



Terms and Conditions for Establishing and Operating Bonded Zones and Bonded Warehouses

In accordance with the Common Customs Law of the Gulf
Cooperation Council States and its Executive Regulations



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First: Definitions:

A. The Authority:

ZAKAT, TAX AND CUSTOMS AUTHORITY.

B. The Governor:

Governor of the Zakat, Tax and Customs Authority.

C. Bonded Zone:

It is the area under the supervision of the competent customs department and the management of the operating company of the bonded zone, in which the goods placed are suspended from duties and restrictions. A renewable bank guarantee, cash deposit, or documentary insurance for the bonded zone shall be provided by the operating company or the developer, as the Customs Department deems fit. This area includes several customs bonded warehouses. Zakat, Tax and Customs Authority shall be the supreme authority that supervises bonded zones under the umbrella of the common customs law of the GCC States and its executive regulations.

D. Bonded Warehouse:

It is the building under the supervision of the competent customs department and the management of the operating company of the warehouse, in which the goods placed are suspended from duties and restrictions. A renewable bank guarantee, cash deposit, or documentary insurance for the bonded zone shall be provided by the operating company of the warehouse, as the Customs Department deems fit. The bonded warehouse is completely independent from bonded zones, and Zakat, Tax and Customs Authority shall be the supreme authority that supervises bonded warehouses under the umbrella of the common customs law of the GCC States and its executive regulations.



E. Developer of the Bonded Zone:

Is the commercial establishment licensed by the Authority to invest in the development of a bonded zone, in terms of construction of warehouses, buildings and required infrastructure, in exchange of renting these warehouses to customers. This shall take place in accordance with the Authority's terms and conditions, and after obtaining the necessary approvals from the relevant entities. The developer may itself act as the operating company of the bonded zone if allowed as per its contractual relationship.

F. Operating Company of the Bonded Zone:

Is the commercial establishment licensed by the Authority to handle the placement of goods in the bonded zone and ensure their safety in exchange of services fees such as handling goods and conducting value-added services. This establishment shall be responsible for all other services such as maintenance and cleaning of the zone, under the supervision of the competent customs department. One bonded zone may be operated by more than one operating company as required by the respective contractual relationships.

G. Operating Company of the Bonded warehouse:

Is the commercial establishment licensed by the Authority to undertake the placement of goods in the bonded warehouse and ensure their safety, while being responsible for all services such as maintenance and cleaning of the warehouse, under the supervision of the competent customs department. The establishment may also benefit from services fees such as handling goods and conducting value-added services. The operating company of the bonded warehouse must assign one or more persons to supervise the warehouse, and his name should be officially approved by the competent customs department.

H. Competent Customs Department:

Is the customs department entitled to supervise and control bonded zones and bonded warehouses; in which the customs procedures for placed goods are completed.



I. Light Manufacturing Activities:

Disassembling, assembling, washing, embossing, testing, design, turnery, mixing and any other minor manufacturing activities such that the HS codes of the materials on which the processes were performed don't change from the initial HS codes upon which the goods entered the bonded zone.

Second: Establishment of Bonded zones or warehouses:

Bonded zones and bonded warehouses inside or outside the Customs Department shall be established by a decision from the Minister of Finance or the competent entity, in accordance with the respective terms and conditions.

A. Conditions for the establishment of bonded zones or warehouses:

1. The developer shall submit a bonded zone or warehouse establishment application to the Authority.
2. Provide a copy of the land title deed or a copy of the contract with the landlord and his consent to the type of investment. In case the request to establish a zone or warehouse outside the competent customs department's area, the consent of the relevant government entities to practice the desired activity must be provided.
3. Provide the necessary approvals and licenses for the establishment of the bonded zone or warehouse from the competent government entities in accordance with the relevant regulations in the Kingdom, this includes obtaining the approval of the Ministry of Energy, Industry and Mineral Resources pursuant to the Petroleum Products Trade Regulations promulgated by Royal Decree No. R/18 dated 28/01/1439 H and its Executive Regulations, in the event of the establishment of tanks for the deposit of petroleum derivatives.
4. Provide an insurance policy - from an insurance entity/company licensed to operate in the Kingdom of Saudi Arabia - for the bonded area or warehouse and the goods stored therein covering all possible risks, through an insurance coverage to be agreed upon with the competent department in the Authority, provided that the Authority shall be designated as the beneficiary of this insurance policy.



