



Authorized Economic Operator (AEO)

Background of the Program

Objective	Objective of AEO Scheme, introduced by the Customs Department, 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 with the law
AEO Framework	<p>AEO seeks to provide tangible benefits in the form of faster customs clearances and simplified customs procedures to the operators. The AEO Framework offers a three-tier certification for the importers and exporters and single tier certification for logistic providers, custodians, terminal operators, customs brokers and warehouse operators</p> <p>Importers and exporters: AEO – T1*, AEO – T2*, AEO – T3#</p> <p>Logistic providers, etc.: AEO – LO #</p>

Background of the Program

Global existence	AEO is designed pursuant to guidelines of WCO and already effective in identified countries across the world. An entity with AEO status is considered as a secure trader and a reliable trading partner globally
Compliance with security standards	Operators involved in the international supply chain can obtain AEO status subject to demonstrating strong internal control system for imports/ exports

* The benefits for AEO - T1 and AEO - T2 are discussed in detail in next slide.

AEO – T3 and AEO – LO are not discussed in this slide deck. However, we would glad to discuss the same in detail, if so desired

Accreditation Necessity

- The objective of the AEO Program is to provide businesses with an internationally recognized 'quality mark' indicating their commitment to security in the international supply chain. These players are also required to certify that their Customs procedures are efficient and compliant. Entities that receive an AEO status are considered a 'secure' trader and a 'reliable' trading partner.
- On a larger picture, Trade Facilitation Agreement (TFA) of WTO is on the verge implementation by member countries which also compels them on readiness towards Customs- to- Customs network arrangements and Customs- to-Business partnerships. Here AEO program serves the purpose.
- To avail benefits like of Indian Customs from any overseas customs organization, businesses are required to be AEO certified.

Accreditation Necessity

- In the AEO ecosystem, it becomes quite important for businesses to achieve higher level of AEO certifications so as to be ready to serve customers who are going to demand partnerships only with accredited organizations.
- It is evident from trade facilitations being declared by authorities that businesses have to be in sync with expectations outlined to satisfy GoI's mutual cooperation outreach with partner countries under TFA, AEO / MRA (Mutual Recognitions of AEO holders between Customs) & FTAs (Free Trade Agreements)
- Objective of Mutual recognition of AEOs that one Customs administration recognizes the validation findings and AEO authorizations by other Customs administration issued under the other program and agrees to provide substantial, comparable & reciprocal benefits / facilitation to the mutually recognized AEOs.

Overall Benefits

- Over the years, AEO has become a flagship program 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.
- AEO benefits with the highest importance to the participants are emphasized in its commonality in global standards and its cooperative partnerships with the members in their supply chain. These common requirements and mutual recognitions are important concepts for a global supply chain, as they drive efficiencies and reduce administrative burdens for companies that do business in many countries. By adopting AEO standards this prevents conflicting requirements and unnecessary inefficiencies and fosters a positive reputation with Customs agencies of participating countries.

Attractions

- Deferred Duty payment scheme
- Direct Port deliveries for import and export
- Fast tracking of refunds and drawbacks
- Fast tracking of adjudications
- Request based on-site inspection/ examination
- Recognition by partner government agencies
- Mutual Recognition with other countries

Relaxation for MSME's

- Eligibility requirement of handling a minimum documents has been relaxed to 10 documents during the last financial year, subject to handling at least 5 documents in each half-year period of the preceding financial year.
- The applicant to have “business activities for at least two financial years preceding the date of application”
- The qualifying period for legal and financial compliance is ‘the last two financial years’
- The AEO accreditation for MSMEs now requires submission of only two annexures for AEO T1 and three annexures for AEO T2 applicants respectively. The two common annexures for AEO T1 and AEO T2 are: MSME Annexure 1 (General Compliance), MSME Annexure 2 (Legal, Managing Commercial Records, and Financial Solvency Compliance). Further, the third annexure for AEO T2 is MSME Annexure 3 (Safety and Security Requirements).

