

Egypt's Customs Law

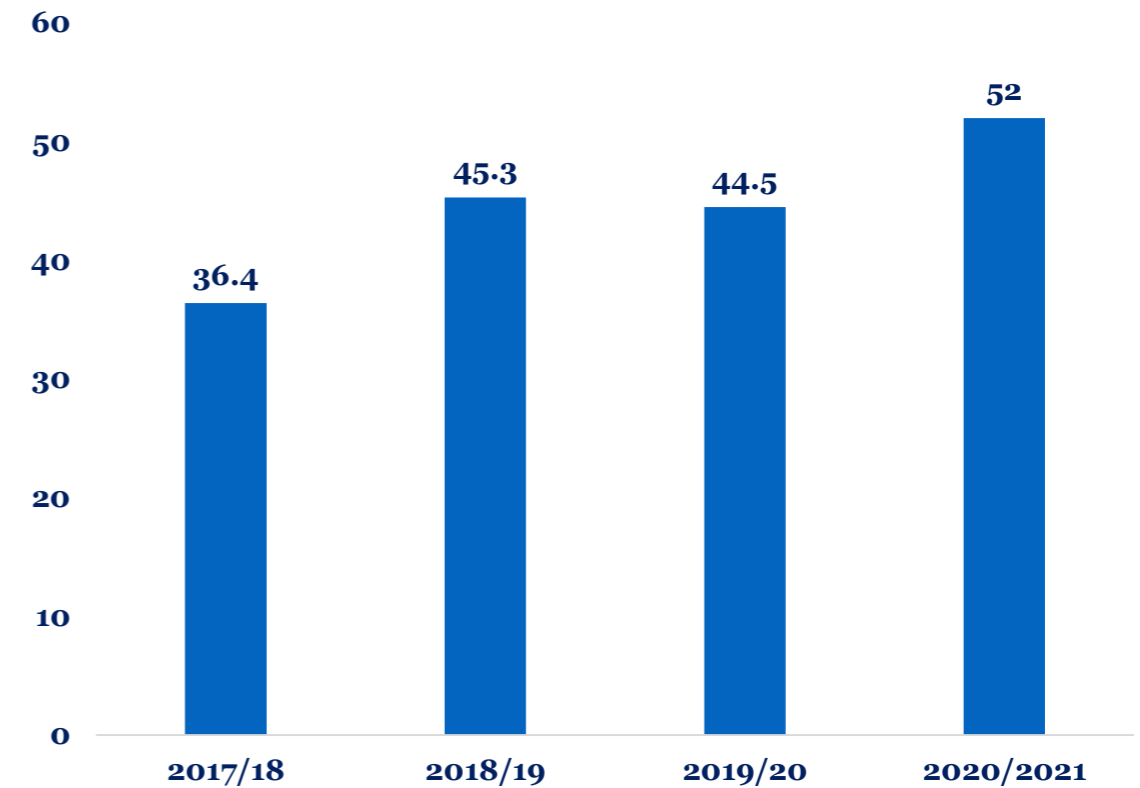




Introduction

- On November 11, 2020, the Official Gazette published Egypt's new Customs Law # 207/2020 ("The Law") following its adoption by the President of the Republic.
- The adoption of the Law is an additional step in the Government of Egypt's (GoE) efforts to enhance the state's budget revenues and facilitate trade and investment.
- The Law seeks to restructure the customs tax mechanism by replacing five-decade old customs laws (no. 66/1963 & 186/1986), paving the way for digitalized mechanisms for customs clearance and dues collection.
- The Law aims to facilitate trade movement in and outbound Egypt, including by establishing a one-stop shop for exporters and importers, while stabilizing the custom paradigm in terms of dues estimation.
- The Law builds on GoE efforts to enhance Egypt's global doing business rankings as well as complete agreed-upon reforms with international financial institutions, such as the International Monetary Fund (IMF), to improve the Egyptian investment climate.

