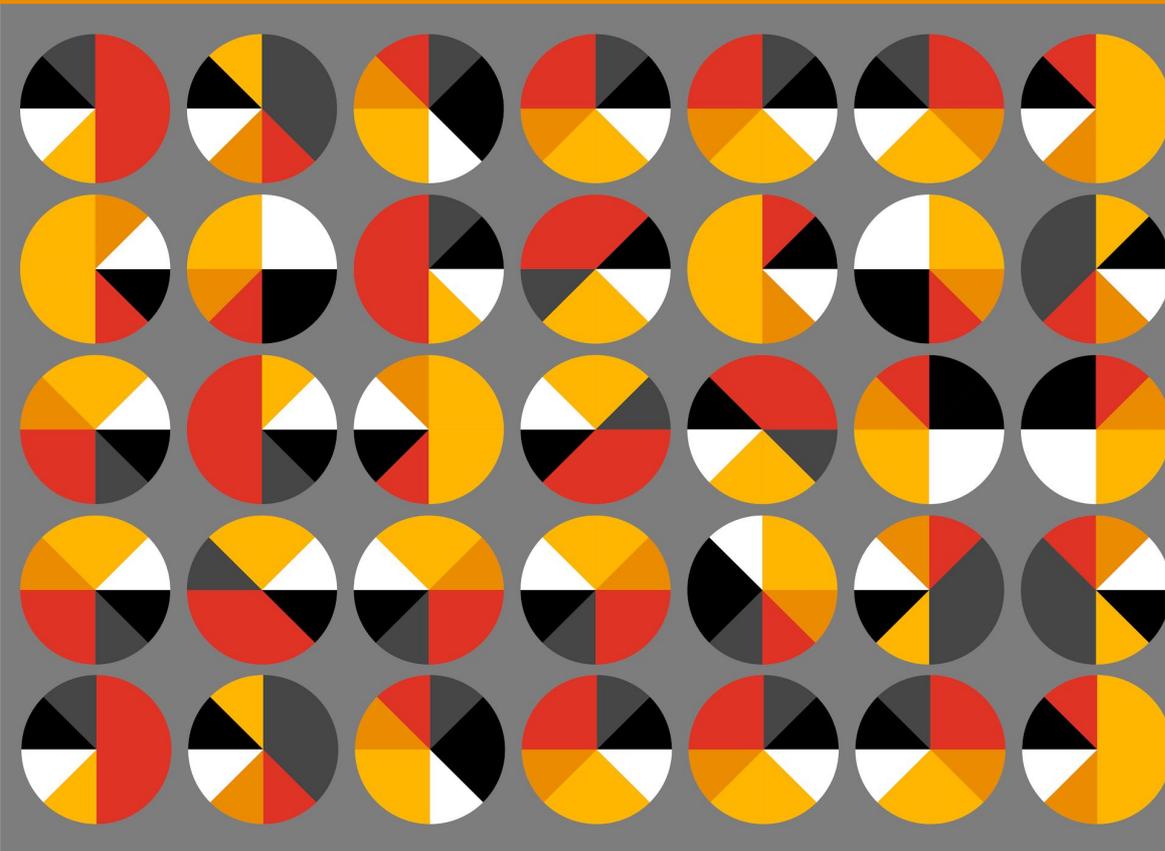


GCC - Singapore Free Trade Agreement: Customs duty exemption will apply to more goods, effective 1 April 2020

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In brief

The Gulf Cooperation Council-Singapore Free Trade Agreement (“GSFTA” or the “Agreement”) has reached its sixth year of enforcement. Accordingly, more Singapore originating goods will be eligible for customs duty exemption when imported into Gulf Cooperation Council (GCC) countries. According to Customs Policy No. 48/2020 issued by Dubai Customs, the customs duty exemption will be effective from 1 April 2020.

Key industries related to petrochemicals, jewelry, machinery, iron and steel will be able to enjoy the new customs duty exemption when importing Singaporean goods into the GCC.

In detail

Previous situation

The GSFTA entered into force on 1 January 2015. It is a comprehensive agreement covering mainly trade in goods, trade in services and government procurement.

Previously, under the Agreement, all goods originating from any of the GCC countries were exempted from customs duties when imported to Singapore. Furthermore, 99% of Singapore originating exports to the GCC countries were exempted from customs duties. Some of the remaining 1% of Singapore originating exports, listed in Category B of Annex 1 to the Agreement, were subject to customs duties for five years after the Agreement entered into force. The rest of the goods, listed in Category C of Annex 1 to the Agreement, were not eligible to benefit from any elimination or reduction of customs duties.

What is changing?

The GSFTA has now reached the end of the fifth year of its entry into force. Based on the “Customs Duties Elimination Schedule” in the Agreement, starting from the first day of the sixth year, more Singapore originating goods will be exempted from customs duties in the GCC countries. According to Dubai Customs Policy No. 48/ 2020, the customs duty exemption shall apply with effect from 1 April 2020. We expect that effective date of the exemption will apply in all GCC countries as the Agreement is regional, but we recommend to check with local Customs the practical aspects of this new development.

In particular, Singapore-originating goods listed in Category B of Annex 1 to the Agreement will be eligible for the exemption including, but not limited to, ferrous products obtained by direct reduction of iron ore, waste and scrap cast iron, sulphuric acid, assembled two-cab pickups, finishing ceramics, biodegradable polymers of ethylene, and bars and rods of silico-manganese steel of circular cross-section measuring 8-40 mm in diameter.

Who will be eligible for the preferential treatment?

Importers from Singapore to GCC countries

GCC based businesses in key sectors that include petrochemicals, jewelry, machinery and iron and steel-related industry that import goods from Singapore will be able to enjoy customs duty exemption on more Singapore originating goods, provided that the conditions set in the GSFTA are satisfied.

Importers from countries other than Singapore to GCC countries

Importers of the goods listed in Category B of Annex 1 to the Agreement from other territories may consider restructuring their supply chain in order to benefit from the potential duty savings.

Key considerations

Only goods that originate from a GCC country or Singapore will qualify for the preferential tariff treatment under the GSFTA. Goods will be deemed as “originating goods” when they satisfy the rules of origin stated in the Agreement.

The takeaway

Suppliers, manufacturers and importers each have a role to play in order to directly or indirectly benefit from opportunities presented by the GSFTA. Considering the above, suppliers should be prepared to justify the origin of their product(s), and manufactures and importers should model supply chain scenarios to evaluate if the GSFTA presents an opportunity to source products in Singapore.

In our experience, while some businesses may be aware of the liberalization of trade in goods from Singapore, they may have only done a limited assessment when the Agreement was signed five years ago. Such businesses should also analyse the Agreement in detail to make sure that the products they are currently receiving into the GCC countries maintain their qualification and/or may start to benefit from the Agreement. This analysis should not only cover the products subject to the new exemption, but also the rest of products that are eligible for exemption according to the GSFTA.

Trade automation tools can help businesses make informed strategic sourcing decisions as they evaluate the GSFTA and other FTA opportunities.



Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

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