

Highlights of Dubai Customs' measures to mitigate COVID-19 impacts

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The logistics industry is one of the main industries which has played a significant role in making Dubai a trading hub, taking full advantage of its ideal geographical location. Nowadays, the logistics industry has been highly affected by the coronavirus pandemic. Worldwide, many companies in this industry are facing a supply chain disruption due to coronavirus transport restrictions. The degree to which the pandemic has affected the logistics sector of a country can be seen by the availability of stocks in that country, and the ease or difficulty in obtaining stocks from a different supplier.

In Dubai, the huge investments in the logistics industry has strongly helped to reduce disruptions to the supply chain for reasons due to the pandemic. This certainly does not mean that the trade industry in Dubai is fully resistant as new challenges continue to crop up over the course of the pandemic's existence. However, the technological investments and improvements made at the ports, airports and free zones of Dubai are allowing key sectors to remain open and operational.

In addition to the above, the wise economic stimulus packages announced by the Government of Dubai have played a major role in reducing the cost of doing business and enhanced the trade flow in the Emirate. In line with such announcements, Dubai Customs issued a number of notices from March 2020 to complement the said governmental stimuli. Some of these Dubai Customs notices include:

(i) Notice No.1 of 2020: The first of several notices to be issued by Dubai Customs has two main highlights. First, there is a one per cent refund of the customs duty imposed on imported goods that are sold locally in the UAE. This decision is applicable to goods subject to the five per cent duty rate and are processed under an Import Declaration during the period 15 March 2020 to 30 June 2020. Second, the

bank/cash guarantee requirements for customs brokers and clearing companies have been waived. Therefore, such entities are no longer required to provide AED 50,000 (approximately US\$13,500) as a (bank or cash) guarantee before being allowed to undertake any customs broker activity. In addition, Dubai customs will refund any guarantees paid earlier by the existing companies

(ii) Notice No. 2 of 2020: The second notice focuses on streamlining and simplifying customs formalities and reducing trading costs by suspending all the provisions of Customs Notice no. 1 of 2018 and Customs Notice No. 4 of 2010, which includes the obligations of submitting “the Customs Declarations and Required Original Documents within 14 days from the date of declaration”, delay fees, and related fines. This new notice allows all customers to not pay the AED1,000 (approximately US\$250) deposit where the original documents such as a certificate of origin and an Halal certificate are not submitted. However, importers are advised to keep these original documents in case the authorities should request them. This notice is effective as of 10 May 2020.

(iii) Notice No. 7 of 2020: This notice is one of the most important notices issued by Dubai Customs this year, not least because it reduces the fines on the violations by companies by a significant 80 per cent. This applies to finalised cases (i.e. cases which have reached the final stages).

The reduction of fines applies to customs offences committed before 31 March 2020 including the following: (a) customs fines that resulted from a judicial decision including cases underway, whether commenced by Dubai Customs, or civil cases commenced by violators and smugglers in objection to the fines imposed upon them; (b) customs fines which were paid in instalments to Dubai Customs will be reduced, and remaining instalments of fines will be rescheduled; (c) for customs cases underway before Dubai Courts, unpaid quantum of the fines already issued will be reduced.

Further, this notice states that the measures taken by the authorities in relation to the prohibited goods will remain unchanged. Therefore, prohibited goods will be confiscated in accordance with the provisions of the legislation in force. Further, as a condition of obtaining the 80 per cent reduction on fines imposed, such companies must first fully pay all customs charges/duties due and payable. In the area of smuggling for example, customs duties should be first settled in order to enjoy the reduction on the fine imposed.

In addition, this notice stipulates where an offending company wishes to enjoy the reduction in fines imposed on it, it will need to drop all the customs cases it has commenced before the courts contesting the fines imposed upon them (civil lawsuits), or before the Customs Grievance Committee in objection to the decisions made by Dubai Customs. Further, to benefit from the reduction before 31 December 2021, the offending company would need to follow a series of procedures, (which is beyond the scope of this article).

It is worth noting that as per the Common Customs Law No. 85 of 2007, GCC customs violations are charged by imposing a fine (which may be double the value of the Customs Duties imposed on the goods in question, or ranging from 10 per cent to 300 per cent of the value of the goods themselves). Therefore, the fines can (in many cases) exceed the total value of a transaction. This shows the significant cost saving effect of the new measures put in place by Dubai Customs as a result of Notice No. 7 of 2020.

In light of the above, companies involved in the trading and commodities sector in Dubai can benefit from an array of assistance and mitigate difficulties resulting from the pandemic. These measures, in addition to the successful technological investments made in the logistics front, should bolster trade and commerce in Dubai, thereby allowing it retain its position as the region’s main trading hub.

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