Custom Duty Revenues 2017-2019 (EGP Billion)



Source: Ministry of Finance

Headline Targets



Digitally process 90% of exports/imports by December 2021



Reduce timeframe for goods' clearance to less than five days



Introduce a one-stop window mechanism to improve approval and clearance procedures/requirements



Introduce customs warehousing to eliminate congestion at ports



Clarify custom dues on imported goods beforehand through the new pre-query system



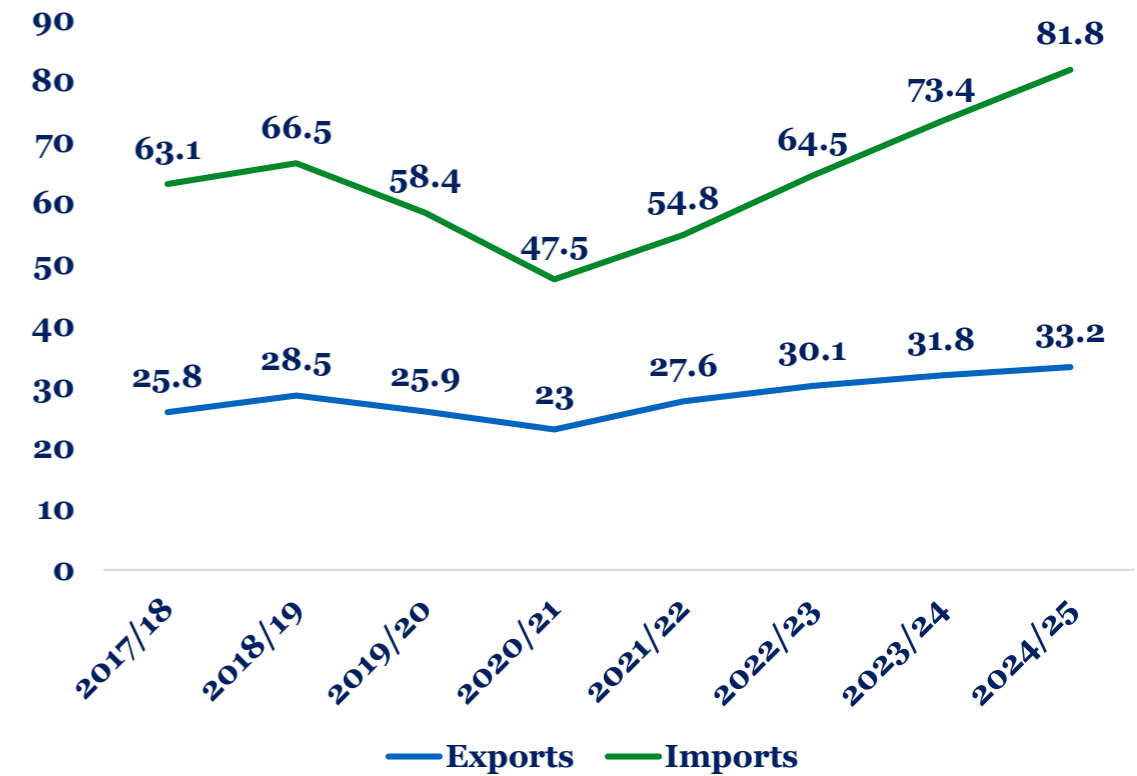
Tighten the Custom Authority's grip on smuggled goods including non-prohibited merchandise



Provisions

- **Egyptian Custom Authority (ECA):** The Law sets the rights and obligations of the ECA, as well as define its relationship with other governmental bodies
- **Customs Tax:** The Law defines procedures, service fees and exemptions.
- **Temporary Approval and Clearance:** The Law sets the framework for accessibility of goods within the limitations provided for inspection procedures
- **Sampling and Inspection:** The Law redefines the guidelines for sampling and exemptions' procedures
- **Appeals and Dispute Settlement**
- **Violations and Penalties**
- **Concluding Articles**

Exports and Imports Forecast 2017-2025 (USD Billion)



Source: International Monetary Fund

Impact on Business

- The Law's impact will be measured based on its ability to facilitate the entry and exit of raw, intermediate and final goods to and from the Egyptian market, both in terms of procedures and length duration.
- No immediate impact on Egypt's trade is expected by the Law, particularly as the GoE puts in place the necessary institutional mechanisms and the custom stakeholders adapt to the new scheme. Sufficient training will be required for customs officers, particularly on digitization mechanisms.
- At the same time, the GoE will seek to ensure the elimination of non-tariff and bureaucratic trade barriers, and should provide constant clarity on its medium and long-term customs and taxation policies and regimes.
- On the longer term, the Law is expected to facilitate customs inspections and clearance procedures, as well as further enhance Egypt's business and investment environment.



