

A joint knowledge initiative by Vizag Industrial Scan & Vizag Customs

Understanding the Authorised Economic Programme (AEO)

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There has been a real concern amongst the Customs administrations of various nations about the threat posed through misuse of channels of import and export. Thus, there has been a need to ensure security in global supply chain and also trade with facilitation in international movement of goods. Keeping this in view, CBEC has introduced the concept 'Authorized Economic Operators' (AEO) programme for implementation to secure supply chain of imported and export goods. This programme has been developed pursuant to guidelines of WCO adopted in SAFE FOS (Framework of



point of export to import in the receiving country.

What is this AEO programme:

Under this programme, a business entity can apply and obtain AEO Status. Once the status is acquired, the entity

Standard) in 2005. Many Customs administrations in the world have already instituted AEO programmes or similar programmes which share a common objective of ensuring security in global supply chain from the point of origin i.e. the

would get defined benefits that translate into saving time and costs thereby enhancing business competitiveness.

Who can get the AEO Certification :

Anyone involved in the international supply chain that undertakes Customs related activity in India can apply for AEO status irrespective of the size of the business. These include:

- ✓ Importers
- ✓ Exporters
- ✓ Warehouse Operators
- ✓ Customs Brokers
- ✓ Logistic providers (carriers, Freight forwarders etc.)
- ✓ Custodians/Terminal operators

Businesses that are not involved

exclusively 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.

What are the benefits available to the AEO Certificate holders:

- ✓ Simplified Customs procedures when compared to others
- ✓ Declarations taken in simplified manner and the same are accepted
- ✓ Reduced burden in securities/ Bank guarantees to Customs
- ✓ Reduced intervention by customs in the process
- Faster Customs clearance of consignments ensured

Get to know more!!

Q. How this programme is different from Accredited Clients Programme (ACP)?

The Accredited Clients Programme (ACP) grants assured facilitation to importers where in importers with ACP certification can get all their import consignments cleared without assessment and without inspection by customs. In AEO Programme, apart from importers, other stake holders such as exporters, Warehouse Operators, Customs Brokers, logistic providers (carriers, Freight forwarders etc.), Custodians/Terminal operators. AEO 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.

Q. If a business entity obtains AEO Certification, the status is applicable for its group companies?

NO. The application for AEO status will only cover the legal entity of the applicant and will not automatically apply to a group of companies.

Q. Each branch, division of a business entity needs to obtain AEO Certification?

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 trade supply chain and the identified criteria will be applied across all those activities and locations.

Q. Can an application for AEO Status be rejected?

Applications will be rejected in cases where the applicant:

- ◆ is not eligible for grant of AEO status.
- ◆ has been convicted of a serious criminal offence linked to the economic activity of his business in the past.

The information regarding the rejection of such application will be given to the applicant within 30 days of the receipt of the application.

Q. One of the criteria to be eligible for AEO status is a good Record of legal compliance. What does it mean?

Criteria for considering application for grant of AEO status:

- Record of compliance of Customs and other relevant laws;
 - Satisfactory system of managing records;
 - Proven financial solvency; and
 - Maintenance of approved security and safety standards
- How to apply for AEO status?**

An applicant should submit the following:

- Application for Authorized Economic Operator (AEO) Status
 - Security plan
 - Process map
 - Site plan
 - Self-Assessment Form
- The application should be sent to the AEO Programme Manager, Directorate General of Inspection, Customs & Central Excise, 'D' Block, I.P. Bhawan, I.P. Estate, New Delhi - 110002. If application is incomplete or

deficient, the applicant will be suitably informed within 30 days of the receipt.

Process of certification:

- The Checklist for criteria and preparation of application form to be done by the business entity after verifying the readiness to get AEO Certification in terms of CBEC Circular 28/2012 Dt. 16.11.2012
- Submission of application

Defined benefits available if AEO Certification is granted:

Importers

- ◆ Pre-arrival import declarations accepted
- ◆ Higher facilitation levels in import clearances. No assessment/examination.
- ◆ Reduced B.G. Only 5% of the bond amount.

Exporters

- ◆ Benefits of reduced percentage of examination. In cases where normal examination percentage is prescribed as 10%, for AEO exporters this percentage shall be 5%.
- ◆ In cases of export under claim of drawback / Reward Schemes examination percentage for AEO exporters shall be 10% as against 25% fixed for others.
- ◆ In case of examination to sensitive destinations, examination of 20% consignments shall be done as against 50% for other exporters.
- ◆ Customs would physically inspect the export goods under Drawback claim if the value is Rs 1 lakh for others. For AEO Exporters, Custom inspection is done only when value is more than Rs 5 lakhs.
- ◆ In case of EPCG/ DEEC shipping bills for AEO exporters physical inspection is carried out only when the value is Rs. 10 Lakhs as against that of others Rs 5 lakhs
- ◆ Acceptance of export declarations without bringing goods into Customs area

Warehouse Owners

- ◆ Reduced audit.

- ◆ Reduced B.G. - of 5% of the duty liability.

- ◆ As per existing instructions, warehousing period for certain goods can be extended by Commissioner of Customs for a period not exceeding six months and by the Chief Commissioner of Customs usually for 3 months and in certain exceptional circumstances beyond that. In case of AEO Warehouse Operators, the Chief Commissioner of Customs grant extension up to a period of six months at a time.

Customs Brokers (CHA)

- ◆ Acceptance of pre-arrival import Declarations for client importers.
- ◆ Waiver of licence renewal fee

Logistic service providers

- ◆ B.G. Waiver in transshipment of goods
- ◆ A single running bond instead of Bonds every time (Board Circular No 45/2005 Dt. 24-11-2005 modified)
- ◆ No permission needed from Customs for transit of goods
- ◆ Ramp to ramp or tail to tail transfer of cargo without Customs escorts.

Custodians/Terminal operators

- ◆ Benefits of waiver of bank Guarantee required under Handling of Cargo in Customs Area Regulations 2009.
- ◆ Facility of extension of approval as service provider for longer period of ten years at a time.

to the AEO Programme Manager

• Pre-certification verification - It includes visit of an AEO Programme Team to carry out check the correctness/accuracy of information provided. The Team will also examine the size, nature of business, the record keeping system, strength of internal control system etc.

• The AEO Programme Team will prepare their report and make a recommendation to the AEO Programme Manager.

• Within 90 of the date on acceptance of the completed application the outcome of the application is informed.

Certificate of AEO Status is received in hard copy along with an electronic copy and the status will be activated within 10 days from the date of issue.