GCC LANDED COST CALCULATION ARCHITECTURE

A Complete Financial & Cost-Breakdown Framework for Imports into UAE & Saudi Markets

1. Executive Master Formula & Core Structure

The total Landed Cost represents the complete end-to-end expense of acquiring, transporting, clearing, and warehousing goods in the target GCC destination.

```
Landed Cost = Product Price (FOB) + Ocean/Air Freight + Transit Insurance
+ GCC Customs Duty + Local Port & Terminal Charges + Customs Compliance &
Clearance + Inland Logistics + Financing & Administrative Overhead
// Unit Landed Cost = Total Landed Cost ÷ Total Units Received (Clean Yield)
```

- **FOB Price (Free On Board):** The ex-factory cost plus inland haulage, export customs clearance, and terminal handling at the origin port (e.g., Ningbo or Mundra).
- **CIF Valuation (Cost, Insurance & Freight):** The standard baseline valuation used by GCC Customs (UAE Customs, Saudi ZATCA) to calculate customs duties.

```
CIF Value = FOB Cost + International Freight Cost + Transit Insurance
// Note: If insurance policy is not provided, GCC customs applies a default 0.3% -
0.5% assumed insurance value.
```

2. GCC Customs Duty & Regional Tariff Multipliers

Customs duties across GCC member states are calculated strictly on the CIF Valuation.

GCC Tariff Classification	Standard Rate	Calculation Formula
Unified Standard Duty Rate	5.0%	`Duty = CIF Value × 0.05`
Protective Tariff Items (e.g., Paper, Steel)	12.0% - 15.0%	`Duty = CIF Value × Tariff Rate`
Duty-Exempt SKUs (Selected Food & Pharma)	0.0%	`Duty = $0.00`

3. Destination Port, Terminal & Compliance Charges

Fixed and variable fees charged at destination discharge ports (Jebel Ali, Dammam, King Abdulaziz Port).

```
Port Clearance Expenses = THCD + DO Fees + Delivery Order + Manifest +
Security & Gate Pass
```

Cost Component	Typical Cost Range (USD)	Estimation Base
THCD (Terminal Handling at Destination)	$250 - $420	Per 20ft / 40ft Container
Delivery Order (DO) / Shipping Line Fee	$180 - $350	Per Bill of Lading (B/L)
Customs Declaration & Gate Pass	$70 - $130	Per Declaration File
SABER / SASO Certification (KSA)	$150 - $400	PCoC (Annual) + SCoC (Per Shipment)
MoIAT / ECAS Approval (UAE)	$160 - $300	Per Product Category
Demurrage & Detention Contingency	$50 - $150 / day	Applies after free-time expiration

4. Value Added Tax (VAT) & Tax Recoverability

VAT treatment varies across GCC states and depends on whether the importer is registered.

```
Taxable Base for VAT = CIF Value + Customs Duty + Port Charges + Clearance
Fees
// KSA VAT = Taxable Base × 15% | UAE VAT = Taxable Base × 5%
```

- **Recoverable Input VAT:** For VAT-registered commercial entities, VAT paid at customs is reclaimed via monthly/quarterly tax returns and is **EXCLUDED** from the final cost inventory.
- **Non-Recoverable VAT:** If importing without a local VAT registration, VAT must be added directly into the landed cost.

5. Inland Transportation & Storage Allocation Formulas

Allocating lump-sum logistics costs down to individual stock keeping units (SKUs).

Volume-Based Allocation (CBM Ratio)

```
Allocation Factor (SKU A) = Total Volume of SKU A (m³) ÷ Total Container Volume (m³)
// Allocated Freight (SKU A) = Total Container Freight × Allocation Factor (SKU A)
```

Weight-Based Allocation (KG Ratio)

```
Allocation Factor (SKU A) = Gross Weight of SKU A (kg) ÷ Total Shipment Gross Weight (kg)
// Use Weight Allocation for heavy items (steel, liquids) where weight limits are reached before volume.
```

6. Financing, FX Risk & Operational Contingencies

Factoring in capital cost, exchange rates, and unexpected supply chain friction.

Financial Vector	Suggested Multiplier / Formula	Strategic Purpose
Currency Conversion Surcharge	1.0% - 2.5% on FX transactions	Covers USD/AED/SAR to RMB or INR conversion spreads.
Cost of Capital / LC Financing	`(Base Cost × Interest Rate) × (Days ÷ 365)`	Interest cost incurred while funds are locked in transit.
Shrinkage & Damage Allowance	0.5% - 1.5% of FOB Value	Buffers against uninsurable transit wear and breakage.

7. Step-by-Step Landed Cost Calculation Sheet

Interactive manual worksheet for verifying a single 40ft container import run.

Step	Cost Header	Calculation Base / Amount (USD)
1	**Total FOB Invoice Value**	$__________________
2	Ocean Freight Charge (Origin to GCC Port)	+$__________________
3	Transit Insurance (0.3% of FOB if unquoted)	+$__________________
4	**Subtotal: CIF Destination Value (1 + 2 + 3)**	**=$__________________**
5	Customs Duty (5% of CIF Value)	+$__________________
6	Port Terminal Handling (THCD) & Delivery Order	+$__________________
7	Customs Brokerage, SABER & Port Clearance	+$__________________
8	Inland Trucking (Port to Warehouse)	+$__________________
9	FX Spread & Administrative Contingency (2%)	+$__________________
10	**TOTAL SHIPMENT LANDED COST**	**=$__________________**

UNIT COST DERIVATION SUMMARY

Total Operational Units Received: _______________ Units   Landed Cost Overhead %: ___________ %

FINAL LANDED COST PER UNIT = $______________________ / Unit