



**Authorized Economic
Operators (AEO) in KSA**
Digitalization of compliance
and reporting obligations

Introduction

The growth of global trade and increased security threats to the international movement of goods has resulted in the universal focus by customs authorities on securing international trade. In this regard, 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), and in essence is a partnership between customs authorities and business. 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. Saudi Customs has implemented a number of initiatives to drive transformation in recent years, including the re-engineering of customs procedures with the aim of facilitating cross-border trade, advancing regulatory procedures and security systems, and improving risk management standards. 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.

Obtaining authorization under the program requires applicants to evidence the effectiveness of internal controls to comply

with the applicable customs regulations. Once authorized under the AEO program, traders are granted a range of customs advantages and facilities, such as fast track customs clearance and preferential handling and declaration procedures. Over time, these benefits may be broadened to other trading jurisdictions through Mutual Recognition Agreements (MRA). Globally, AEO certification is evolving into an industry standard for claiming eligibility for administrative and governmental discretions, priority, and facilitation. In KSA all commercial entities in the logistics sector are invited to become part of the AEO program, from exporters and importers to distributors, agents, freight forwarders, transport and storage companies, as well as all other businesses active in logistics sector.

Benefits



The Saudi Customs AEO program provides many advantages to approved participants which help to enhance the movement of goods and lower the costs for international trade.

What are the advantages of AEO status in KSA?

- Dedicated fast lane at all points of entry.
- Prioritized over non-AEO shipments in all customs procedures.
- Possibility to clear goods prior to arrival/departure.
- Possibility to have the goods released before payment through bank guarantees.
- Reduced physical inspection.
- Possibility of physical inspections to be carried out at the warehouse or storage facilities of the AEO.
- Benefit from similar programs in other countries with MRA in place.
- Use of AEO logo in marketing materials.
- A dedicated account manager to assist with issues related to customs.

Requirements for AEO registration in KSA

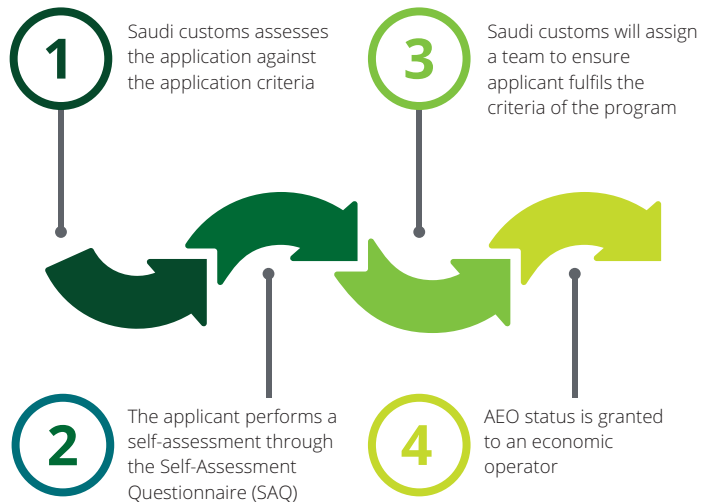
The foundation of the AEO program is a partnership between Saudi Customs and business. As such, the process requires business to satisfy the customs authorities that it has stringent policies and controls in place to manage risk in connection with international trade. The following requirements will be verified as part of the authorization process:

- 1 Compliance with the requirements of customs and lack of criminal offences relating to your customs activity or other economic activity in the last 3 years.
- 2 A proper record keeping system in electronic form.
- 3 Financial solvency for the parent company and subsidiaries.
- 4 The appointment of a responsible contact person with extensive corporate knowledge of customs related matters to provide information and raise awareness and involvement of the establishment.

- 5 A policy for security focused training and awareness for personnel/ staff.
- 6 Have satisfactory procedures for verifying the accuracy of customs declarations and confidentiality.
- 7 Demonstrate safety measures with regard to: a) Mission (containers); b) Transportation; c) The commercial premises, warehouses and factories and d) Security of employees and employees of a commercial establishment (background checks of staff and their ongoing suitability to oversee the secure facility).
- 8 Ensure adherence of business partners to security standards.
- 9 Have an efficient system of crisis management and incident recovery.
- 10 Be able to track key performance indicators to improve the general performance, reduce risks, and enhance security.

AEO accreditation process

Entities interested in the AEO program should submit the AEO application to Saudi Customs by filling out the registration form available on its website. Once the application form is submitted, the following procedure is initiated



