



सत्यमेव जयते

Indian Customs

**Fulfilling its role in
“Make in India”
&
“Doing Business Easier in India”**



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Indian Customs AEO

AUTHORIZED ECONOMIC OPERATOR PROGRAMME

“Bringing Ease in Doing Business”

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OVERVIEW

AEO is a programme under the aegis of the World Customs Organization (WCO) SAFE Framework of Standards to secure and facilitate Global Trade. The programme aims to enhance international supply chain security and facilitate movement of legitimate goods.

AEO encompasses various players in the International supply chain. Under this programme, an entity engaged in international trade is approved by Customs as compliant with supply chain security standards and granted AEO status & certain benefits.

AEO is a voluntary programme. It enables Indian Customs to enhance and streamline cargo security through close cooperation with the principle stakeholders of the international supply chain viz. importers, exporters, logistics providers, custodians or terminal operators, custom brokers and warehouse operators. The Circular 33/2016 – Customs dated 22.07.2016 provides the statutory framework for the AEO programme.

The Circular 33/2016 – Customs is recently amended by the Circular 03/2018 – Customs dated 17.01.2018. Amendment Circular 03/2018 – Customs has further liberalized, simplified and rationalized the AEO accreditation process so as to promote Ease of Doing Business and to emulate global best practices.

BACKGROUND

Prior to adoption of the SAFE Framework by WCO in 2005, Customs administrations all over the world, including India, were already implementing various forms of Customs compliance programmes which focused on compliance with traditional areas of Customs requirements, and which can also be considered as trade facilitation programmes, based on the Revised Kyoto Convention's "authorized persons" provisions. In India, this programme was known as Accredited Client Programme (ACP) vide Notification No.42/2005-Cus dated 24.11.2005 to provide facilitation to ACP clients subject to their fulfillment of the prescribed eligibility criteria.

Over the years, AEO has become a flagship programme for WCO Members as it offers an opportunity for Customs to share its responsibilities with the businesses, while at the same time rewarding them with a number of additional benefits. As of March, 2015, 168 out of 180 WCO Members have signed Letters of Intent committing to implement the SAFE Framework. In India, the AEO programme was launched in 2011 on pilot basis vide Circular No

NEXT STEP

In accordance with the World Customs Organization Framework of Standards to Secure and Facilitate Global Trade, Indian Customs has collaborated with several foreign customs administrations to align with their Authorized Economic Operator Programmes, which effectively allows Indian Customs to internationalize the core principles of the program and provide benefits to Indian trade at the international level. Indian Customs has signed two Mutual Recognition Agreements with the Customs Administrations of South Korea and Hongkong. Future MRAs are in negotiation with United States of America and Taiwan. MRA initiating proposals have been forwarded to major trade countries in South East Asia like Malaysia, Singapore, Thailand, Philippines & Indonesia. Additionally, few major regional economic blocks like East African Community have proposed MRA with India. These proposals are being earnestly studied and actively pursued.

Indian Customs is regularly working with other Indian Government agencies involved in import/export to enhance the scope of benefits for AEO members. They also continue to identify opportunities to increase efficiency and reduce redundancy within the programme to bring it in line with the international best practices.

The process for AEO accreditation has been systematically decentralized. This will result in faster and more streamlined processing of AEO applications. This vision is in sync with the Indian Prime Minister's vision of 'Under 50' rank in World Bank's Ease of Doing Business Report. Indian Customs is intently committed to this vision and all the major Custom Houses are organizing extensive outreach programs and regular awareness dialogue with the trade to make them aware about this program and the benefits associated with it. For any query regarding the AEO Programme, the AEO Cell in the jurisdictional Custom Chief Commissioner's office can be approached. The AEO cell will be the nodal agency to take the applicant through the complete AEO accreditation process and help the applicant as and when the support is required for filing of AEO application.

The Indian AEO Programme is a game-changer. It will not only achieve 'Make in India' but also substantially add to the vision and lead India to become a manufacturing and exporting power-house. Indian Customs is fully committed to make this vision a reality by playing its mandated role in India's growth story through its AEO initiative.



BENEFITS

Through this initiative, Indian Customs asks businesses to ensure the integrity of their security practices, and communicate and verify the security guidelines of their business partners within the supply chain. In exchange, Indian Customs affords its AEO members with certain benefits, including:

1. Self-declaration of SION under Para 4.07A of FTP 2015-20 for AEO status holder Exporters in cases where SION is not notified.
2. Inclusion of Direct Port Delivery of imports to ensure just-in-time inventory management by manufacturers – clearance from wharf to warehouse for AEO T1, T2 and T3.
3. Inclusion of Direct Port Entry for factory stuffed containers meant for export by AEOs for AEO T1, T2 AND T3.
4. ID cards to be issued to AEO's personnel for allowing entry to Customs House, CFS and ICD.
5. Investigation related to AEO status holder shall be fast tracked within 6-9 months.
6. Dispute resolution related to AEO status holder shall be completed/ adjudicated within 6 months.
7. AEO status holder will get a e-mail regarding arrival/ departure of vessel carrying their consignment.
8. Faster disbursement of drawback amount within 72 hours of EGM submission.
9. The assessment/examination shall be done processed on priority basis.
10. Faster disbursement of refund, including IGST refund and rebate for AEO status holder within 45 days of submission of complete documents.
11. Automatic activation of Deferred Duty Payment option for AEO – T2 and AEO T3 status holder.
12. Benefits of Mutual Recognition Agreements with other Customs Administrations for AEO T2 and AEO T3.
13. Extension of facilitation to exports in addition to imports depending on the tier of certification.
14. Self-certified copies of FTA / PTA origin related or any other certificates required for clearance would be accepted.
15. Request based on-site inspection /examination.
16. Paperless declarations with no supporting documents.
17. Recognition by Partner Government Agencies and other Stakeholders as part of this programme.

