

# *Customs Law number 207 for the year 2020*

## **I. Introduction**

With the aim of developing and simplifying trade, promoting Investment rules and procedures and aligning with the recent developments and improvements in the Egyptian economy, the Egyptian government has recently, after a long wait, issued a package of new laws, as a tangible step on the journey of Egyptian tax and customs reform; among which is the new Customs law number 207 for the year 2020 which was officially approved and published on the 11<sup>th</sup> of November, 2020 “**the new Law**”, repealing both the old Customs law no. 66 for the year 1963 as well as the customs exemptions law no. 186 for the year 1986.

## **II. Enforceability and settlement time-frame**

The new Law came into force on the 12<sup>th</sup> of November 2020; where its Executive Regulation is planned to be issued in 6 months as of November, 2020 (approximately by May, 2021). Up-till the issuance of the said Executive Regulation, the relevant applicable current regulations and decrees shall apply in compliance with the provisions of the new Law.

Customs situation for goods released before the new law came into force shall be finally settled under the temporary release system, until consideration is given to determining their position regarding the customs tax, in accordance with the rules that were in force at the time of their release; provided that this shall be done within a year from the effective date of the new law.

## **III. Content in brief:**

Generally, the new law mainly addresses the shortcomings of the previous laws; unifying customs release operations and processes, streamlining customs procedures, improving the customs tax refund process and introducing provisions that would improve the customs system in Egypt, in order to attract foreign investment thereto and facilitate the international trade between Egypt and other countries, eventually contributing in increasing the exports and imports of Egyptian goods to and from international markets.

Furthermore, the new Law sets penalties on violators and smugglers, introducing a revised post-clearance audit process, aiming at controlling the import and export activity in an efficient manner, lastly promoting faster safer goods release at the borders.

It's worth mentioning that the application of the new Law considers the provisions of the Investment Law and the Special Economic Zones Law, as well as the international agreements and exemptions established by other laws.

## *Customs Law number 207 for the year 2020*

### **III. Key Aspects of the new Law:**

**The new Law has many highlights; among the most important of which are the following:**

- Implementing the single window system as well as a pre-query system to address technical queries from businesses and facilitate the customs procedures.
- Assisting the goal of abolishing the paper-based policy by a digital policy through activating the electronic invoicing system, instead of paper invoicing; enabling the Customs Authority to review customs process documents more efficiently.  
Bearing in mind that such electronic circulation of customs data, documents, and records between all competent concerned governmental authorities and foreign entities will be regulated by law; which eventually would definitely facilitate the circulation of the required information, and rapid release of goods.
- Introducing the risk management system in the implementation of the customs procedures.
- Facilitating customs procedures through the establishment of new customs system controls, and the development of modern systems that are compatible with recent developments, which in turn contribute to the country's advancement in several international indicators.
- Exploiting modern technology at several key points, including the establishment of electronic systems that allow obtaining prior information regarding the goods imported to the country before their shipment
- Tracking services up to final release stage, with the added possibility of pre-clearance and customs duty payment before the arrival of certain goods contracted under the modern electronic commerce system.
- Introducing entirely new procedures regarding regulations on importation of goods; obligating the importer or its agent to present the documents related to the goods, to be shipped to the country, first before undergoing customs administration, so that the Egyptian Customs Authority can mark them with an initial customs registration number; where the said registration number should be passed to the Carrier by the booking parties, and the Carrier is obliged to impute the registration number into the Cargo Manifest and Bill of Lading, otherwise, the cargo will not be discharged from its vessel.  
For the time being, the necessary mechanisms and frameworks for anticipated

## *Customs Law number 207 for the year 2020*

implementation have not yet been established or at least disclosed, especially regarding how the Carrier will be able to validate the registration number which will be explicitly provided by the merchant.

- Permitting goods to be temporarily released with suspension of the customs duties and other due fees, upon submission of certain guarantees specified by the new Law.  
As for the temporary release of machinery, equipment, devices, containers and means of transportation, (except for passenger cars and commercial yachts for work and leasing within the country), customs duty is collected at the rate of 2% of the customs duty due on the date of temporary release for each month or part thereof, and with a maximum of 20% annually, for the duration of its stay inside the country until it is re-exported abroad or it is finally cleared. However, the new Law remained silent regarding the empty containers neither specifying nor excluding them from the application in this regard.
- Collecting a customs duty of 5% from the value of machinery, equipment, devices and production lines, which is necessary for the establishment of projects in accordance with the Corporate Law, as well as construction projects, hotel and tourism projects.
- A customs duty of 5% of the value shall be imposed on passenger cars which does not exceed EGP 400,000 and is intended for use in touristic transportation.
- Promoting Investment through applying systems for the customs tax due on machinery, equipment, devices, production lines, and their requirements for those operating in the production field for one year, in return for paying an additional tax for each month; as well as establishing new customs exemptions for certain imported goods, raw materials, and production requirements, which promotes the reduction of the prices of locally manufactured goods.
- Enhancing the provision of health care to citizens through exempting governmental hospitals from paying customs duties on equipment, medical supplies, medicines, and any similar products.
- Supporting national security by applying strict measures to combat customs evasion, imposing more severe penalties and categorizing customs evasion as a crime against honor and honesty, in addition to allowing the competent court to confiscate goods subject to customs evasion crime, as well as raising the minimum and maximum fines for customs offenses; as below clarified.
- Refund of customs duties on raw materials imported under the drawback system in case of exportation, within a period not exceeding one and a half years instead of two years.