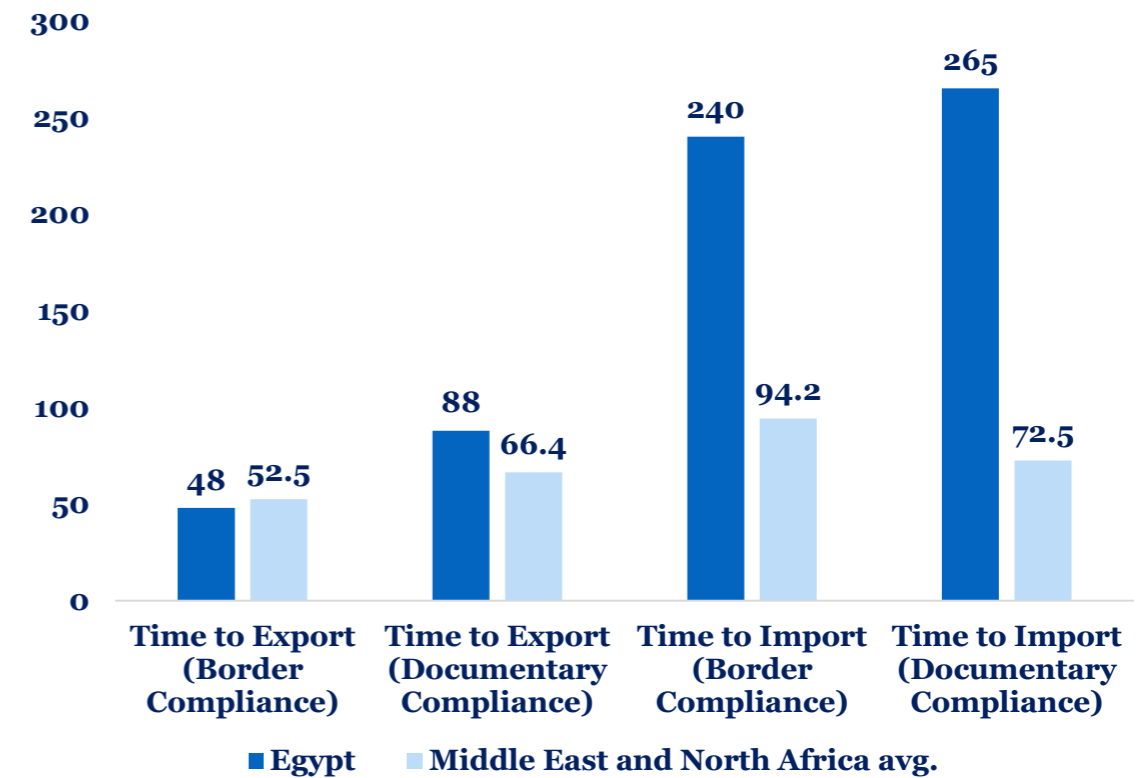
Egyptian Customs Authority

- The Law provides a clearly defined role for the ECA in terms of monitoring inbound, outbound, and transit products, the collection of custom dues/tariffs, and the application of customs regulations.
- The Law asserted the role of the ECA in implementing electronic tracking mechanisms to tighten control over certain products entering the state, including while in transit. This shall facilitate enhanced quality control over goods entering the country through inspecting country-of-origin authentication.
- The Law provides the ECA with jurisdiction outside the sovereign boundaries of the state to mitigate risks of off-shore smuggling attempts, and to adapt to new maritime border agreements.
- The ECA is authorized to monitor and track e-commerce sourced goods.
- The Law's Executive Regulations shall further define the role of the ECA with regard to "grey-areas" of ECA jurisdiction vis-à-vis other monitoring/border control agencies.

Custom Duty

- The Law defines the custom duty as a defined percentage of the value of the product, unless otherwise determined for products taxed based on their quantitative value (weight/quantity)
- The Law introduced an installment-plan option for custom duties with regard to imported machinery/equipment/whole production lines for one year. Products imported for national projects will be exempted from interest fees resulting from custom duty installments.
- A service fee of maximum EGP 10,000/service for one-stop window, pre-query, and general ECA services requested beyond the ECA's working hours/custom jurisdiction is mentioned in the Law.
- The Law exempts goods imported by the Ministry of Defense, Ministry of Military Production, General Intelligence Service, Ministry of Interior, Ministry of Foreign Affairs, National Defense Council, National Security Council, and the Administrative Control Authority from custom duties.
- The Law also exempts public hospitals and university hospitals from custom duties emanating from imports of equipment, appliances, medical machinery, medications, contraceptives, and formula milk.

