

# TAX FLASH NEWS

## Revised guidelines for clubbing of Advance Authorisations

### Background

Advance Authorisation (the authorisation) permits import of inputs for manufacture of goods without payment of applicable customs duty.

Against the benefit, the exporter is required to export a prescribed quantity and value of goods manufactured using the duty exempted inputs within a specified export obligation period.

On expiry of the export obligation period, the exporter is required to seek closure of the authorisation with the authorities providing proof of utilisation of duty exempted inputs and exports. In case of any shortfall in meeting of export obligation or utilisation of duty exempted inputs, the authorisation is permitted closure by the authorities on payment of applicable duty, interest and composition fee.

With the objective of closing authorisation with excess imports and shortfall in exports, facility of clubbing of such authorisation with another authorisation with excess exports or lower imports was permitted under the Foreign Trade Policy.

The Director General of Foreign Trade (DGFT) has notified revised guidelines through Public Notice No 16/2015-2020 dated 4 June 2015 (Public Notice) for clubbing of the authorisation. The revised guidelines were expected to be effective from 1 April 2015.

Key features of the Public Notice are highlighted below:

### Key Highlights of Public Notice

- Clubbing of authorisations for import of specified inputs like tea, drugs (with a specific export order and pre import condition) and authorisations with export obligation period less than 18 months shall not be allowed.

- Application for clubbing of authorisations will now be considered in the following manner.

Category of authorisation	Guideline
For authorisations issued on or before 31 March 2009	<ul style="list-style-type: none"> <li>• No clubbing shall be permitted if application is filed on and after 1 April 2015. However, matter decided by the Policy Relaxation Committee not be examined under the new provision</li> <li>• Previous applications, possibly need to seek a clarification, including requirement to go to the Policy Relaxation Committee</li> </ul>
For authorisations issued from 1 April 2009 upto 4 June 2012	<ul style="list-style-type: none"> <li>• Clubbing permitted for authorisation issued within 36 months from the date of issuance of the earliest authorisation proposed to be clubbed</li> </ul>
For authorisations issued on or after 5 June 2012	<ul style="list-style-type: none"> <li>• Clubbing permitted for authorisation issued within 18 months from the date of issuance of the earliest authorisation proposed to be clubbed</li> </ul>
For authorisations issued before 5 June 2012 with authorisation issued on or after 5 June 2012	<ul style="list-style-type: none"> <li>• Clubbing permitted for authorisation issued within 18 months from the date of issuance of the earliest authorisation, proposed to be clubbed</li> </ul>

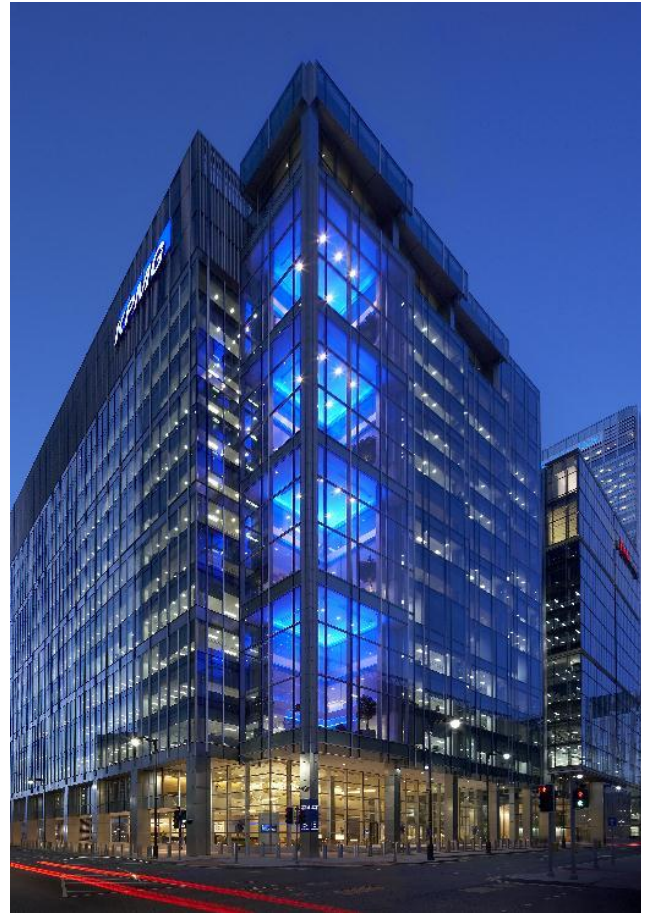
- For the purpose of clubbing and regularisation, exports made outside the export obligation period of earliest authorisation will be considered on payment of specified composition fee computed in the manner provided in the guideline.
- Prescribed minimum value addition is required to be maintained on clubbing. In case of shortfall in value or quantity, for regularisation, prescribed fees need to be paid.

## Our comments

Over the last few months, DGFT has undertaken significant steps in reducing the transaction cost and streamlining the compliances. With the new guidelines, DGFT has attempted to streamline clubbing provisions and decrease the need to approach the Policy Relaxation Committee for relaxation of conditions.

However, the fate of clubbing applications filed prior to 1 April 2015 and pending disposal remains unclear.

Trade now needs to relook the status of their applications filed and open authorisations in light of these guidelines and take suitable action.



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