



## ME Customs and Global Trade webinar Managing Customs for Free Zones and Mainland - Opportunities and Challenges

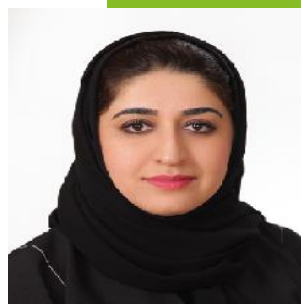
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In the Middle East  
since 1926 |

# Who are with you today?



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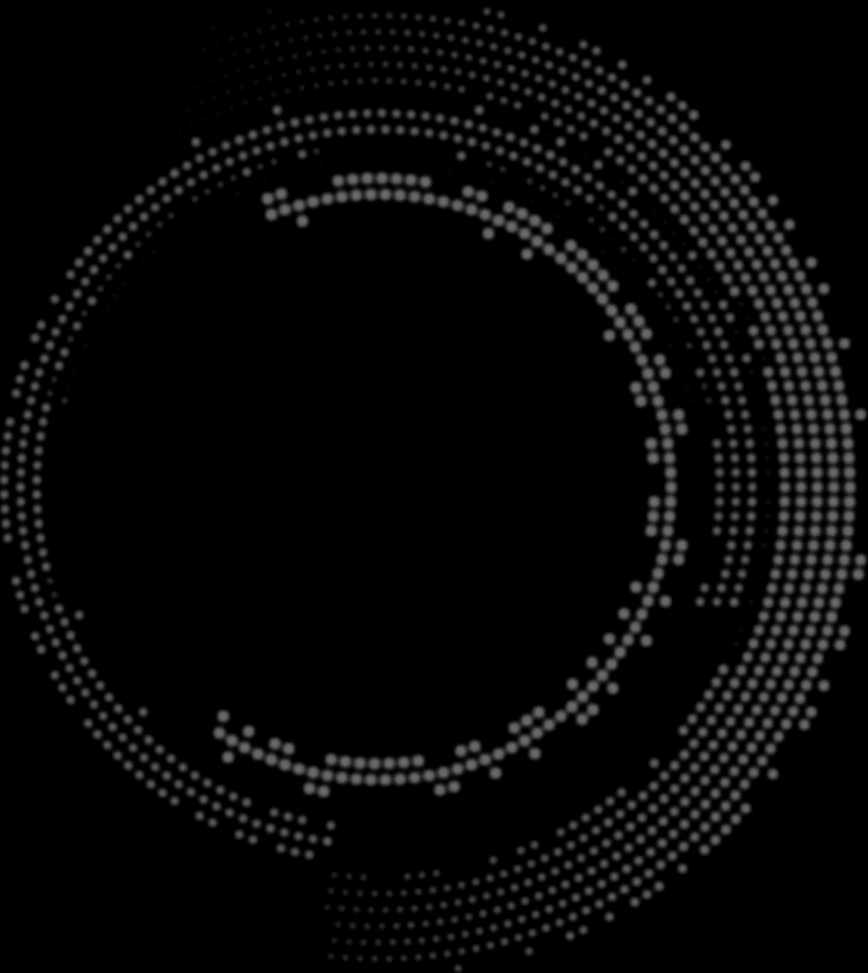
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# Introduction