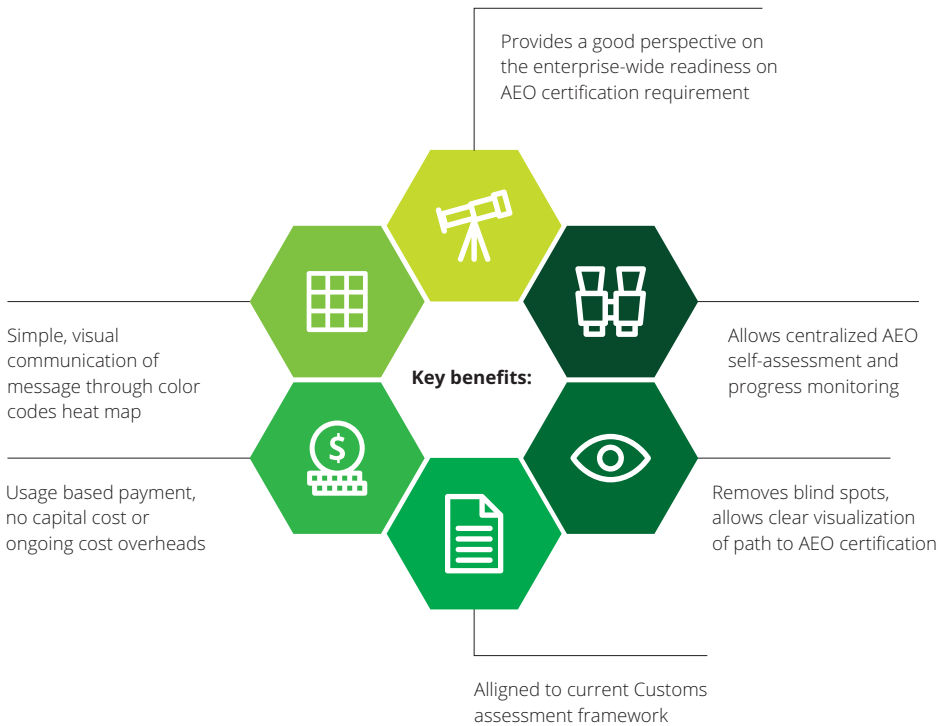
Although the process appears straightforward, the viability assessment undertaken at step 3 will be rigorous, and the success of the application will be dependent on the extent to which the applicant can demonstrate that risk is sufficiently managed through internal controls.

The AEO Scan tool

An in-depth self-assessment is required from the applicant in order to ensure it fulfils the criteria of the program and to submit the Self-Assessment Questionnaire (SAQ) to the Saudi Customs. The self-assessment is utilized by Saudi Customs to identify gaps and organizational blind spots which will be tested by Saudi Customs as part of the assessment stage.

In order to help clients in this process, Deloitte developed the AEO Scan tool.

The AEO Scan tool is a web-based self-assessment tool which allows detection of possible issues and shortcomings before being flagged by the customs authorities. It is an innovative solution that helps clients understand the complex administrative processes with respect to AEO certification requirements.



Who can benefit from the AEO Scan

Any organization involved in the supply chain and compliance relating to the import and export of goods can benefit from the AEO Scan.

The AEO Scan is a useful tool for organizations:

- Where the procedures for the safety and security of the import/export of goods has not been standardized and documented;
- Where there is limited awareness of the import/export procedures amongst various stakeholders – legal, logistics, finance, procurement, tax, administration, security, HR etc.;
- Where size, diversity or inorganic growth has inhibited the adoption of uniform, aligned systems and processes on import/export.

How Deloitte can help

In addition to providing you with the necessary tools to automate and organize your self-assessment process, we can offer our help in the following areas:

- Assistance in collating the information & documents required for filing an application for AEO status;
- Assistance in drafting/reviewing the requisite plans/procedures required for obtaining AEO status;
- Preparation, filing of the application and providing clarifications required from time to time by the AEO authorities;
- Tracking the progress of the application;
- Following up with the AEO authorities and obtaining the AEO certificate;
- Compliance with AEO status requirements;
- Advisory support during on-site verification by the customs authorities and assisting in providing additional information and records as required during the visit;

- Advise on remediation of any audit findings and submission to customs;
- Advise on progress monitoring and assisting in discussions with customs.

Why Deloitte?

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, Deloitte has extensive experience in supporting multinational companies with their customs and trade compliance. We have a well established Middle East indirect tax practice, consisting of over 90 professionals based across the Middle East, including KSA, and professionals specializing in the area of customs and global trade.

In the area of AEO, Deloitte has gained extensive experience in the development and implementation of AEO (and C-TPAT) programs across the world, including advisory services to the public sector (development of AEO programs) and private sector (AEO application).

For additional information with respect to the above, please contact the following:

Mark Junkin
ME Indirect Tax Leader
majunkin@deloitte.com

Fernand Rutten
Partner, Global Trade Advisory
frutten@deloitte.com

Reshma Sharma
Senior Manager, Indirect Tax
resharma@deloitte.com

Michael Camburn
KSA Indirect Tax Leader
mcamburn@deloitte.com

Michael Towler
Senior Executive Consultant,
Indirect Tax
mtowler@deloitte.com



This publication has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities. DTTL (also referred to as “Deloitte Global”) and each of its member firms are legally separate and independent entities. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our network of member firms in more than 150 countries and territories, serves four out of five Fortune Global 500® companies. Learn how Deloitte’s approximately 280,000 people make an impact that matters at www.deloitte.com.

Deloitte & Touche (M.E.) (DME) would be pleased to advise readers on how to apply the principles set out in this publication to their specific circumstances. Deloitte & Touche (M.E.) accepts no duty of care or liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

DME is a licensed member firm of Deloitte Touche Tohmatsu Limited (DTTL) and is a leading professional services firm established in the Middle East region with uninterrupted presence since 1926. DME’s presence in the Middle East region is established through its affiliated independent legal entities, which are licensed to operate and to provide services under the applicable laws and regulations of the relevant country. DME’s affiliates and related entities cannot oblige each other and/or DME, and when providing services, each affiliate and related entity engages directly and independently with its own clients and shall only be liable for its own acts or omissions and not those of any other affiliate.

DME provides audit and assurance, tax, consulting, financial advisory and risk advisory services through 25 offices in 14 countries with more than 3,300 partners, directors and staff. It has also received numerous awards in the last few years which include Middle East best Continuity and Resilience provider in 2016, World Tax 2017 awards, best Advisory and Consultancy Firm of the Year 2016 in the CFO Middle East awards, best employer in the Middle East, the Middle East Training & Development Excellence Award by the Institute of Chartered Accountants in England and Wales (ICAEW), as well as the best CSR integrated organization.