Relaxation for MSME's

- The time limit for processing of MSME AEO T1 & AEO T2 application has been reduced to fifteen working days and three months respectively after the submission of complete documents for priority processing by customs zones.
- The benefit of relaxation in furnishing of Bank Guarantee for AEOs has been further relaxed to 25% and 10% of that required to be furnished by an importer/exporter who is not an AEO certificate holder, for MSME AEO T1 and MSME AEO T2 entities respectively.
- The aforesaid relaxations shall apply only to an applicant who has a valid MSME certificate from the line-Ministry. Further, the approved MSME must ensure their continuous MSME status during the validity of its AEO certification, if granted.

Validity and Renewal of Certificate

AEO-T1

- Valid for Three years
- Renewal within 30 days

AEO-T2

- Valid for Three years
- Renewal within 30 days

AEO-T3

- Valid for Five years
- Renewal within 90 days

AEO-LO

- Valid for Five years
- Renewal within 90 days

Eligibility

- Anyone involved in the international supply chain that undertakes Customs related activity in India can apply for AEO status irrespective of size of the business. These may include exporters, importers, logistic providers (e.g. carriers, airlines, freight forwarders, etc.), Custodians or Terminal Operators, Customs House Agents and Warehouse Owners.
- Others who may qualify include operators authorize couriers port stevedores. This list is not exhaustive.
- Businesses that are not involved in Customs related work / activities will not be entitled to apply. This means that in general, banks, insurance companies, consultants and the like categories of businesses will not be eligible for AEO status.
- Application for AEO status will only cover the legal entity of the applicant and will not automatically apply to a group of companies.

Eligibility

- There is no provision to grant AEO status to specific site, division or branch of legal entity of the applicant. The application must cover all the activities and locations of the legal entity involved in the international supply chain and the prescribed criteria will be applied across all those activities and locations.
- The applicant should have business activities for at least three financial years preceding the date of application. However, in exceptional cases, on the basis of physical verification of internal controls of a newly established business entity, the AEO Program Manager may consider it for certification.

Eligibility

- In order to apply for AEO status the applicant must be established in India. For this purpose, the applicant should provide evidence which may include:
 - i. A certificate of registration issued by the Registrar of Companies.
 - ii. Details of places/locations where goods are being handled, e.g. loading, unloading, storage etc., in the course of supply to/from international supply chain.
 - iii. Proof that the business has its own accounts.
- An AEO status applies only to the legal entity applying for such status in its own capacity and covering its role in the international supply chain.
- Therefore, AEO status can be granted to a Customs Broker, but this will not confer similar status on its client importers / exporters who will need to apply separately for that status.

Eligibility Conditions

- There should be no show cause notice issued to them during last three financial years 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.
- There should be no case wherein prosecution has been launched or is being contemplated against the applicant or its senior management.
- If the ratio of disputed duty demanded or drawback demanded or sought to be denied, in all the show cause notices issued under the Customs Act, 1962 (other than above mentioned Para) during the last three financial years to the total duty paid and drawback claimed during the said period is more than ten percent, a review would be taken of the nature of cases and decision would be taken on issue or continuance of AEO status by AEO Program Manager.

Eligibility Conditions

- To the total duty paid and drawback claimed during the said period is more than ten percent, a review would be taken of the nature of cases and decision would be taken on issue or continuance of AEO status by AEO Program Manager.
- An applicant will also need to demonstrate that he has:
 - i. Procedures in place to identify and disclose any irregularities or errors to the customs authority or other regulatory bodies.
 - ii. Take appropriate remedial action when irregularities or errors are identified.
- Once an error has been identified , the applicant is expected to take steps to ensure that they do not happen again or, at least, to ensure that they are immediately remedied if they do arise. Failure to take such steps could count against applicant.

Other Conditions

- Apart from above legal conditions, applicant needs to submit satisfactory records / or make necessary arrangements to fulfill below conditions:
 - i. Transport & Commercial Management records
 - ii. Financial Solvency
 - iii. Safety and Security
 - iv. Procedural Security
 - v. Premises Security
 - vi. Cargo Security
 - vii. Conveyance Security
 - viii. Personnel Security
 - ix. Business Partner Security
 - x. Security Training & Threat Awareness

AEO- T1 Certification Norms

- Importers/exporters fulfilling the eligibility criteria may apply with Documents/information pertaining to
 - i. General compliance
 - ii. Legal compliance
 - iii. Records Maintenance compliance &
 - iv. Financial solvency.