5. Provide a bank guarantee, cash deposit, or documentary insurance amounting to a minimum of SAR (1,000,000) one-million-riyal post receiving the Authority's approval on the establishment of the bonded zone or warehouse. This will insure any potential services or fines imposed on the goods or the investor. The value of the guarantee shall be returned after the expiry of the investor's relationship with the bonded zone or warehouse after the regular procedures.
6. The Authority's approval on allocating the site for the bonded zone or warehouse intended to be established.
7. Customs duties shall be levied on all materials and tools imported from outside the Kingdom to be used in the construction of the bonded zones or warehouses according to the common customs law and its executive regulations.
8. At the request of the developer and after obtaining the approval of the Authority, the bonded zone or warehouse may be expanded, or modifications may be made to the facilities therein, whether with increase or removal, subject to the observance of the controls necessary in this regard.
9. Prepare a joint report with the competent department in the Authority to prove the completion of the requirements and specifications for the bonded zone or warehouse.

B. Requirements and specifications of the bonded zones or warehouses:

1. Bonded zones or warehouses must be fenced from all directions and have main entrances subject to the control of the competent customs department.
2. The bonded zones or warehouses shall contain service facilities, offices and spaces equipped for the completion of customs procedures.
3. Designs of bonded zones or warehouses shall be in accordance with the engineering requirements approved by the Authority, to the extent that enables the competent customs department to execute inventory stocktaking at any time in accordance with an appropriate inventory management system.
4. Building and equipping special treasuries to preserve precious goods, in addition to considering goods of special nature that require special requirements or storing needs such as cooling devices in case of depositing goods requiring a temperature-controlled environment, etc.



5. Provide x-ray inspection machines in the bonded zone or warehouse in accordance with the requirements set by the Authority.
6. Provide the necessary preparations to maintain the safety of the goods and prevent the causes of damage or fire.
7. Supply digital surveillance cameras according to the needs set by the competent customs department.
8. Bonded Tanks for petroleum and petrochemical products must be technically equipped to include the following:
 - a. Specialized valves for sampling from tanks and pipes.
 - b. Electronic meters to accurately measure the amount of materials pumped from and into tanks.
 - c. Electronic system for determining the level of liquids in the tanks.
 - d. One-way valves in the pipes which don't allow pumping through them in a reverse manner.
 - e. Electronic weighing scale at the entrances and exits of trucks.

Third: Management of Bonded zones or Warehouses:

A. Obligations of the bonded zone operating company:

1. The operating company commits to operate the bonded zone and provide it with the necessary labor and equipment to transport the goods from the customs yard to the warehouses, drop them on the dock, arrange their positions, organize them and load them on transportation vehicles upon finalizing their customs procedures, secure their transport between offices, warehouses, inspection and storage sites/yards as appropriate for the competent customs department.
2. The operating company shall be fully responsible for the placed goods in its warehouses, as well as for other charges and fines according to the common customs law and its executive regulations.



3. The use of modern technology in recording the movement of goods, vehicles, individuals and containers entering and leaving the bonded zones under the supervision and control of the competent Customs Department.
4. Providing the necessary machines, tools, and equipment to provide customs services.
5. The operating company may request the determination of working hours in coordination with the competent Customs Department; and in such a case the bonded zone shall only be opened on the agreed upon timings.
6. The operating company shall be responsible before the competent Customs Department for carrying out what the owner of goods must do in terms of customs procedures.
7. The operating company shall be responsible for the cleanliness and maintenance of the bonded zone and all its contents.
8. The operating company must not sublease the bonded warehouses, except after obtaining a written prior consent of the Authority in accordance with the agreed upon terms.
9. The operating company shall be responsible for the completion of the electronic integration with the Authority's systems through FASAH Platform.
10. The competent Customs Department shall have the right to view the papers, documents, records, correspondences and commercial contracts of any kind. The operating company shall keep all documentations for a period of five (5) years as of the completion of respective customs procedures pursuant to Article 127 of the Common Customs Law and its executive regulations.