# Agenda

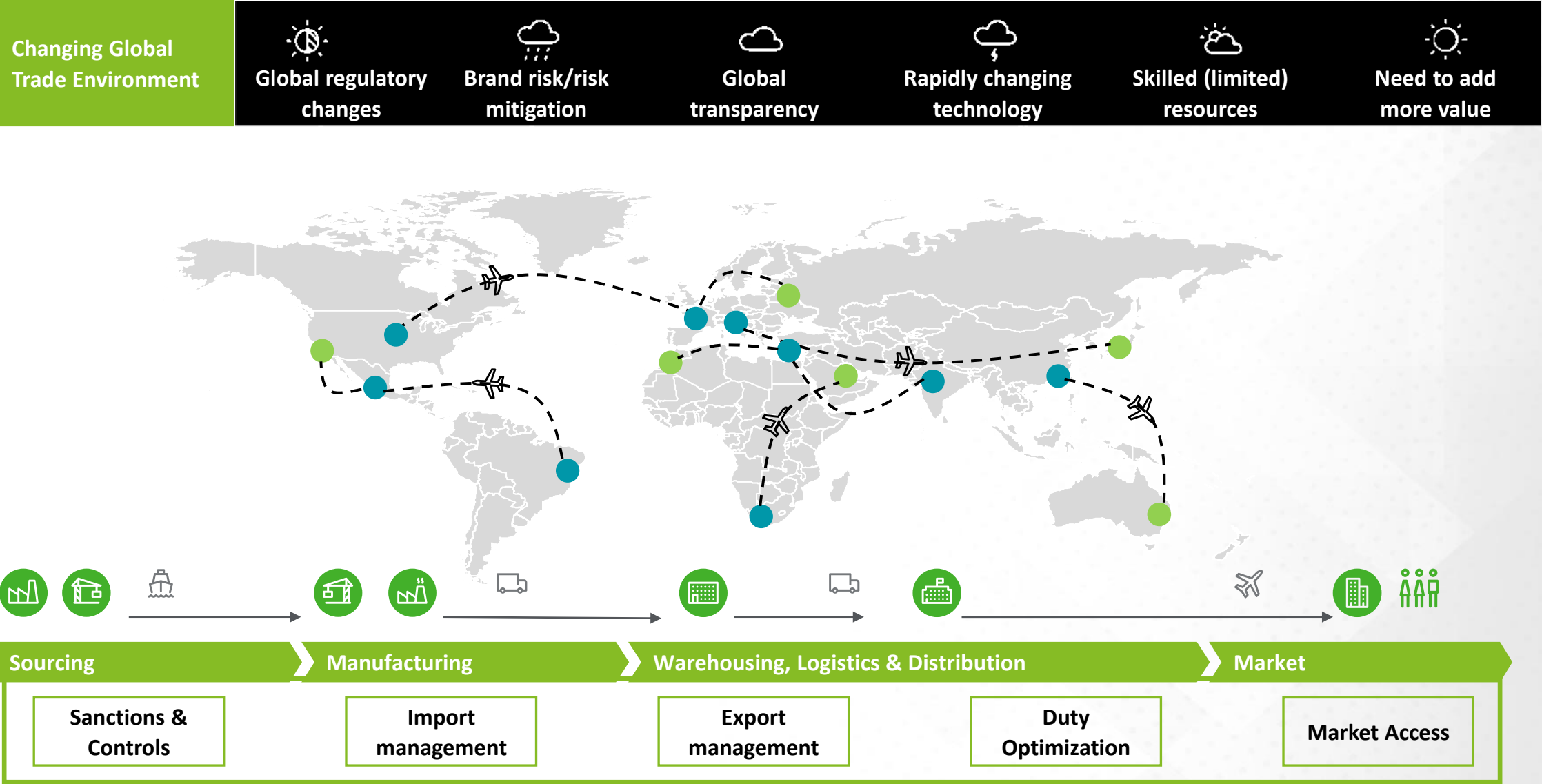
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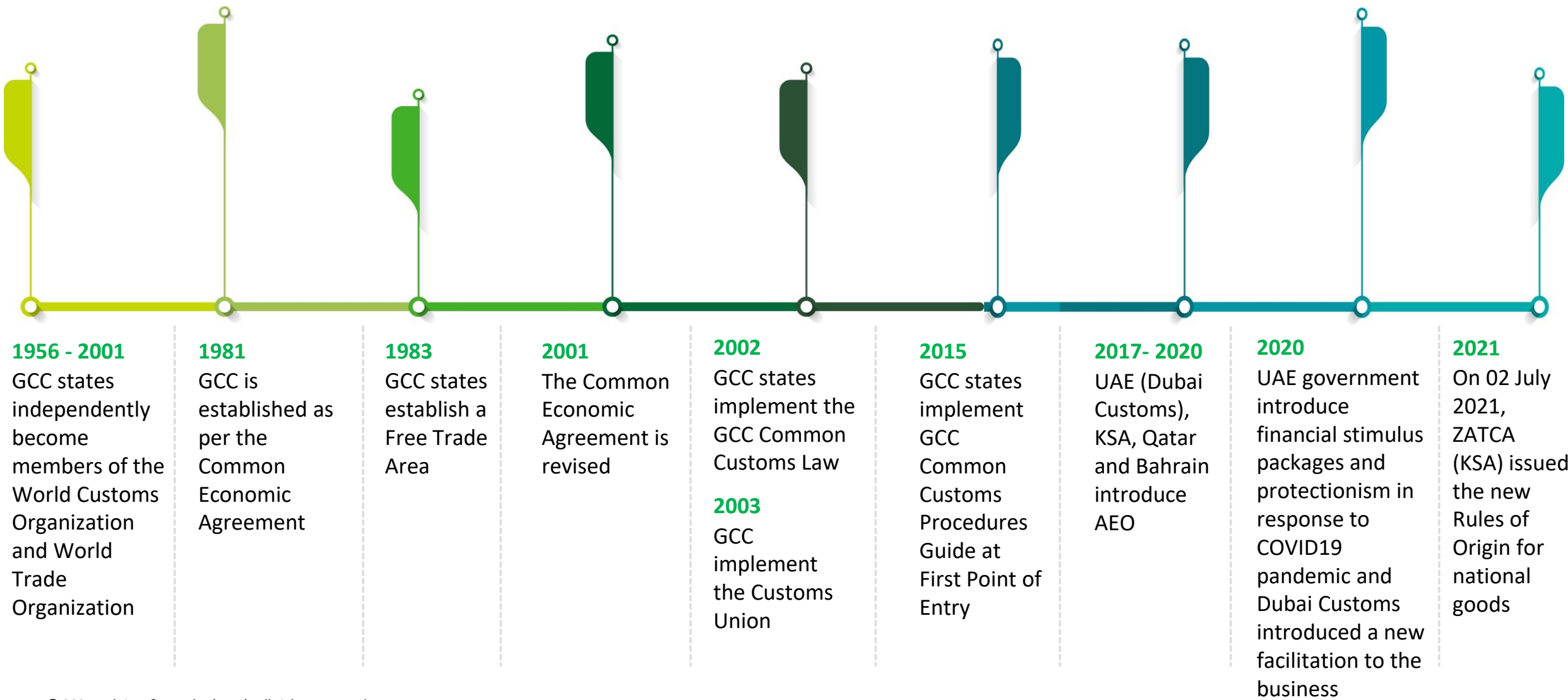
# Special address