37/2011-Cus., dated 23.08.2011 and rolled out in full fledged manner vide Circular No. 28/2012-Customs dated 16.11.2012.

Article 7.7 (Trade Facilitation Measures for Authorized Operators) of the WTO Trade Facilitation Agreement (TFA) also provides for implementation of “Authorized Operator” scheme on the basis of international standards, where such standards exist.

In the light of these international developments, as well as in view of the focus of the Government of India on “Ease of Doing Business”, Central board of Indirect Taxes & Customs has developed a comprehensive unified trade facilitation programme by incorporating the existing ACP scheme and ongoing AEO programme into a revised AEO programme vide Circular No. 33/2016-Customs, dated 22.07.2016 providing additional facilities to the legitimate trade who have demonstrated strong internal control system and willingness to comply with the laws administered by the Central Board of Excise and Customs.

The objective of the revised AEO Programme shall continue to remain same as earlier, that is, to provide businesses with an internationally recognized quality mark which will indicate their secure role in the international supply chain and that their Customs procedures are efficient and compliant. An entity with an AEO status can, therefore, be considered a ‘secure’ trader and a reliable trading partner.

There are multiple tiers of certification in the new AEO Programme. For importers and exporters there are three tiers providing varying levels of benefits:

- **AEO T1** – Verified on the basis of document submission only
- **AEO T2** – In addition to document verification, onsite verification is also done
- **AEO T3** – For AEO T2 holders who have enjoyed the status for 2 years only on the basis of document verification and for AEO T2 holders who has not enjoyed the status continuously or has introduced major changes in business, the applicant is subjected to physical verification

For logistics providers, custodians or terminal operators, custom brokers and warehouse operators there is only one tier:

AEO LO - In addition to document verification, onsite verification is done



As on 1.08.2018, there are total 1202 AEO status holders. Among which, 757 are AEO T1, 182 are AEO T2, 1 is AEO T3 and 262 are AEO LO. The list of the AEO status holders is regularly updated and uploaded on Indian Customs website.

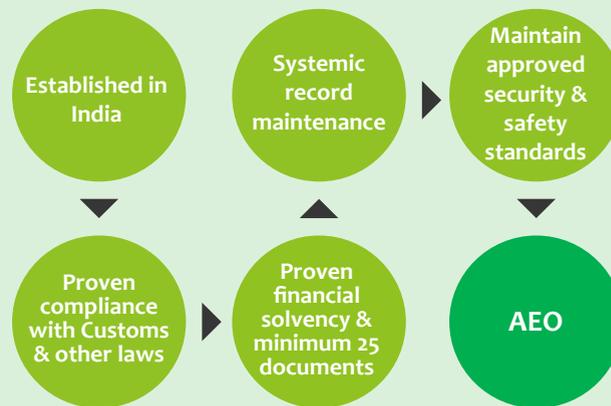
The list can be found at: www.cbic.gov.in->Indian AEO Programme

| Indian AEOs | |
|--------------|-----------------------------|
| AEO Tier | Number of AEO status holder |
| AEO T1 | 757 |
| AEO T2 | 182 |
| AEO T3 | 001 |
| AEO LO | 262 |
| Total | 1202 |

ELIGIBILITY

Any legal entity that undertakes Customs related work can apply for the AEO Programme if they fulfill the following conditions:

- They have handled 25 Import or Export document in last Financial Year.
- They have had their business activity for last 3 Financial Year (This condition can be waived off by the AEO Programme Manager).
- The applicant must have been Financially Solvent for the last 3 Financial Years.
- The applicant must not be issued a Show Cause Notice involving 'fraud, forgery, outright smuggling, clandestine removal of excisable goods or cases where Service Tax has been collected from customers but not deposited to the Government' during last 3 Financial Years.



PROCESS

The program uses a 'trust but verify' approach with the trade community. To apply to the programme, a prospective AEO certificate holder submits basic company information and a security profile as per the annexure in the circular. The AEO team checks on the company in its general compliance, legal compliance, management of commercial and transport records, financial solvency, safety and evaluates safety and security with respect to procedural security, premises security, cargo security, conveyance security, personnel security, business partner security and security training and threat awareness. The AEO specialists conduct onsite visit of domestic facilities to confirm the security practices are in place and operational in case of higher certification levels. The efficient and compliant businesses are certified into the programme.

The Circular 33/2016-Customs, dated 22.07.2016 codifies the AEO Programme and establishes certain time sensitive mandates such as reviewing and certifying AEO T1 within 30 days of submission of information and/ or documents; conducting on site verification for AEO T2 and AEO LO within 90 days of the information and documents provided; preparation of reports with recommendation to the AEO Programme Manager within 60 days of completion of onsite verifications.

