



Draft revised Authorised Economic Operator Scheme guidelines notified

Background

As a trade facilitation measure, the Central Board of Excise and Customs (CBEC) has notified Accredited Client Programme (ACP) and Authorised Economic Operator Scheme (AEO).

CBEC with the focus on 'Ease of Doing Business' has now decided to merge these measures into a combined three tier AEO programme with enhanced scope and benefits.

The revised AEO programme will continue to be administered by the Directorate General of Inspection Customs & Central Excise (DGCICCE), New Delhi with Additional Director General as the AEO Scheme manager.

The overall framework of the scheme in terms of criteria for considering application, processing, validations, certification, etc. broadly continues to be similar to the earlier guidelines.

The draft guidelines of the revised AEO programme is placed in public domain for receipt of comments or suggestions by CBEC by 30 June 2016.

Key highlights of the revised guidelines

- AEO programme is extended to small and medium scale enterprises. Hence, importers or exporters whose threshold of import or export declarations is 25 documents during the last financial year will be eligible as well. Similarly, other stakeholders handling at least 25 import or export documents will be eligible as well.

- Revised AEO programme will have three tiers of certification for importers and exporters. However, for other stakeholders, there will be Tier I certification. The eligible categories for three tier certification are as below.

Tier	Eligible category
Tier I	Importer or exporter
Tier II	In addition to importer and exporter custodian, custom broker, etc.
Tier III	Importer or exporter who has AEO status for last two years or its other business partners are holders of Tier II certificate

- Existing AEOs with valid AEO certificates will be granted a Tier II certificate within 15 days of issuance of formal guidelines.
- Existing ACP clients with valid status will be provisionally granted AEO Tier I certificate within 15 days of issuance of formal guidelines. ACP clients will need to submit an application for issuance of the certificate within 90 days of issuance of formal guidelines.

- Status of ACP clients not seeking an AEO certificate will be reviewed by the authorities. ACP clients who have sought issuance of a certificate will continue to enjoy the benefits till a formal decision is taken by the AEO Programme Manager in relation to their eligibility.
- Depending upon the category of the AEO different benefits are proposed to be extended. Key benefits *inter alia* include:
 - Higher facilitation level;
 - Facility of direct port delivery or direct port entry of the import and export containers;
 - Furnishing of reduced bank guarantee (quantum dependent on the category);
 - Expedited investigations and dispute resolutions on matters relating to customs, central excise and service tax;
 - Facility to paste MRP stickers on their premises;
 - Time bound grant of refund/rebate and drawback;
 - Trade facilitation by foreign customs authorities with which India has mutual recognition agreements;
 - Facility of deferred payment of customs duty;
 - Appointment of a nodal officer as a single point of contact by concerned custom houses; and
 - Facility of submitting paperless declarations with no supporting document in a physical form.

Specific benefits have been notified for AEOs other than importer or exporter as well.

- AEOs will be subject to on-site post clearance audit based on risk assessment. AEOs undergoing on-site post clearance audit will not be subjected to routine transactional post clearance audit. However, detailed guidelines on risk-based on-site post clearance audit will be issued subsequently.

- Depending upon the category, the on-site post clearance audit will be undertaken once in a year (Tier I), once in two years (Tier II) and once in three years (Tier III).
- The validity of an AEO certificate depending upon the category will be two years (Tier 1), three years (Tier II) and five years (Tier III). Renewal procedure will be similar to the grant of fresh status.
- Specific guidelines have been provided for the restoration of suspended/downgraded AEO status including the circumstances in which it will be revoked.

Our comments

The revised guidelines could be seen as a significant step vis-à-vis the previous programme.

The enhanced benefits and expansion of the scheme to include the benefit to small and medium enterprises can be attractive to stakeholders looking for supply chain efficiency and incremental benefits in partnering with authorities in adhering to SAFE standards.

However, the test is likely to be in effective implementation specially addressing the issue of suspension of ACP status on notices faced by the stakeholders earlier. We hope that these guidelines are implemented effectively at the ground level with strict monitoring by CBEC to ensure that they meet their objective.

Overall, it is a positive step of the government towards trade facilitation and improving the ease of doing business in India.



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