Deloitte speaker: Fernand Rutten

# Customs and Global Trade overview



# Customs framework in the GCC



# Understanding of the GCC Customs Common Law and Compliance

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Dubai Customs speaker: Fareeda Fadhil



# Customs compliance

Customs compliance is the practice of respecting and following  
Laws, regulations and procedures related to imports and  
exports of goods...

# GCC Common Customs Law, Rules of Implementation and Explanatory Notes

## Applies in the UAE

The Common Customs Law falls in (17) sections comprising (178) Articles containing

- ☐ Provisions regulating the customs work;
- ☐ The areas subject to customs control;
- ☐ The nature of the customs procedures at the land, sea , air and post; customs offices that apply to the import and export operations;
- ☐ The application of the customs tariff and the collection of the customs duties on the imported goods;
- ☐ The stages of the customs clearance of the goods;
- ☐ The exemptions and temporary admission of goods;
- ☐ The documents to be produced to customs for the clearance of the goods and;
- ☐ The provisions for the establishment of free zones and duty-free shops and the regulation of the work of the customs brokers (clearing agents), the treatment of the customs offences and the 8- - smuggling cases and the rights and duties of the customs officers.

### ***‘Common Customs Law of the Cooperation Council for the Arab States of the Gulf’***

#### ***What is Customs Law?***

Customs Laws means the statutory, regulatory and administrative provisions relating to the importation, exportation, movement or storage of goods, the administration or enforcement of which are specifically charged to the customs administration, and any regulations made by the customs administration under its statutory powers.

## Some general provisions and definitions

- **Law:** Common Customs Law and rules of implementation and expletory notes.
- **Customs tariff:** The nomenclature containing the descriptions of the goods and the respective taxes and customs duties as well as the rules and notes of the kinds and types of commodities.
- **Customs taxes (duties):** The amounts levied on the goods according to the provisions of this Law.
- **Prohibited goods:** Any goods the import or export of which is prohibited under the provisions of this Regulation “Law “ or any other regulation “ Law “.
- **Restricted goods:** Those goods the import or export of which is restricted under the provisions of this regulation “Law “ or any other regulation “ Law “.
- **Free zone:** A part of the state’s territories in which commercial or industrial activities are exercised under the respective laws of that state. Any goods entering that zone are considered to be outside the customs zone and shall not be subject to the usual customs control and procedures.
- **Customs Declaration:** The goods declaration or the declaration submitted by the importer or his representative describing the elements identifying the declared goods and quantity thereof in details according to the provisions of the Law.



# Suspended Customs duty cases

Cases where the goods could be released and moved from one place to another in the country without payment of the customs taxes “duties”; against submission of a bail or bank guarantee equivalent to the amount of the customs taxes “duties”.

