



Incoterms® 2020 - What's new and important for Global trade effective from 1 January 2020

The International Chamber of Commerce (ICC) has revised and published the International Commercial Terms, to introduce Incoterms® 2020. The new Incoterms® 2020 will come into effect from January 1, 2020. All traders must familiarize themselves with the changes and learn to use the revised terms. Essentially, incoterms drive trade contract terms between parties in global trade contracts, stipulating terms like, where title to goods transfer between parties, which party pays for freight and/or insurance, etc. The Incoterms® 2020 will be valid as of 2020 subject to contractual agreement between the parties; if not the trade terms as per Incoterms® 2010 will continue to apply. The revised edition of Incoterms® 2020 is in response to changes in global commercial practices, and to enhance accessibility and ease of use. The revisions for Incoterms® 2020, the ICC mainly focused on clearer guidance on demarcation and connection between the sale contract and ancillary contracts.

Businesses should undertake a review of contract templates and incoterms used in sale and purchase contracts to assess if using Incoterms® 2020 may facilitate risk management in global trade in anyway. Also, where new contracts are entered into with counterparties, due consideration should be given to specific incoterms where certain contract terms have been revised (like CIF/CIP, DAT, FCA, etc.) as a result of the 2020 revision.

Excise goods, excise tax rates and excise duty calculation methods – Cabinet decision published

The United Arab Emirates (UAE) Federal Tax Authority (FTA) published Cabinet Decision No. 52 on 4 August 2019 on Excise Tax Rates and the Methods of Calculating the Excise Duty.

The decision broadens the scope of excise tax to include liquids used in electronic smoking devices and tools, electronic smoking devices and tools, and sweetened drinks in addition to the products already subject to this tax (like tobacco and energy drinks, etc.).

The decision provides the definitions for the 'new' goods – like liquids used in electronic smoking devices, certain tobacco products, sweetened drinks. Explanations to certain exclusions to the definition of sweetened drinks (like baby food, beverages containing more than 75% milk etc.) have been covered in some detail as well.



Related party transactions under Customs valuation

Valuation of goods under Customs laws is based on the principles laid down in World Trade Organization (WTO) Agreement and all WTO member countries have an obligation to implement the agreement, including the Gulf cooperation council (GCC). The agreement contains a hierarchy of valuation methods for customs declaration purpose and establishes the 'transaction' value as the primary method. The transaction value usually refers to the price paid or payable for a transaction in goods.

However, where the transaction is between related persons the valuation of goods should be done on the basis of 'arm's length principle' instead of transaction value.

Related persons in this context and also as defined in the GCC Customs framework and Implementing regulations include (but is not limited to) persons in a partnership, where one person directly or indirectly controls the other or members of the same family. The Implementing Regulations stipulate that the 'transaction' value method can be used for customs declaration purposes in the GCC only if parties are unrelated. If parties are related, 'transaction' value can be used if certain conditions met. These conditions are meant to ensure that the relation between parties should not have influenced the 'transaction' price.

As such, as importers of goods into the GCC, it is critical to identify if your supply chain has related party trades and what customs valuation methodology is being used to declare related party trades for customs purposes. Accordingly, assess if any adjustments to the existing customs valuation process should be revisited.

Key takeaway

Review of valuation under applicable customs legislation to minimize the risk around over or under payment of Customs laws



Free Trade Agreements and the GCC

The GCC Commercial Agreement was signed in 2001 and comprises of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE. The agreement covers a wide range of subjects from technology and commercial exchange to citizens' rights, with the aim of liberalising trade intra-GCC. The GCC free trade area permits a common external tariff, unified customs regulations and procedures, customs duties levied at a single entry point, no tariff-/barriers for movement of goods within the GCC. Within the GCC, the following agreements are currently in force or being negotiated:

- Greater Arab Free Trade Area (GAFTA),
- GCC-EFTA,
- GCC-Pakistan,
- GCC-China,
- GCC-Australia,
- GCC-Singapore.

A high-level overview of the FTA held by the GCC countries would comprise of multifaceted benefits with a diverse range of countries. Businesses whose goods meet the criteria required by the free trade agreements can make use of the benefits and duty reliefs permissible under these FTAs.

As a business trading or importing goods into the GCC, it is important to understand whether your business or organisation can benefit from any customs reliefs available under the available FTAs applicable, depending on the goods being imported and the country of origin. It is therefore important to look into your supply chain and ascertain whether you may benefit from any applicable customs reliefs.



Deloitte GTA – News bites

Deloitte Customs Roadshow 2019

In September 2019, Deloitte Middle East hosted a series of successful Customs Roadshow events across 5 cities in the Kingdom of Saudi Arabia and the UAE. Deloitte is the first global organisation to host a Global Trade and Customs focussed conference in the Middle East.

The event was very well received in all locations – including Riyadh, Jeddah, Al Khobar, Dubai and Abu Dhabi. Almost 300 clients attended the events across the 5 cities. Deloitte’s global GTA leadership team alongside Middle East GTA specialists attended and presented at the event. The most enriching aspect of the roadshow sessions was the sharing of knowledge and industry experience among participants – both Deloitte specialists and clients alike. Clients also found this an extremely helpful networking opportunity and a forum for sharing industry developments and trends in the global trade and customs space.

AEO and Saudi Customs

Saudi Customs, the customs authority in the Kingdom of Saudi Arabia, (KSA) has introduced its Authorized Economic Operator (AEO) program. The AEO concept is one of the foundations of the World Customs Organization (WCO) Framework of Standards to Secure and Facilitate global trade (SAFE). The AEO program also reflects Saudi Customs’ intention to undertake a strategic transformation in order to achieve the goals presented in the National Transformation 2020 Program and the Kingdom’s Vision for 2030. The introduction of an AEO program is the next step in this journey and allows for KSA businesses to obtain an internationally recognized security standard, which certifies holders as a “secure” and “reliable” trade partner.

As an established professional service provider in the field of customs and global trade, and with its network of over 500 dedicated Global Trade Advisory professionals global and a local Middle East regional team specializing in GCC customs rules, Deloitte has extensive experience in supporting multinational companies with their customs and trade compliance.

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