Duration for Export/Import (by Hours)



Source: World Bank Group



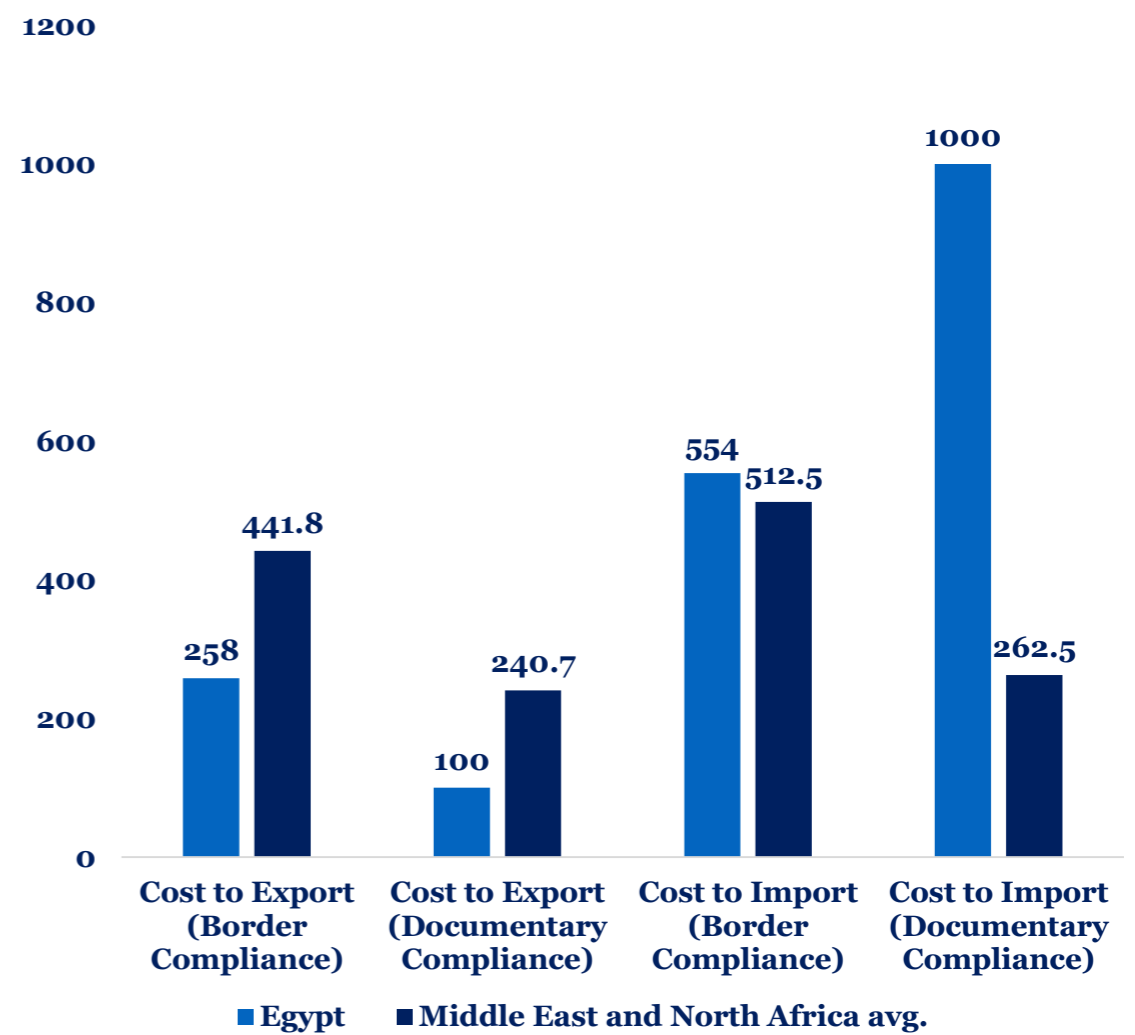
Custom Duty (Cont'd)

- The Law reinstates a 5% custom duty (or as per the customs bill; whichever is of lower value) on imported equipment, machinery, production lines, and parts for private companies, National Urban Communities Authority cities, and agricultural projects in deserted lands. The same applies for imports of equipment, machinery, heavy machinery, and special-purpose vehicles for construction and tourism projects
- The ECA will avail temporary warehousing facilities for in/outbound goods to prevent the crowding of goods in Egyptian ports.
- The Law obliges the General Authority for Investment and Free Zones (GAFI) to consult the ECA before issuing licenses to establish new free zones.