## Cases Where Customs Taxes “Duties” are Suspended Involves:

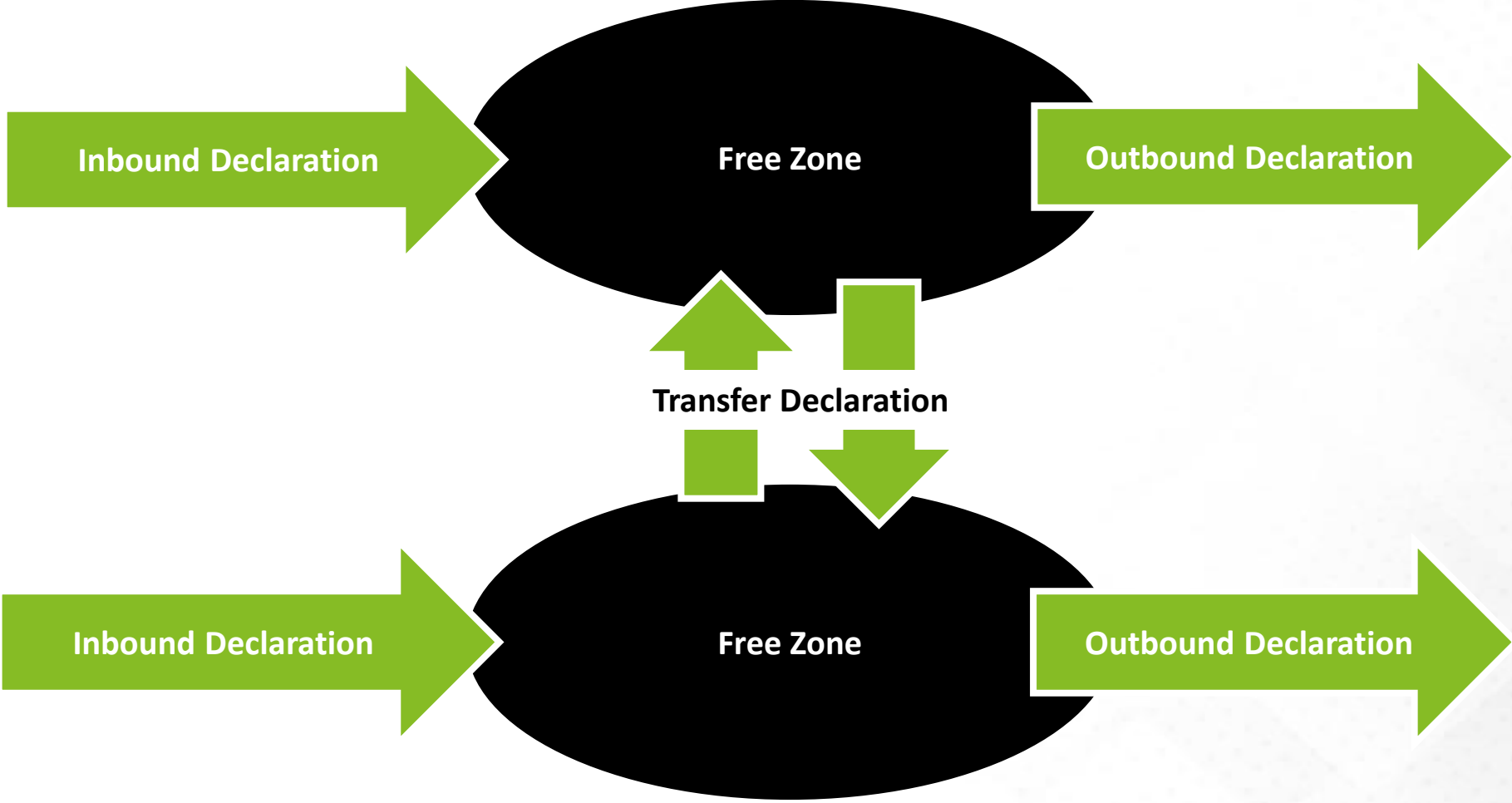
- Transit of goods
- Customs warehouses
- Free Zones and Free Duty Shops
- Temporary Admission “ATA”
- Import for Re-Export



# Free Zone types, similarities and differences

Fenced Free Zones / Designated Zones	Unfenced / Un-designated Zones
Specific fenced geographical area	Specific un-fenced geographical area
Customs controls	No customs controls
VAT not collected	VAT collected
Customs Duty Not Collected	Customs Duty Not Collected
Rules of Prohibition Applied	Rules of Prohibition Applied
Rules of Restriction Not Applied	Rules of Restriction Not Applied
Examples: <ul style="list-style-type: none"><li>• Jebel Ali Free Zone</li><li>• DUCAMZ</li></ul>	Examples: <ul style="list-style-type: none"><li>• DMCC</li><li>• Dubai Healthcare City</li></ul>

