which the customs duties may be raised, starting from 10 June 2020.

The potential rate increase ranges from 0.5% to 15%. A full list of new duty rates can be found on the Saudi Customs website.

The final decision on the rate increase for each commodity within the range announced is expected to be made by 10 June 2020.

Products potentially affected

The products potentially impacted by the increased customs duty rates, among others, include poultry, meat, dairy products, certain consumer products, some types of drinks and vegetables, spare parts, chemicals, building materials and vehicles. Please see below some examples thereof:

- Foods and beverages (for instance, poultry and meat products, live sheep and goats, fish, cold-water shrimps and prawns, dairy products, juices, yogurt , dairy spreads, vegetables and olive oil). The customs duty rates for these products may increase from the current levels of 0%, 5%,12% and 20% to a range between 6% and 25%, depending on the product.
- Chemicals (for example, carbon, silicon, zinc oxide, sulphonamide, propylene copolymers). The customs duty rate for these products may increase from current 5% to 6.5%.
- Building materials (for instance, tiles, marble, travertine and alabaster, pipes and tubes, electric wire and cable). The customs duty rate for these products may increase from the current levels of 5% and 12% to a range between 12% and 15%, depending on the product.
- Vehicles other than railway (for instance, private vehicles, emergency vehicles). The customs duty rate for these products may increase from current 5% to a range between 5% and 7%, depending on the product.

Implications for businesses

Any customs rate increase will represent an unexpected rise in costs for importers, manufacturers and the whole chain of supply, including the final consumers.

The impact of the rate changes on intra-GCC trade is still to be evaluated.

Importers into the Kingdom, as well as any other KSA businesses, which have a substantial import element in their chain of supply, should review their current product list to evaluate the impact on the supply chain. All supply chain contracts should be reviewed by the parties to determine who, and to what extent, will cover the additional cost.

We would recommend that all importers review their customs process and explore options to reduce the effect of the duties increase on the business. For example, through reviewing tariff codes applied, making use of customs exemptions and reductions available, using bonded warehouses and tolling arrangements, or evaluating alternative logistics models.

How KPMG can help you?

KPMG KSA can advise businesses on these matters and provide support with the estimation of the impact of duties increase, identifying options to mitigate the effect on the business, planning and execution of the transitional measures needed, as well as support with the ongoing compliance with the customs legislation in KSA.

For more information and to discuss how this announcement might affect your business, please do not hesitate to contact us.

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