Temporary Approval

- The ECA may provide temporary exemptions off custom duties for raw material, intermediate goods, and imported components into Egypt for manufacturing purposes.
- The exemption will include production and packaging components for exported goods and imported semi-finished/maintenance goods for re-export purposes.
- The exemption will be provided on the condition that importers deposit an amount equivalent to the custom due as a guarantee pending on the export of the final product with 18 months; the aforementioned period may be authorized an extension of 12 months.
- Deposited guarantee fees shall be reimbursed pending the export of the final goods to a free zone, special economic zone, foreign markets, or to a custom-tax exempted authority.
- Temporary clearance is authorized for transport means, machinery, and containers for local operational/rental purposes, for a monthly 2% of custom fee due (max 20%/year.) This will apply during the product's duration stay in the port, or until it is re-exported/authorized for final clearance.
- Renewable energy equipment/components/machinery will benefit from the temporary clearance mechanism for a monthly fee of 1 % (of custom fee due), not exceeding 10% per year.
- Passenger vehicles and yachts will be subject to temporary clearance for a 5% (of custom fee due) per month.

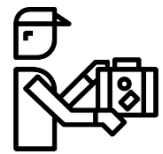
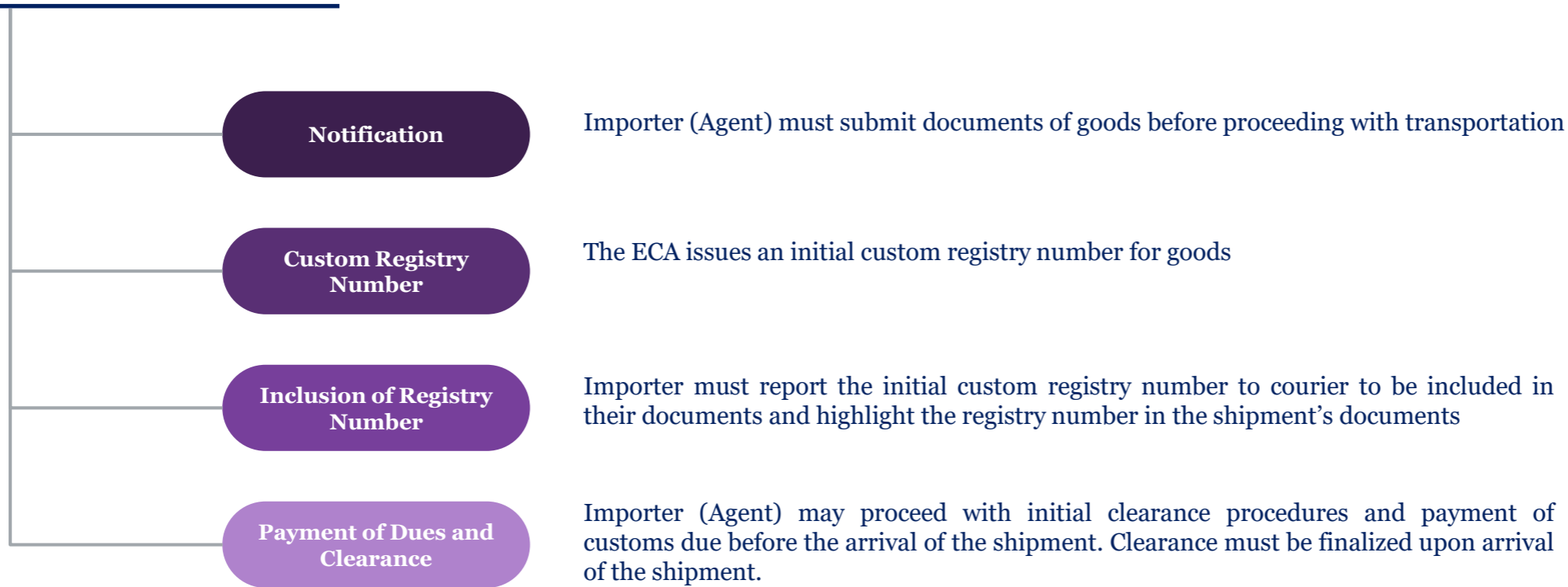
Cost of Export/Import (USD)