B. Obligations of the bonded warehouse operating company:

1. The operating company commits to operate the bonded warehouse and provide it with the necessary labor and equipment to transport the goods, arrange their positions, organize them and load them on transportation vehicles upon finalizing their customs procedures, as required by the agreement with the Authority.
2. The operating company shall be fully responsible for the placed goods in its warehouses as well as for all customs duties and other charges and fines according to the common customs law and its executive regulations.
3. The use of modern technology in recording the movement of goods, vehicles, individuals and containers entering and leaving the bonded zones under the supervision and control of the competent Customs Department.
4. Providing the necessary machines, tools, and equipment to provide customs services.
5. The operating company may request the determination of working hours in coordination with the competent Customs Department; and in such a case the bonded warehouse shall only be opened on the agreed upon timings.
6. The operating company shall be responsible before the competent Customs Department for carrying out what the owner of goods must do in terms of customs procedures.
7. The operating company shall be responsible for the cleanliness and maintenance of the bonded warehouse and all its contents.
8. The operating company must not sublease the bonded warehouses, except after obtaining a written prior consent of the Authority in accordance with the agreed upon terms.
9. The operating company shall be responsible for the completion of the electronic integration with the Authority's systems through FASAH Platform, if required by the Authority
10. The competent Customs Department shall have the right to view the papers, documents, records, correspondences and commercial contracts of any kind. The operating company shall keep all documentations for a period of five (5) years as of the completion of respective customs procedures pursuant to Article 127 of the Common Customs Law and its executive regulations.



C. Commitments of the Competent Customs Department:

1. Assign customs officers to work in the bonded zones or warehouses according to the times agreed upon with the operating company and as required by the workload.
2. Monitor and control the inventory and movement of goods in the bonded zones or warehouses.
3. Tighten customs control on the bonded zones and warehouses to ensure proper functioning of the work.

D. Persons authorized to enter bonded zones or warehouses:

All persons and vehicles wishing to enter the bonded zone or warehouse must obtain a permit from the relevant security authority responsible for the zone or warehouse.

Fourth: Goods prohibited to be placed in bonded zones or warehouses:

The following goods are prohibited to enter the bonded zones or warehouses:

1. Materials prohibited according to the common customs law of the Gulf Cooperation Council states and its executive regulations:
 - A. Flammable goods, excluding the fuels necessary for the operation allowed by the authority under the conditions prescribed by the competent government entities;
 - B. Radioactive materials;
 - C. Arms, ammunition, explosives and similar materials of any kind unless the warehouse is authorized by the competent authorities;
 - D. Goods infringing the laws relating to commercial and industrial property rights and copyright protection in respect of which resolutions have been issued by the competent authorities;
 - E. All kinds of narcotic drugs and derivatives thereof
 - F. Goods originated in an economically boycotted country by the Saudi Government.



2. Prohibited goods as per respective regulations issued in this regard.
3. The goods listed in the Manifest as "Imports" shall not be allowed to be placed in the bonded zone or warehouse, except after modifying the Manifest to become "Incoming for a bonded zone or warehouse" with the consent of the competent Customs Department.

Fifth: Placement in bonded zones and bonded warehouses:

1. Any national or foreign goods, from KSA or other countries, may be deposited in the bonded zones or warehouses, provided that the national goods shall, upon re-importation to the country, be subject to the controls stipulated in Ministerial Resolution No. 1318 dated 7/6/1424 H. served with the circular No: 345/21 /M dated 21/6/1424 H, that explains the Article "105" of the common customs law in respect of exemption from customs duties.
2. It is permitted to deposit the goods received through "land, sea and air" ports, as well as from the free zones and duty-free shops, in the bonded zones or warehouses inside or outside the competent Customs Department's area, without completing restrictions procedures and issuance of clearance permits from concerned government entities. It is also permitted to deposit goods which the clearance thereof requires certificates from competent government entities or laboratories' inspection procedures after their conformity with the approved specifications. In case of importing those goods into the Kingdom, the requirements for lifting the restriction shall be met in full compliance with all the international obligations related to the export and storage of chemical and hazardous materials.
3. Goods may be transferred between customs bonded zones or warehouses in the GCC States and other countries without charging tariffs at the point of departure.
4. Goods may be sold and purchased between customers inside bonded zones.
5. Goods may be transferred from a bonded zone or warehouse to another bonded zone or warehouse inside the Kingdom without charging tariffs at departure.