- If it is found that the records are maintained to the satisfaction of AEO Program Manager, then the entity may be awarded the AEO Tier-certificate.

AEO- T2 Certification Norms

- In addition to the criteria of AEO- T1, the AEO – T2 applicant should fulfill the following 7 aspects of Safety & Security:
 - i. Procedural Security
 - ii. Premises Security
 - iii. Cargo Security
 - iv. Conveyance Security
 - v. Personnel Security
 - vi. Business Partner Security
 - vii. Security Training and Threat Awareness

AEO- T2 Certification Norms

- Certificate will be awarded to the applicant after : -
 - i. Claims made in regard to the 7 aspects of security being physically verified by AEO Team.
 - ii. On verification report that the assessment made by the applicant & the documents filed along with application is true and to the satisfaction of the AEO program manager
 - iii. Dates of visit to the places/premises to be decided by mutual consent.

AEO- T3 Certification Norms

- The economic operator should have continuously enjoyed the status of AEO – T2 for at least two years preceding the date of application for AEO – T3 status.

OR

- The economic operator must be an AEO – T2 certificate holder and all its Business Partners have to be holders of AEO – T2 or AEO – LO certificates or equivalent granted by a foreign Customs

Key Benefits to AEO Certificate Holders :

1. AEO - T1	2. AEO - T2	3. AEO - T3
<ul style="list-style-type: none"> ➤ 24*7 clearances (on request) at all sea-ports and airports - no MOT levied ➤ DPD and/ or DPE of import/ export containers ➤ High level of facilitation of consignments ensuring shorter cargo release time ➤ Quantum of bank guarantee (wherever required) = 50% of that required from those who are not AEO 	<ul style="list-style-type: none"> ➤ The following benefits would be provided over and above the benefits offered in T1: ➤ Facility of deferred payment of duty ➤ Facility to paste MRP stickers at importer's premises ➤ For those not opting for DPD/ DPE, seal verification/ scrutiny of documents waived (<i>consignments to be cleared without any scrutiny</i>) 	<ul style="list-style-type: none"> ➤ The following benefits would be provided over and above the benefits offered in T2: ➤ Accorded highest level of facilitation, as compared to AEO-T2, in imports and export of their consignments. ➤ Their containers will not be selected for scanning except on the basis of specific intelligence. Further when any container is selected for scanning, top-most priority will be given for scanning.

Key Benefits to AEO Certificate Holders :

1. AEO - T1	2. AEO - T2	3. AEO - T3
<ul style="list-style-type: none">➤ Expedited investigations (tentatively, six to nine months) and dispute resolution (tentatively six months) by adjudicating authorities in matters of customs, Central excise and service tax➤ Separate space earmarked in the custodian's premises (wherever feasible)	<ul style="list-style-type: none">➤ Self-sealing of export goods without the requirement to seek case-to-case permission➤ Quantum of bank guarantee (wherever required) = 25% of that required from those who are not AEO➤ Faster completion of SVB proceedings and monitoring for time bound disposal➤ Access to consolidated import/export data through ICEGATE	<ul style="list-style-type: none">➤ The assessing/examining custom officer will rely on the self-certified copies of documents submitted by them without insisting upon original documents.➤ They would not be required to furnish any Bank Guarantee. However, this exemption from Bank guarantee would not be applicable in cases where the Competent Authority orders furnishing of Bank Guarantee for provisional release of seized goods.➤ An approach based on Risk based interventions, in case of requirements

Key Benefits to AEO Certificate Holders :

