Qatar: Why New Free Zone Customs Rules Were Needed

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Summary

Following on from Cabinet approval of new Freezone Customs Rules, Mashael Mohammed Al Sulaiti, Founding and Managing Partner at MAS Law Firm in Doha, Qatar, explains why a change in this area was needed, the potential unintended consequences and what should steps businesses should be taking now.

Background

The Qatari Cabinet has approved a Finance Ministry decision establishing customs rules for Free Zones, creating a comprehensive framework to regulate the import and re-export of goods through these zones. The framework sets out requirements for the movement of goods, compliance obligations for traders, and mechanisms to streamline logistics operations.

Has this previously been a problem?

"Qatar's Free Zone regime, established under Qatar Law No. 34/2005 on Investment Free Zones and administered by the Qatar Free Zones Authority (QFZA), placed the Ras Bufontas and Umm Al Houl Free Zones conceptually outside domestic customs territory for duty purposes. The difficulty was fundamentally legal in character," states Mashael Mohammed Al Sulaiti. "The procedural interface between Free Zone and mainland Qatar was left materially underspecified in the foundational customs legislation under Qatar Customs Law, Qatar Law No. 40/2002, and the GCC Common Customs Law.

"Operators seeking to sell physical goods to mainland customers faced unclear duty triggers, no statutory procedure for mixed consignments, and exposure to customs violation liability under a framework that offered no clear safe harbour".

"A further structural gap arose from the classification system itself: Qatar's 8-digit Harmonised System (HS) codes, adopted in 1995, had become materially misaligned with the WCO 2022 HS edition, generating classification discrepancies with international trading partners and impeding effective sanctions screening and non-tariff barrier identification," Al Sulaiti adds.

What are the key features of the new rules?

"Qatar Decree No. 98/2024, which came into force from 1 January 2025, introduced three substantive reforms," states Al Sulaiti. "Firstly, Qatar adopted the GCC Integrated Customs Tariff, replacing the 8-digit classification system with a 12-digit structure aligned to the WCO 2022 HS edition and expanding total tariff lines from approximately 7,800 to over 13,400."

"The legal significance is direct: a customs declaration bearing an incorrect code constitutes a legally defective instrument, attracting potential liability in the form of fines, seizure, and post-clearance audit exposure under the existing customs enforcement framework."

"Secondly, the General Authority of Customs (GAC) integrated the Al Nadeeb Customs Clearance System with the International Road Transport Union Digital TIR Carnet Service, replacing paper-based processing at land border crossings and producing a contemporaneous digital audit trail of materially greater evidentiary reliability."

"Thirdly, the AI-powered Customs Documents System, operational from late 2025, automates document verification across a centralised GAC database, a development of direct enforcement consequence - GAC recorded 3,397 customs violations in the first eleven months of 2025 alone."

Are there any unintended consequences of the change?

"Three regulatory gaps persist," states Al Sulaiti. "The most significant one is the continued absence of a binding advance ruling mechanism, despite Qatar's obligation under Article 3 of the WTO Trade Facilitation Agreement, ratified in 2014, to issue legally binding pre-shipment classification determinations upon trader request."

"In the absence of such a mechanism, operators bear classification risk in its entirety, with no recourse to a binding administrative determination to protect against retrospective audit liability."

"Mixed consignment procedures remain unresolved. No bespoke statutory pathway has been enacted for operators regularly transacting across both free zone and mainland environments, leaving those operators without a legally defined safe harbour."

"In addition, a significant number of SMEs within the QFZA zones operate ERP systems which are configured to a maximum of 10-digit HS codes. Declarations generated by such systems from 1 January 2025 are legally defective, and liability for that deficiency rests with the operator rather than the technology provider."

What steps should businesses be taking now?

"Businesses operating in, or transacting with Qatar Free Zones should take four steps as a matter of legal prudence," states Al Sulaiti. "A formal HS reclassification audit should be conducted across all product lines, mapping existing classifications to their correct 12-digit equivalents under the GCC Integrated Customs Tariff, with the classification rationale documented by reference to the WCO 2022 Explanatory Notes so as to establish a defensible position in any subsequent GAC audit or dispute."

"ERP systems, customs brokers, and freight forwarders should be verified as operating on 12-digit capable platforms, with written confirmation of that capacity retained on file. GAC Authorised Economic Operator accreditation should be pursued. AEO status constitutes the most effective legally recognised risk-mitigation measure available during the enforcement transition period."

"Finally, all communications with GAC and the QFZA regarding classification queries and consignment procedures should be maintained in writing. Documented evidence of proactive regulatory engagement is very important when it comes to penalty mitigation in enforcement proceedings."

Analysis