

COMPLEX CUSTOMS PROCEDURES

RESPONSIBLE ENTITIES:

- » The Egyptian Customs Authority
- » The Ministry of Finance
- » The General Organization for Import and Export Control (GOEIC)
- » Ministry of Trade and Industry
- » The Agreements and Foreign Trade Sector/
Ministry of Trade and Industry



CHALLENGE	RECOMMENDATION	STATUS/NOTES
<p>Problems in implementing the temporary admission and drawback systems; thus, they are less able to fulfill their purposes.</p> <p>Additionally, two issues related to these systems stand out:</p> <ul style="list-style-type: none"> -Determining waste percentages. -Determining the input-output coefficient, which, in turn, determines the amount of duty refund. 	<p>Revamp the duty and fees refund process (refunds of safe custody fees, and other fees associated with withheld cargo and imports released under temporary admission). This should build trust and confidence in the customs and tax authorities among importers and exporters.</p>	
<p><i>Businesses face many problems with the temporary admission system, including:</i></p> <ul style="list-style-type: none"> - The procedures for releasing the letters of guarantee are lengthy and complex. - Customs duties are imposed on imported factors of production, especially equipment and machinery, that are used in the manufacturing of export products. - Exporting is complex and time consuming. It usually takes a year to conclude an export operation—from the time the bank guarantee is issued to the release of the shipment for exporting; this issue is compounded by the fact that these procedures are lengthy, and usually go beyond the grace period granted to investors (the period of time immediately after the arrival of the imported raw materials, during which investors should export their products). 	<p>Adopt the system of risk management for customs control. Under this system, businesses with an established solid reputation as importers, as well as reputable suppliers and customs brokers would be cleared through the green clearance track (no inspection). At the same time, take necessary and adequate protective measures, and in the case of offences, impose punitive measures, including having offenders go through the red clearance track (inspection).</p> <p>The Customs Authority should consider entering into arrangements with companies that have solid track records of fulfilling the customs requirements on time—whitelisted companies; the arrangements should contain stringent penalty clauses that are to be applied in case the company fails to abide with the rules and regulations.</p> <p>Amend Article 98 of the Customs Law No. 66 of 1963, as amended by Law No. 172 of 2018, concerning the temporary admission system. The amendment should include the following:</p> <ul style="list-style-type: none"> - Extend the life of the temporary admission permit to four years. - Eliminate the requirement that importers submit a letter of guarantee, submitting an insurance policy should suffice. - Eliminate the penalties imposed on surplus raw materials that were not used in production, paying customs duties on the surplus should suffice. - In collaboration with the Industrial Control Authority, simplify and facilitate the setting of input and output coefficients the waste percentages, and fix the rates to ensure fair treatment among exporters. 	

<p><i>The drawback system poses a series of challenges, including:</i></p> <ul style="list-style-type: none"> -A large number of required documentation and the multiplicity of entities involved in the process. -The difference in opinions between the manufacturing exporters and customs officials regarding the mechanisms for determining the rates at which drawback could be granted. -The delayed payment of drawback claims (sometimes it can take up to two years). 	<p>Introduce an online notification system, whereby importers, companies, and factories, receive timely expiration alert notices once they log onto the website using the client identification number. The system should allow clients sufficient time to renew and resubmit their documents as required in Customs Handbook No. 46.</p> <p>Ensure that companies and factories are duly notified via registered mail of any additional fees or duties, which were determined by the audit department upon reviewing previously cleared cargo.</p> <p>Provide the relevant customs broker with a photocopy of the claim notification. More so, allow the customs broker to review and discuss the claim with the audit department, and have them sign a statement indicating that they will notify the concerned business of the claim to avoid the unnecessary escalation of the situation; this will help businesses avoid the risk of an administrative order of attachment in the event they fail to address the claim as they may not be aware of any pending claim.</p>	
<p>The provisions of the Customs Law dealing with container handling services are outdated, thus, the efficiency of container handling operations are severely undermined. This can be attributed to several long-standing operational efficiency shortcomings. Containers are transported from seaports to dry ports under the supervision of the Customs and the police, and the clients bear all fees and the burden of any delays. More so, there are no representatives of the supervisory authorities available in dry ports, so in the event that a customs dispute arises between an importer and the customs authorities in dry ports, the importer is forced to return to the original port to address the issue.</p>	<p>The Customs Authority and all other relevant agencies should refrain from issuing directives related to import/export activities until they consult with the Agreements and Foreign Trade Sector of the Ministry of Trade and Industry. More so, the new bills of landings should be accepted.</p> <p>The new customs law should take into account all international best practices and adhere to the Revised Kyoto Convention regarding customs control.</p> <p>Egypt should accede to the International Convention for Safe Containers (CSC); the new bills of lading should be accepted.</p>	

<p>The website of the Egyptian Customs Authority has its limitations. For example, information regarding the applicable customs fees/duties is available only in Arabic. Thus, foreign companies always rely on third parties for information, especially for preparing documentation that accompanies containers, which in most cases differ from the requirements available online.</p>	<p>Upgrade and update the content of the Customs Authority website, ensuring that it contains updated procedures and regulations in the English language in order to avoid any possible confusion for foreign investors.</p> <p>Ensure that the Customs Authority website includes updated and accurate information regarding all the documents that must accompany the containers.</p>	
<p>The Customs Authority issued Circular No. 5 of 2020, which details the requirements that must be adhered to when importing production inputs; the requirements include submitting the following two documents:</p> <ul style="list-style-type: none"> -Proof of business activity document (or operating license) from the issuing authority. -Gas and electricity bills as evidence of business activity. <p>In general, the issuance of abrupt directives by the Customs Authority represents a major hurdle for manufacturers and importers; the subject directives is unjustified, especially that industrial enterprises that import production inputs are already subject to the supervision of other government entities, such as the Industrial Control Authority and IDA. Additionally, the directive undermines earlier efforts by the government, including the introduction of the whitelist.</p>	<p>Repeal Circular No. 5 of 2020.</p> <p>Refrain from taking abrupt actions and consult with the different stakeholders before issuing directives.</p>	

A complex and problematic customs valuation system that obstructs importation; having in place an efficient importation system is essential for ensuring the availability of production inputs and equipment and thus enhancing investment.

Adhere to the Customs Valuation Agreement ("improving" invoice prices), as the valuation of goods for customs purposes is one of the biggest obstacles facing importers, especially those included on the whitelist.

Adopt a customs risk management system and an import risk analysis scheme, under which source countries are classified based on specific risks identified.

Establish clear operational mechanisms for the inter-entity committee (includes the five relevant entities) to ensure that release of shipments is not disrupted in the event that a member of the committee is absent.

Consolidate customs transactions and ensure the electronic connectivity in all customs outlets in Egypt, and that all transactions are conducted electronically.

Establish a timeframe for carrying out the reviews that take place after the release of goods (conceivably 2 weeks from the date of release), as the importing company may have sold the goods and collected their money during that period.

Misr Technology Services should develop electronic connectivity between customs outlets to reduce the time required for the release of cargo.

Use an AI program to create a whitelist of companies, using a number of variables, including credibility, reputation, the history of its business dealing, the country of origin, the type of imported goods, the category of good, whether fully-manufactured goods or production inputs, and the importing entity.

A whitelist including 75 companies was created; while a positive step, it should be expanded to include all companies, so that blacklisting companies is the exception rather than the rule. It is also important that the criteria used for creating both lists be revisited, as many of them are hard to meet.