

Authorized Economic Operator Programme



AGENDA

1. Introduction to the Authorized Economic Operator Programme [**AEOP**]
2. Benefits under AEOP
3. Types of certification under AEOP
4. Eligibility Criteria
5. Procedure
6. Conditions & Compliances

INTRODUCTION

- ❑ CBEC *vide* Circular No. 33 dated 22.07.2016 decided to merge two facilitation schemes (1) Accredited Clients Programme (**ACP**); (2) Authorized Economic Operator (**AEO**)
- ❑ Now it is a combined three-tier AEO programme
- ❑ To benefit and facilitate trade i.e., import and export
- ❑ Faster customs clearance and simplified procedures
- ❑ To bestow a secure status to the entity involved (internationally recognised)
- ❑ Simplified compliance regime
- ❑ In view of mid term review of Foreign Trade Policy in 2018, additional benefits extended to AEO's

INTRODUCTION CONT'D...

- ❑ CBIC *vide* Circular No. 3 / 2018 – Customs dated January 17, 2018 has made requisite modifications in Circular No. 33 of 2016
- ❑ Decided to maximize the reach of the programme for trade facilitation and ease of doing business
- ❑ AEO application processing decentralised
- ❑ CBIC *vide* Circular No. 26 / 2018 - Customs dated August 10, 2018 has simplified and rationalized the process of AEO-T1 Application(s)

BENEFITS UNDER AEOP

- ❑ Direct Port Delivery of Import /export Containers depending on volume of trade
- ❑ Higher Level of Facilitation, faster customs clearance and simplified customs procedures
- ❑ Priority scanning for containers
- ❑ Facility of deferred payment of duty
- ❑ Faster disbursal of drawback amount
- ❑ Faster processing of bill of entries
- ❑ Faster completion of Special Valuation Branch proceedings in case of related party imports
- ❑ Less amount for Bank Guarantee (50% or 25% as against the usual value)
- ❑ Facility to paste MRP stickers in own premises
- ❑ Onsite PCA instead of regular PCA
- ❑ ICEGATE Access for consolidated data of import and export
- ❑ Paperless declarations with no supporting documents in physical form
- ❑ Nominated Client Relationship Manager as a single window of interaction
- ❑ Faster processing of refund/rebate of duty (minimum of 45 days of submission of documents)



TYPES OF CERTIFICATION AND VALIDITY

- ❑ AEO-Tier-1 Certificate (three years)
- ❑ AEO-Tier 2 Certificate (three years)
- ❑ AEO-Tier 3 Certificate (five years)
- ❑ AEO-LO [only for economic operators i.e., logistics, customs agents/custodians or terminal operators/warehouse operators] (valid for five years)

The category of AEO Certificate is linked to the benefits attached to such certificate

ELIGIBILITY CRITERIA

- ❑ Applicant must be involved in international supply chain
- ❑ Should undertake customs related activity in India i.e., import or export
- ❑ Must be an incorporated entity with a valid certificate of registration
- ❑ Must provide evidence regarding :
 - ✓ Places and warehouses where it handles goods
 - ✓ Supply chain information
 - ✓ Existence for not less than past 3 years with own accounts
 - ✓ Not less than 25 transactions in a financial year (leniency for MSMEs)
 - ✓ Possession of ICEGATE Login to avail benefits under the AEOP



PROCEDURE

- ❑ Eligible applicant to comply with the following requirements of AEOP :
 - ✓ Legal
 - ✓ Managerial, Commercial and Transport
 - ✓ Financial Solvency
 - ✓ Safety and
 - ✓ Security
- ❑ Application to be in the prescribed form with :
 - ✓ security plan
 - ✓ process map
 - ✓ site plan
 - ✓ self-assessment form
- ❑ Information and documents of the applicant to be scrutinized and assessed for grant of AEO certificate
- ❑ Physical verification by competent authority to ensure compliances
- ❑ Some important indicators to be checked during inspection :
 - ✓ Information on customs matters
 - ✓ Remedial action taken on previous customs errors
 - ✓ Accounting/logistics systems
 - ✓ Internal controls and procedures
 - ✓ Flow of cargo
 - ✓ Use of custom house agents
 - ✓ security of IT and documents
 - ✓ logistics process and
 - ✓ storage of goods.

PROCEDURE – CONT'D...

- Report prepared within 60 days of completion of inspection/verification
- Report may contain recommendation to the AEO Programs Manager
- Applicant informed status of AEO certificate within 30 days of recommendation
- In case AEO certificate granted, it is activated within a week
- AEO certificate is valid for a period of 3 years (for AEO-T1 & AEO-T2 Certificate)
- AEO-T3 – the validity is for five years
- Renewal within 60 days of expiry
- Renewal subject to fulfilment of the requirements/compliances



CONDITIONS & COMPLIANCES

Legal Compliances

- ❑ No SCN issued to the applicant during last three financial years involving :
 - ✓ fraud
 - ✓ forgery
 - ✓ outright smuggling
 - ✓ clandestine removal of excisable goods or
 - ✓ Service Tax collected but not deposited to the Government
- ❑ No case where prosecution has been launched or contemplated against the applicant or its senior management

Managerial, Transport Records and Financial Solvency

- ❑ Maintaining accounting system consistent with Generally Accepted Accounting Principles (GAAP) / International Financial Reporting Standards (IFRS) which facilitates audit-based Customs control
- ❑ Having an administrative set up which corresponds to the type and size of business and which is suitable for the management of the flow of goods
- ❑ Have internal controls capable of detecting illegal or irregular transactions;



CONDITIONS & COMPLIANCES - CONT'D

Managerial, Transport Records and Financial Solvency

- Satisfactory procedures for handling of import / export licenses and authorizations
- Satisfactory procedures for archiving the company's records and information
- Adequate protection against loss of information
- Employees trained to inform Customs whenever compliance difficulties are discovered
- Establish suitable contacts to inform the Customs authorities of such occurrences
- Satisfactory procedures for verifying the accuracy of Customs declarations
- Appropriate IT security measures to protect the applicant's computer system from unauthorized intrusion and to secure the applicant's documentation
- Applicant must be financially solvent during the last three financial years

Thank You

OUR OFFICES

LEXport - NEW DELHI

R-1, Second Floor,
Park View Apartments
Hauz Khas Enclave
New Delhi – 110016, India
Phone: 91-11-2651 0505/1505

LEXport - BANGALORE

516, 10th A Cross,
29th Main, Sector 1,
HSR Layout,
Bangalore - 560 034, Karnataka India
Phone: 91-80-22580308

Disclaimer: This presentation is for information purposes only and should not be construed to be comprehensive or as a legal opinion on any of the matter contained herein. For any specific aspect kindly take specific legal advise.