# Goods movement inbound and outbound



# What trigger a Customs Audit for Free Zones and Mainland?



# Customs audit assessment

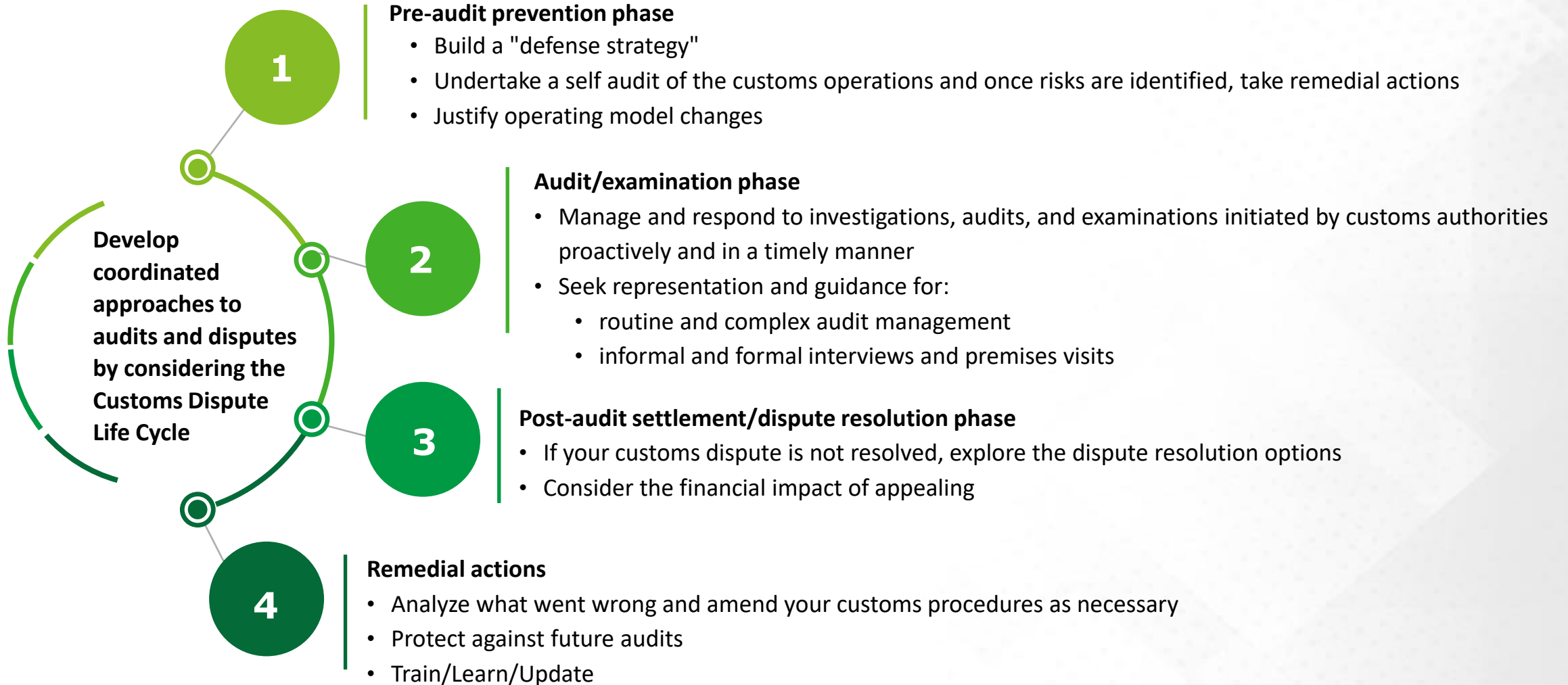
**Customs audit** is a procedure undertaken by the Authority to inspect and evaluate the company practices and records. As an importer or exporter, businesses are legally responsible for the accuracy of information provided to Customs, even in the cases where a Customs Broker prepares and lodges your declarations

**Customs audit assessment** is a decision issued by the Customs Authority in relation to the Payable Duty or Refundable Duty



# Post clearance audit

## Phased approach



# Clearance of goods consumed within Free Zones



## Customs Notice No. (17/2020)

### Procedures for Clearance of Goods Consumed within Free Zones

As part of Dubai Customs' constant efforts to improve service delivery and further facilitate and organize customs procedures;

Pursuant to the legislations in force regulating free zones business in the emirate of Dubai with respect to goods used in these free zones;

For better stock control of free zone companies and ensure clearance of goods used, or consumed within the free zone;

## إعلان جمركي رقم (2020/17)

### بشأن إجراءات تخليص البضائع المستهلكة داخل المناطق الحرة

في إطار جهود جمارك دبي المتواصلة في تعزيز الخدمات الجمركية المقدمة ولتسهيل وتنظيم الإجراءات الجمركية؛

واستناداً للتشريعات المنظمة للمناطق الحرة في إمارة دبي بشأن البضائع المستخدمة فيها؛

ولضبط مخزون شركات المناطق الحرة وتسديد قيودها عن البضائع المستخدمة والمستهلكة داخل المنطقة الحرة؛

ولغايات خلق بيئة مناسبة لجذب الاستثمارات وذلك من خلال اتباع إجراءات مبسطة لتخليص البضائع المستهلكة؛

## Customs Notice (17/2020)

For better stock control  
of Free Zone companies  
and ensure clearance of  
goods used, or  
consumed within the  
free zone

# Managing Customs compliance in UAE Free Zones and Mainland

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Deloitte speaker: Shaimaa Hussein

# How to ensure Free Zones and Mainland customs control

## What information do companies need to consider while doing business in Free Zones and Mainland?

### Considerations when doing business in a FZ:

1. Do I know if there are different customs compliance?
2. requirements for Fenced Vs. Non-Fenced free zones?
3. Do I have an inventory management system?
4. Is my inventory management system compatible with customs authority's electronic system (i.e. Mirsal II)?
5. Do I manage my stock (inbound and outbound)?
6. How do I keep track of the stock weight?
7. What about my operation within the free zone consumption and losses?
8. Do I have my customs and global trade master data (product classification, valuation and origin) under control?
9. Do you apply the law and declare right HS.Codes, Value, Origin?
10. Do I have clear procedures and instructions in place for your 3<sup>rd</sup> party service providers (e.g. freight forwarders, customs brokers, etc.)?
11. Using of the industrial exemption?
12. Am I ready for my next customs audit?