1. AEO - T1	2. AEO - T2	3. AEO - T3
<ul style="list-style-type: none">➤ Grant of IDs to authorized personnel for hassle free entry to custom houses, CFSs and ICDs	<ul style="list-style-type: none">➤ Refund/ Rebate of customs/ excise duty and service tax to be granted within 45 days of the submission of complete documents➤ Priority to containers selected for scanning➤ Priority to BoEs/ shipping bills selected for assessment➤ Paperless declarations with no supporting documents	<p>originating from the Acts administered by other Government Agencies/Departments, will be adopted for providing better facilitation in imports and export of their consignments.</p> <ul style="list-style-type: none">➤ On request, they will be provided on-site inspection /examination.➤ The refund/Rebate of Customs/Central Excise duty and Service Tax would be granted within 30 days of the submission of complete documents

Maintenance of AEO Status

- AEO status holder should inform following changes to AEO Program Team within 14 days of the change taking place.
 - i. Change to the legal entity.
 - ii. Change of business name and/or address.
 - iii. Change in the nature of business i.e. manufacturer / exporter etc.
 - iv. Changes to accounting and computer systems.
 - v. Changes to the senior personnel responsible for Customs matters.
 - vi. Addition or deletion of locations or branches involved in international supply chain.

Review of AEO Status

- AEO Programme team to review the status periodically.
- AEO Status holder should continue to reassess its compliance with condition of certification.
- REVIEW period:-
 - i. AEO T1:- 3 yrs.
 - ii. AEO T2:- 3 yrs.
 - iii. AEO T3:- 5 yrs.
 - iv. AEO LO:- 5 yrs.

Suspension of AEO Status

- AEO programme manager will suspend the Certificate of AEO Status in following cases:-
 - i. Where any non-compliance with the conditions or criteria for the Certificate of AEO Status has been detected.
 - ii. In the case of a Custodian or Custom Broker or Warehouse Operator, where the basic license as a Custodian or Custom Broker or Warehouse Operator, as the case may be, has been suspended by the competent authority.

Cancellation of AEO Status

- In following cases AEO Certificate will be cancelled:
 - i. Where the Certificate of AEO Status is already suspended and the AEO holder fails to take the remedial measure within 60 days to have the suspension withdrawn.
 - ii. Where there is a reasonable belief that an act has been perpetrated that is liable to lead to prosecution and /or is linked to an arrest of person under Customs Act, 1962.
 - iii. A show cause notice has been issued to them 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.
 - iv. Where the AEO status holder requests the authorization be revoked.
 - v. In case of cancellation of AEO –T3 or AEO- LO will not be entitled to reapply for the AEO certificate for a period of Three years from the date of cancellation.
 - vi. In case of cancellation of AEO –T1 or T2 will not be entitled to reapply for the AEO certificate for a period of One year from the date of cancellation.

Recent Updates:

1

No requirement of bank guarantee/ cash security/ surety*

For AEO importers intending to avail benefit of Notification*:

- Bank guarantee/ cash security – Nil
- Surety – Not required

2

Self-assessment based duty-free import of raw material

Government, in the mid-term review of FTP 2015-2020, has announced a new scheme for self-assessment-based duty-free import of raw material:

- No need of SION - should eliminate delays
- Initially available only to AEOs in private sector

3

Advance Authorization on self-declaration and self ratification basis

AEO exporter can apply for an Advance Authorization under this scheme# on self declaration and self ratification basis where:

- No SION/ valid Ad-hoc Norms prescribed for export products
or
- SION has been notified but exporter intends to use additional inputs in the manufacturing process

* Notification No. 68/ 2017 – Customs (NT) dated 30 June 2017 [notifying Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017] read with Circular No. 48/ 2017 – Customs dated 8 December 2017

Circular No. 3/ 2018 – Customs dated 17 January 2018

How can we help?

1. Preparation of checklist to identify the information and documentary requirements
2. Review of SOPs
3. Review of information/ documents to be submitted along with the AEO application form
4. Preparation/ Review of draft AEO application form along with relevant annexures
5. Finalization of the AEO application form for submission with the concerned authorities
6. Submission of application with the concerned authorities
7. Drafting response to the deficiency letter, if any, issued by the concerned authorities
8. Responding to queries of AEO Programme Team during the site visit (in case application is filed for AEO - T2 and T3 status)
9. Drafting response to queries raised by AEO Programme Team post the site visit (if applicable)
10. Follow up with the Director of International Customs, New Delhi for issue of AEO certificate.

THANK YOU

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