

# Customs Alert: Saudi Arabia introduces new national rules of origin

July 2021

## In brief

The Saudi Minister of Finance and Chairman of the Zakat, Tax and Customs Authority (ZATCA) approved [Ministerial Decision No.3852](#), which introduces the new national rules of origin (the rules) that determine the conditions to be met for goods imported into Saudi to qualify for GCC preferential treatment based on the GCC Unified Economic Agreement. The rules have come into effect on 2 July 2021, the date of their publication in the official gazette.

## In detail

### Qualifying for GCC preferential treatment

The rules determine the conditions that must be met in order for goods to qualify for GCC preferential treatment, including custom duty exemption. The main conditions are as follows:

- The goods should have a valid certificate of origin;
- The goods should arrive to Saudi Arabia directly from their GCC manufacturing country of origin;
- The manufacturing process should represent at least 40% local added value; and
- The GCC manufacturing entities should have a workforce localization rate of at least 25%.

The rules allow some flexibility with regards to the local added value and localization rates, which can offset each other as long as the local added value is at least 20% and the localization value at least 10%.

### Direct Shipment

Goods qualify for GCC preferential treatment when they reach the Kingdom through direct transit which includes:

- Goods arriving in Saudi without transiting through any country outside of the GCC;
- Goods arriving in Saudi after having transited through non-GCC countries on the condition that:
  - i. they remained under Customs control,
  - ii. the transit was necessary for geographical reasons, and
  - iii. the only processes undergone by the goods are the necessary shipping, handling, and preservation of the goods' integrity.

## Free Zones

Goods that originate in GCC Free Zones do not qualify for preferential treatment and are to be considered and treated as foreign goods, even when their manufacturing process utilizes local raw materials. Transit through Free Zones and the use of transit documents originating from Free Zones will not be considered to be a direct transit from the GCC and disqualifies goods from preferential treatment.

## Implications for businesses

Manufacturers and exporters operating in the GCC who conduct business with the Saudi market should consider how these rules will influence their operations and supply chains. In cases where the rules of origin are not met, goods will face Saudi customs duties, thus businesses need to evaluate the impact of these rules on their activities.

For more information on this topic or to learn more about KPMG's Trade & Customs Services in Saudi Arabia, kindly contact our team at KPMG.

# Get in touch

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