

Egypt updates its customs laws

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Executive summary

Egypt published Customs Law No. 207 of 2020 in its *Official Gazette* on 11 November 2020. While the new law aims to simplify and standardize procedures by merging and updating Egypt's customs laws, it also introduces various changes to the current legal regime with stricter penalties to ensure compliance. The new law also aims to support Egypt's digital transformation and provides for the electronic submission and exchange of documents.

Businesses engaged in import/export operations in Egypt (including brokers and special zone entities) should consider the amendments, clarifications and enhancements of the new law to:

- ▶ Review their operations and supply chains in line with the new requirements to better achieve customs compliance, audit readiness and penalty avoidance.
- ▶ Facilitate the achievement of any newly introduced or revised benefits brought about through the new provisions.

This Alert summarizes some of the key aspects highlighted within the law.

Detailed discussion

Trade facilitation

- ▶ **Single window:** The new law introduces a one-stop information portal that allows users to deposit and obtain information in one place, enabling international (cross-border) traders to submit regulatory documents at a single location.
- ▶ **Exchange of information:** Secured information and data may be exchanged electronically between the Egyptian customs authority and other state bodies or foreign parties with which Egypt has signed information sharing agreements or protocols.
- ▶ **Customs procedures:** The law introduces new provisions relating to customs clearance, registration of customs dealers, the license validity period for customs brokers, cash insurance requirements and customs risk management requirements.
- ▶ **Special types of customs entries:**
 - **Bonded Warehouses:** Temporary warehousing is permitted for imported or exported goods until customs release is completed, this allows for reduced congestion at ports and airports.
 - **Free Zones, Special Economic Zones and Duty-Free Zones:** The General Authority for Investment and Free Zones and economic zones administrations are obligated to obtain customs authority approval before providing the required licenses for operation in such zones or markets.
- ▶ **Temporary admission:** The period for the temporary admission procedure has been reduced. Goods admitted under temporary admission must now be exported within 18 months from the customs release date (previously two years) and can be extended in certain cases for a period of one additional year upon approval by the Egyptian customs authority.
- ▶ **Temporary release:** The law specifies a monthly payment of 2% of the duty otherwise owed, capped at 20% per annum, for items temporarily released, including equipment, machinery and containers imported into the country on a temporary basis for rental or limited usage purposes.

Benefits

- ▶ **Preferential rates:** A customs duty rate of 5% or the applicable customs tariff rate (whichever is less) applies to machines, equipment, devices, production lines and spare parts imported for corporations and individual entities, also for new urban community projects, reclamation and cultivation projects in desert lands.
- ▶ **Customs duty refund (drawback):** Goods exported to Special Economic Zones will be eligible for duty drawback if certain criteria are met. Application for a refund must be made within a time period of 18 months (previously two years) from the date of export with the possibility to extend for another year in certain instances upon obtaining required approvals from the Egyptian customs authority.
- ▶ **Authorized Economic Operator:** Operators can now receive approval by the Egyptian customs authority to register as an Authorized Economic Operator, with certain privileges, terms and conditions to be stipulated in the executive regulations.
- ▶ **Customs duty exemptions:** New exemptions are introduced allowing for the exemption of duty upon import of goods. This includes imports by governmental and university hospitals and military imports made by Arab forces, foreign forces and multinational forces operating in Egypt.
- ▶ **Duty installment facilitation:** Importers engaged in certain activities such as production projects using machines, equipment, devices, production lines and spare parts which are not eligible for customs exemptions or preferential rates are allowed to pay the applicable customs duties in installments over the course of one year. Monthly interest payments will apply, which is to be determined by executive regulations. However, interest will not apply to imports for or under the name of national and infrastructure projects established by a prime ministerial decree.
- ▶ **Temporary release:** Equipment, components and spare parts of new and renewable energy projects are now entitled to temporary release. These items would be subject to a monthly payment of 1% of the duty otherwise owed, capped at 10% per annum.

Compliance and enforcement

- ▶ **Document retention:** Import and export documents related to customs clearance are now required to be retained for a period of five years from the date of customs release.
- ▶ **Electronic system:** An electronic system will be established to track goods until the final customs release stage.
- ▶ **Customs post audit:** The Egyptian customs authority is authorized to take robust measures to ensure customs compliance and the reliability of information presented for customs purposes.
- ▶ **Appeals:** The law adds a specialized committee to review appeals prior to escalation of appeals to arbitration levels.

Implications

The new law aims to increase investment and trade facilitation between Egypt and other countries and could allow the Egyptian customs authority to expand its trade facilitation capabilities and activities. The new law also revises special procedures and benefits such as Authorized Economic Operator and bonded warehousing. However, the period to achieve certain benefits have been shortened.

With the implementation and adoption of new digitization and analytics tools such as the single window portal, sharing information between different competent authorities will become easier, allowing for faster clearance cycle-times. However, the customs authority may also use these tools to obtain a better understanding and assess the operator's risk profile, therefore enhancing the customs authority's post-clearance audit risk targeting mechanism.

Businesses engaged in import and export operations in Egypt should consider the recent amendments, clarifications and enhancements of the new law to:

- ▶ Review their operations and supply chains in line with the new requirements to better achieve customs compliance, audit readiness and penalty avoidance.
- ▶ Facilitate the achievement of any newly introduced or revised benefits, savings or efficiencies brought about or now possible through the new provisions.

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