Sixth: Operations permitted in bonded zones or warehouses:

The owner of the goods or his representative can perform the following operations:

1. Import, export and re-export.
2. Take samples of the goods for marketing purposes.
3. Carry-out necessary work to preserve the goods in bonded zones or warehouses.
4. Conduct necessary processes to improve packaging of goods or their marketing quality.
5. Inbound goods for consolidation and de-consolidation purposes.
6. Maintenance services, assembly operations and any light manufacturing activities, provided that the trader shall clarify the HS code of the materials used in these operations and the final products of these operations.
7. The owner of goods or his representative is permitted to carry out mixing, combination, adding or manufacturing activities for the liquid deposited goods, provided that the HS codes of the materials used are clarified.
8. The owner of goods or his representative is permitted to relocate those goods fully or partially from one bonded warehouse to another within the bonded zone, provided that the relocation is reflected in the inventory management system.
9. The owner of goods or his representative may place those goods under another customs procedure, subject to the conditions and procedures applied in each case.
10. The ownership of deposited goods belongs to the person whose name is on the customs declaration. The ownership of those goods or part thereof may be transferred by their original owners to others provided the following:
 - a. The approval of the competent customs department.
 - b. The goods shall be registered in the name of the new owner. All commitments required from the new owner shall be transferred from the date of approval.
11. The owner of goods or his representative may re-export them through another port according to the transit controls.
12. Foreign companies are allowed to deposit goods in bonded zones and re-export them after registration in the customs system, under the supervision and responsibility of the operating company of the bonded zone.



13. Allow the inbound of national shipments to bonded zones or warehouses without specifying the final destination “without an export Manifest” under the umbrella of “Inbound” procedures.

Seventh: Penalties and Violations:

1. Any violation of the terms and conditions of regulating bonded zones and warehouses shall be subject to Article (30) of the Executive Regulations of the common customs law.
2. Goods that are in the bonded zones or warehouses without proper declaration and registration in the system, as well as prohibited goods, are considered as smuggled and shall be subject to the provisions of smuggling according to the common customs law and its executive regulations.

Eighth: Disposition of goods inside bonded zones or warehouses:

1. It is permitted to store the goods in bonded zones and warehouses for a period of three (3) calendar years subject to renewal upon the approval of the Governor or his representative. Customs duties shall be applicable after the expiry of this period.
2. Upon expiry of the period of depositing goods in bonded zones or warehouses, goods shall be sold in accordance with Article 167 of the Common Customs Law as well as the rules and procedures for auctioning set by the Committee of Unclaimed Goods Sales pursuant to Article 171 of the common customs law.
3. The operating company shall be committed to dispose damaged goods in coordination with the competent Customs Department and shall prepare the necessary reports in this regard. The operating company shall bear all expenses incurred therefrom.



Ninth: Collection of Customs Services Fees

The Authority shall provide the necessary services to carry out customs procedures inside bonded zones and warehouses. The fees for these services will be collected directly from the customers or their representatives according to the latest customs services' fees list for the bonded zones and warehouses.

Tenth: Closing of bonded zones or warehouses:

In case a decision is issued by the Authority or any of the competent government entities to close the bonded zone or warehouse, or after the expiration of the contract period, the owner of the goods shall be given ninety (90) days to transport his goods to another zone or to place them under another customs procedure after the approval of the competent customs department, which shall be entitled to extend this time period, if necessary.

External document

This guide has been prepared for educational purposes only, and its content may be modified at any time. It is not considered mandatory by the Authority, nor as a legal advice, and it cannot be relied and acted upon without reference to the relevant statutory provisions. Every person subject to Zakat, Tax, and Customs Laws must check their duties and obligations; they are solely responsible for the compliance with these regulations. ZATCA shall not be responsible in any way for any damages or losses incurred to the taxpayer as a result of not complying with the applicable regulations.



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