

## Customs Law

**Overview** Customs Law No. 95 of 2005 amends Customs Law No. 66 of 1963. The amendment aims to unify procedures at all customs points; establish and develop databases to achieve full computerization of customs procedures; and increase transparency of customs revenue procedures. The new law also amends parts of Customs Exemptions Law No. 186 of 1986.

### **Main Provisions of Law No. 66**

- Taxes and tariffs shall be collected according to the rules and rates set forth by the Customs Authority.
- Items shall be classified according to the provisions and the general rules set forth by the law.
- Upon re-importation of goods exported temporarily for completion of their manufacture, customs taxes shall be collected on the end imported product plus all transport and insurance expenses.
- Upon re-importation of goods temporarily returned to the country of origin for repair, customs taxes shall be collected at the rate of 12 per cent of all repair costs plus all transport and insurance expenses.
- Customs taxes shall be collected at the rate of 22 per cent on machines, equipment, apparatus and instruments (excluding passenger cars) imported by hotels and tourist establishments.

### **Main Amendments in Law No. 95**

Law No. 95 reduces customs duties on production lines, installations and project extensions to approximately 5 per cent. Machines and equipment temporarily released for use or rent inside the country will be subject to a customs tax of 2 per cent of the existing customs tax per month or part of the month at the time of release or a maximum of 20 per cent of the annual customs tax value. The amendment exempts commercial samples and industry models from all customs duties in order to reduce the tax burden on the industrial sector.

### **New Tariff Structure**

On September 8, 2004 the Egyptian government announced a new tariff structure that includes the following provisions:

- Removing services fees and import surcharges that are inconsistent with the General Agreement on Trade and Tariffs (GATT)
- Reducing the number of ad valorem tariff rates from 27 per cent to 6 per cent.
- Dismantling inconsistencies in the tariff system
- Including sharp escalation and reverse progression on tariff rates

- Rationalizing national subheadings above the 6-digit level of the Harmonized System (HS)

These changes in the tariff structure lowered the official tariff rate (weighted average) from 14.6 per cent to 8.9 per cent.

The Egyptian government replaced its 10-digit, 13 thousand-line tariff structure with a 6-digit structure containing fewer than 6,000 tariff lines. This change will reduce the number of disputes over product classification for customs purposes.

Additionally, the Egyptian government eliminated export duties on 25 products that were in short supply on the domestic market.

The government also eliminated services fees and import surcharges ranging from 1 per cent to 4 per cent that were considered to be GATT-inconsistent, non-tariff barriers to trade.

A number of exceptions to the new tariff structure still exist, including duties on imported alcoholic beverages, tobacco and cigarettes as well as passenger vehicles with cylinder capacity (CC) above 2,000.

Part of the effort to improve the tariff system is the total re-engineering of the Egyptian Customs Authority, including the implementation of integrated, state-of-the-art, automated electronic systems and solutions to ensure efficiency and transparency in all customs procedures.