FZ

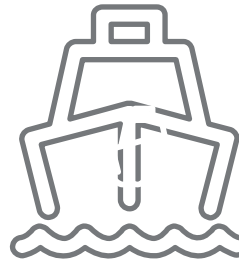


FZ



FZ

FZ



FZ



*A company-wide commitment to compliance is essential for avoiding unnecessary delays, customs audits and penalties*

# Common non-compliance risks for UAE businesses (Free Zones and Mainland)

## The top 10 customs risks for UAE businesses...



## Consequences of non-compliance for UAE businesses (Free Zones and Mainland)

01

**Declare goods undervalue and underpayment of customs duties**

02

**Significant fines and penalties, seizure of goods**

03

**Unintended impact on other taxes (VAT, Transfer Pricing)**

04

**Revocation of import/export permits and licenses**

05

**Cancellation of trading licenses**

06

**Government closure of facilities**

07

**Supply chain disruptions**

08

**Reputational damage with stakeholders and authorities**

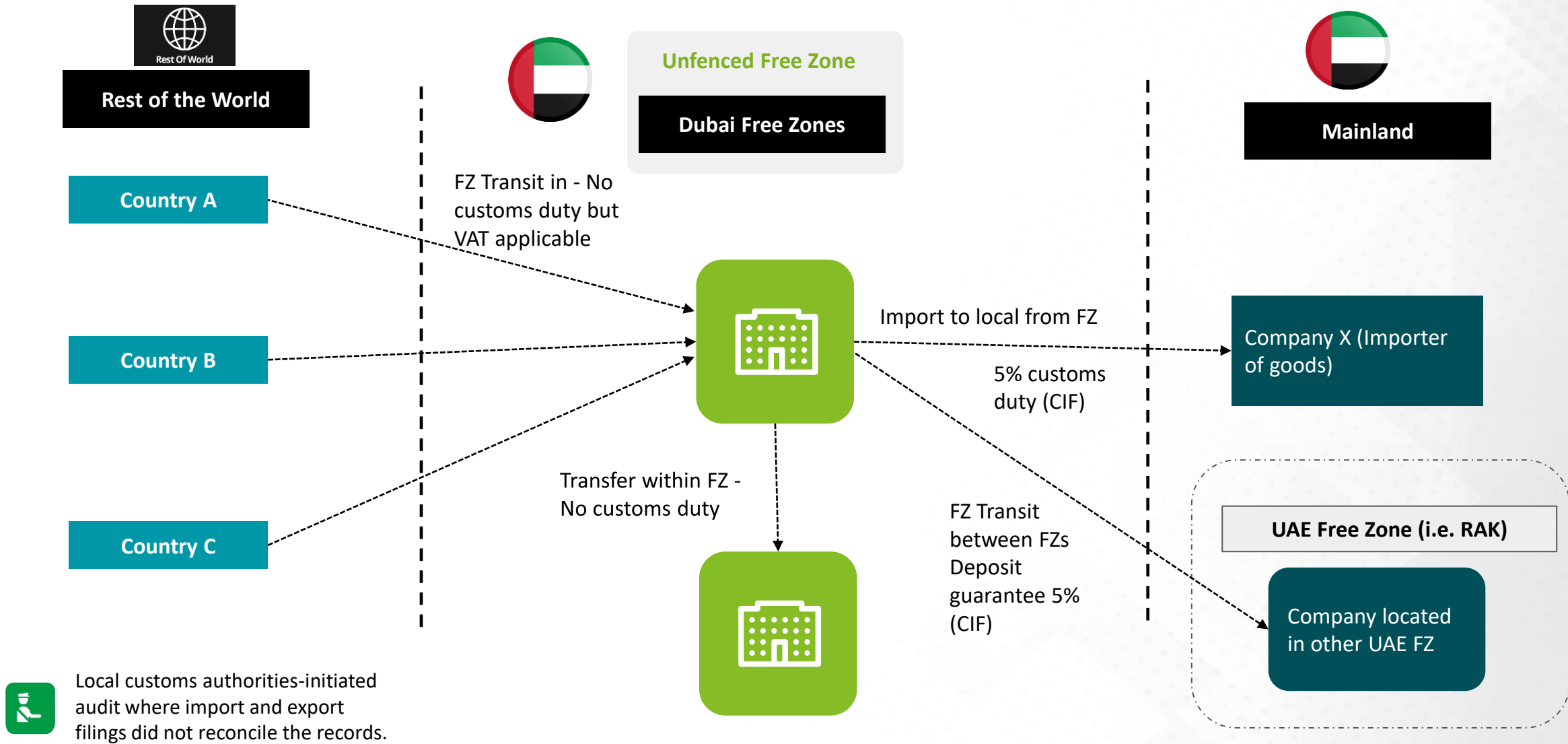