Source: World Bank Group



In-Advance Clearance



Captains/Pilots/Couriers/Agents must submit shipment's documents and bill of lading at least 48 hours prior to its arrival. The documents must include information on all passengers of the vessel and all customizable goods.



Importers/Clearers/Agents/other stakeholders dealing with the ECA must be registered through the Authority's registry mechanism,

Sampling and Inspections

- ECA is authorized to inspect all or some or none of the shipped goods within custom jurisdiction zones.
- ECA inspections may be conducted outside the custom zones upon a request filed by the exporter/importer or his/her agent. The ECA reserves the right to re-inspect a shipment as long as clearance procedures are still ongoing.
- ECA's inspectors may not open containers/shipments for inspection without the presence of their beneficiaries/owners. This does not apply in cases of suspected smuggling activities (such inspections are conducted five days after the importer is notified.)
- ECA/importer/exporters may request a sampling test on some of the goods to authenticate their compliance with regulations (at the expense of the beneficiary.)



Violations and Sentences

FINE OF 10,000 EGP

- Providing false info in the bill of lading
- Failure to abide by procedures (clearance agents)
- Obstruction of ECA employees' work
- Failure to maintain custom seals on shipments/containers

FINE OF 30,000 EGP

- Failure to submit shipping list
- Incomprehensive shipping list
- Docking outside of authorized docks/marina/ports
- Exiting a custom zone prior to clearance
- Unloading outside of allocated territories
- Unloading absent the presence and approval of the ECA.

10,000 – 100,000 EGP

- Individual smuggling (jail sentences also apply)
- In case of trading purposes; 3 – 5 years jail sentence and a fine between EGP 25,000 –EGP 250,000.

50% OF CUSTOM FEE AT-RISK

- Neglect leading to a deficit in reported goods
- Surplus in inventory upon an ECA audit (Free Zones (FZs)/Special Economic Zones)

100% OF CUSTOM FEE AT-RISK

- Providing false information on the type/country of origin of goods
- Failure to abide by regulations governing transit goods/warehousing/FZs/Special Economic Zones/Temporary Clearance/Temporary Exemption

DOUBLE VALUE OF SMUGGLED GOODS

- Smugglers of prohibited goods will be sentenced 2 – 5 years in jail and pay double the value of goods/custom fee (whichever is higher)
- Fraudulent rebates of paid custom duties (double the rebate)

Confiscation and Lawsuits

- The relevant court may authorize the confiscation of smuggled (unless prohibited) goods as well as the means of transporting such goods. This does not apply on shipping vessels and airplanes.
- Lawsuits against smugglers are filed only with the authorization of the Minister of Finance.
- The Minister of Finance or the Head of the ECA may request public prosecution/economic court to freeze the economic activities of the importer in question until a final legal ruling is issued with regard to his/her case.
- The Minister of Finance may authorize a settlement in a smuggling case up to 60 days after a final ruling is issued.



Additional Provisions



Reporters/Whistleblowers of smuggling acts will be awarded 10% of the fine collected



Authorized e-methods for information exchange with the ECA as per the E-Signature Law



Establish the authorized economic operator system to facilitate the clearance procedures for certified (producer/exporter/importer/clearance agent/courier/warehouse)



ECA employees will be authorized to confiscate any smuggled goods traded within the local market without a proven record of custom clearance

Smuggling Acts

The following are considered acts of smuggling:

- Hiding of goods and projects that are subject to customs by passengers
- Deporting goods out of custom zones
- Deficit/loss/exchange of goods during custom warehousing
- Smuggling goods out of custom zones/free zones
- Submitting fraudulent documentation
- Manipulating label of goods
- Trading smuggled/prohibited goods
- Transferring ownership for goods under probation
- Dealing in censored/prohibited goods
- Selling duty-free goods in local market
- Manipulating testing samples

Thank you

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