## *Customs Law number 207 for the year 2020*

- Refund on customs duties and other taxes relating to foreign goods that have been destroyed; in accordance with the rules stated within the executive regulations of the law.
- Acceptance of financial/non-financial guarantees as an alternative to taxes and fees in the case of the temporary admission regime.
- Exemption on the condition of reciprocity for luggage, personal tools, home furniture, vehicles of diplomatic bodies, and embassies.
- Exemption on the personal baggage of travelers whether tourists, transients, or residents of the country upon arrival and departure
- Reducing the period, through which the customs officials are authorized to sell or dispose to a governmental entity the unclaimed goods whose owners have not released, returned, or transferred them to a free zone, free market, or economic zone of a special nature, to one month, instead of four months.
- Subjecting the goods purchased through the E-commerce channels to the rules and requirements of E-commerce law.
- Monitoring the intellectual property rights associated with the goods by the Egyptian customs authority.
- Necessitating the retaining of customs documents for five years to be presented upon request of the Egyptian Customs Authority.
- Imposing new fees for the Egyptian Customs Authority provided services.
- Necessitating putting a distinctive mark on cigarettes, cigars, tobacco, and alcoholic beverages that are already exempted from customs taxes.
- Managing the temporary admission regime and tax refund through the Customs Authority only.

## *Customs Law number 207 for the year 2020*

### **IV. Challenges:**

Like most of the newly issued legislations, the new Law includes some controversial provisions basically regarding Inland Transit and the activities of Carriers (Maritime, Air, and Inland); inter alia;

- a) holding the Carrier liable for inaccurate description of cargo,
- b) prohibiting the Carrier from transporting goods imported by traders that are not registered in the customs system,
- c) obliging the Carrier to re-ship the prohibited goods or destroy them at its own expense if the importer/cargo receiver failed to attend to with customs procedures,
- d) holding the Carrier liable for any loss, shortage or alteration of such goods, or for the damage or tampering of the seals while transporting these goods in transit,
- e) Requiring the carrier to mention in the manifest of their means of transport the types of goods registered with such goods' real names, quantities, the number of their parcels and their marks,
- f) Restricting the shipping of any goods belonging to importers not registered with the Egyptian Customs Authority,
- g) Restricting the time window that the Carrier or its shipping agent shall submit the Discharge Manifests to 48 hours prior to the ship's arrival; implicitly applying the same period for the Loading Manifests; which if upon implementation disrupted supply chain workflow, as it does not consider several short voyages between Egypt and from nearby ports/countries where the trip takes less than 48 hours, an intervention from the Head of the Egyptian Customs Authority, through an instruction order issued thereby, would take place.

### **V. Smuggling**

Smuggling, according to the new Law, is defined as the illegal entry of goods in the Egyptian customs territory; including any act committed with the purpose of fully or partially (i) evading due customs tax (ii) violating the regulations in force regarding prohibited goods within the limited prescribed examples that are considered smuggling under the new law.

## *Customs Law number 207 for the year 2020*

### **VI. Contraventions**

Fines have been remarkably intensified by the new Law.

The new Law increased the fine imposed on Ship Captains for violations related to manifests from EGP 500 to EGP 30, 000.

Furthermore, the Carrier is now liable for discharging cargoes at yards other than those designated by the Customs Authority.

Moreover, as per the new Law, a fine of EGP 10,000 shall be imposed on the following acts:

Including incorrect data in the customs declaration.

Not preserving the seals placed on parcels, containers, or transportation means.

Violating the established customs rules.

Failure to enable customs employees to carry out their duties in inspecting, requesting and examining documents.

It's worth mentioning that the fine imposed on causing damage to container seals and not following all customs procedures increased from EGP 200 to EGP 10, 000.

Also, a fine equivalent to half of the customs duties value shall be imposed in the following cases:

The unjustified decrease or increase in the imported goods.

Providing incorrect data about the value of the goods if a deficiency exceeds 20% of the value.

An increase in the inventory of special customs regimes such as warehouses and duty free shops, if the goods are not listed in the records.

More and above, a fine equivalent to the value of the customs duty shall be imposed in the following cases:

Providing wrong information about the type of goods or their origin.

Violating customs rules and procedures established in special customs regimes such as free zones, transit and warehouses.

Moreover, regarding Smuggling penalties; the new Law sets out a new procedure empowering the Public Prosecution or the Competent Court, at a Minister's or Customs Authority's request, to order all entities and persons accused of smuggling cases to cease all commercial activities and dealing with the Customs Administration until a final judgment has been issued by the Court.

The customs registration number of the concerned party accused of smuggling goods, will be suspended until a final judgment is issued in the case.

In cases where goods are smuggled with the intention of trading, the penalty shall be

## *Customs Law number 207 for the year 2020*

imprisonment for a period of no less than three years and no more than five years, and/or a fine of no less than EGP 25,000 and not exceeding EGP 250,000 will be imposed. At least one of these two penalties will be applied, as well as an additional fine payable to the Egyptian Customs Authority equivalent to double the customs duties due rate.

If the goods related to the smuggling are prohibited or rejected items, the penalty shall be imprisonment for a period no less than two years and not exceeding five years, and there will be a compensation equivalent to double the value or double the due tax, whichever is greater, along with the confiscation of the goods.

*Ultimately, the issuance of the new Law, with its presented content, was indeed an extremely essential step to reflect the technological developments taking place; exemplifying the legislative evolution occurring within Egypt in the field of modern international trade and promoting the global development system which eventually enhances the rates of customs control, Investment attraction and accordingly the national income.*

*We finally hope that the importers and exporters in Egypt adhere to the new Law in a compliant and efficient manner; aiming that the Executive Regulation thereof, when issued, clearly covers any challenges answering any questions currently raised by the importers and exporters, complying with the international conventions ratified by Egypt.*