# Case studies



Deloitte speaker: Reshma Sharma

# Case study 1

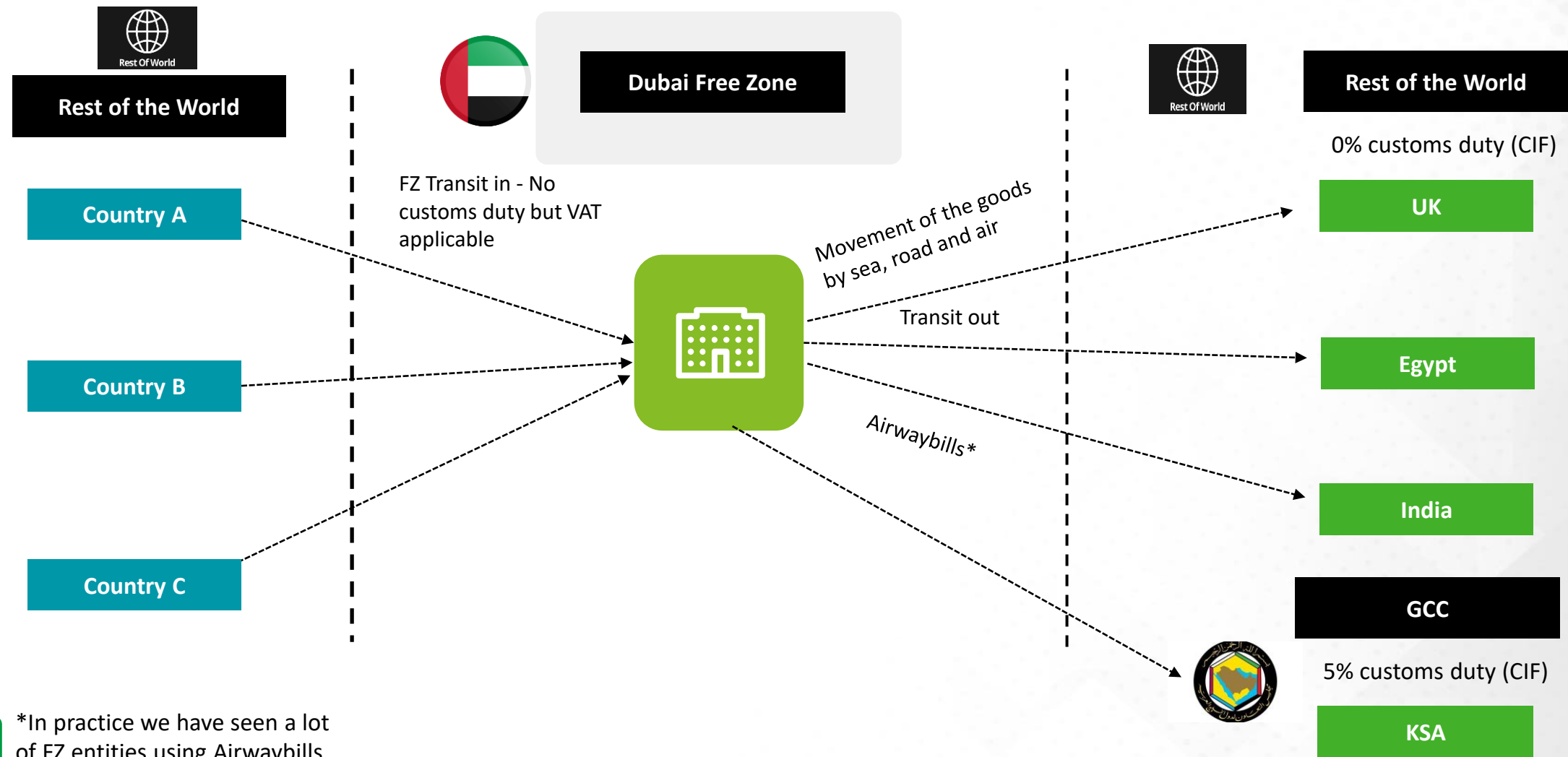
## Covering unfenced and mainland flows





# Case study 2

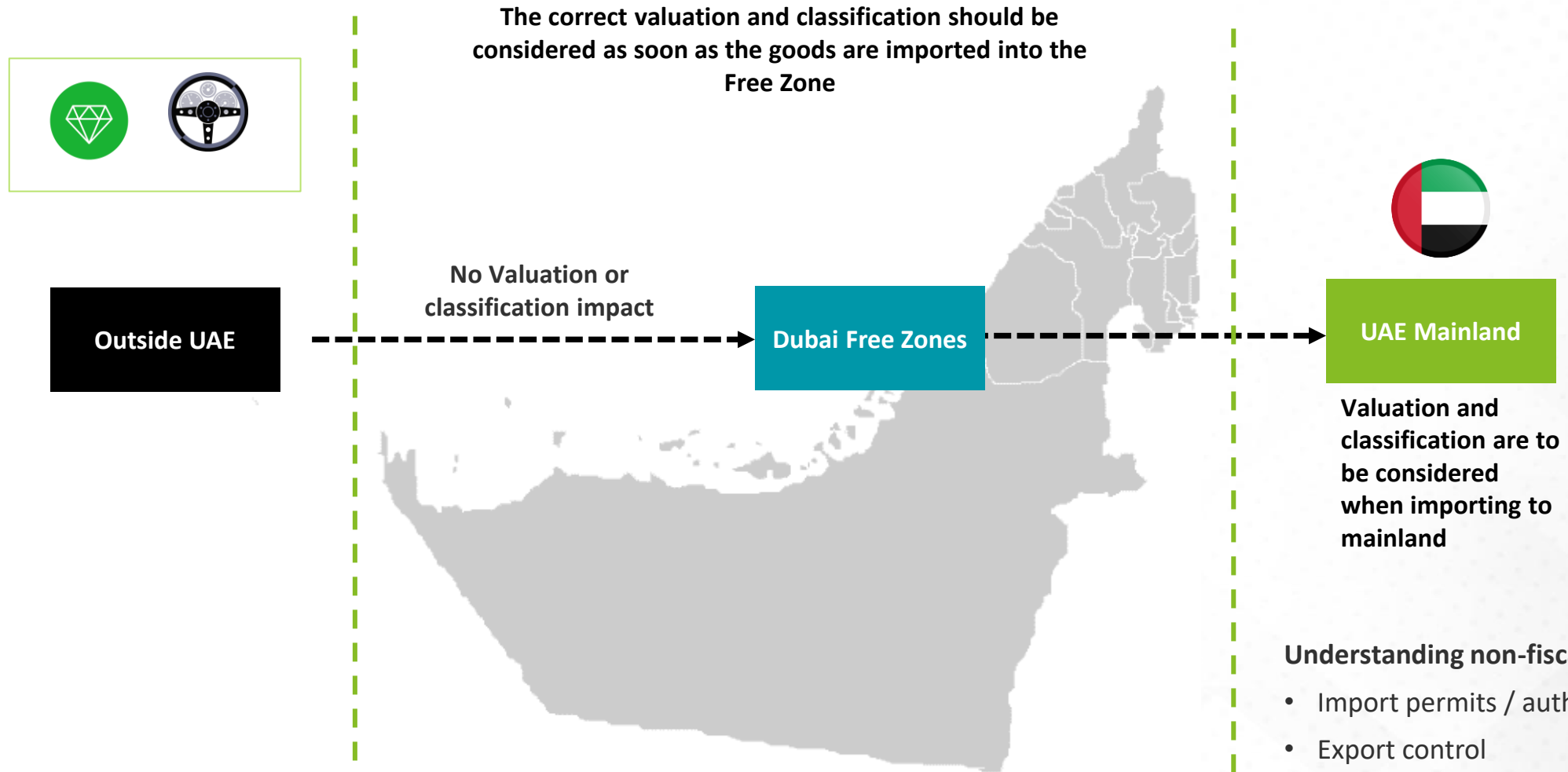
## Covering fenced free zone flows



\*In practice we have seen a lot of FZ entities using Airwaybills while exporting the goods to RoW

## Case study 3

Other risk areas covering custom valuation, classification and origin



### Understanding non-fiscal trade controls

- Import permits / authorization
- Export control
- Sanctions
- Other regulatory reporting requirements

# Key takeaways

Deloitte speaker: Fernand Rutten

# Customs efficiencies: How to manage indirect taxes in the UAE in these uncertain times?

## Some examples

Be proactive: document your procedures, **conduct periodical self-assessments**, **stay alert to new developments** and help your business save money

Apply for Duty **reclaims quickly and efficiently** – consider undertaking data reviews in advance (HTS/Valuation/Origin)

Manage your **customs disputes and audits** as you would any other tax audit: be careful, be consistent and seek guidance and advise where required

Check for **untapped duties** – consider data for services approach



Impact and feasibility of customs duty to understand the **full duty burden**



Review of **previous border delays** (consider simplified procedures and AEO)



Use of **alternative documentation ways** e.g. digital exchange and transformation



Consider impact and relationship with **other taxes (VAT/Excise), TP**

# Q&A

Deloitte speaker: Deloitte's team



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