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Important Circular

No: AT/IX/9504/Custom Duty/Pt file II

Dated: 05.04.2018

To,

The All PCsDA/CsDA/ CPOs

Sub : Payment of Customs Duty on foreign procurement of Defence Services.

1. Ministry of Civil Aviation vide their circular dt. 02.12.2016 has reduced the free period for completion of all transactions of import Air Cargo from the 72 hrs to 48 hrs. Further the free time period has again been reduced from 48 hrs to 24 hrs vide Circular No.12/2017-Custom dated 31.03.2017 of Deptt. of Revenue.
2. Further, CDA (AF) New Delhi has intimated vide their letter no. S/I/Custom Duty dated 21.02.2018 that 31 MCU of Air Force, which is mandated for Customs Clearances in regarding to Air Force consignments at Delhi, has obtained Authorised Economic Operator (AEO) status, which allows them a facility to lift consignments with deferred payment of Customs Duty upto 15 days. This status will enable unit authorities to pay any interest or demurrage charges on delayed payment of custom duty. CDA (AF) as CPO has already advised/ suggested to those units which comes under their payment jurisdiction of other agencies viz. DRDO, NCC, COD and Ordnance factory Dehradun to obtain the AEO status.
3. CBEC, Deptt of Revenue, MoF vide their F.No.450/179/2009-Cus.IV (Pt.) dated 22th July, 2016 (Circular No. 33/2016- Customs) (copy enclosed) has introduced a new system for *Ease of Doing Business in India span and avoid extra economic burden on Importer and export and Notification No. 134/2016-*

Customs (N.T.) dated 2nd November, 2016 (copy enclosed) regarding deferred payment of Customs Duty, if Bill of Entry (BoE) generated 1st day of the month, importing agencies have 15 days for payment of duties.

4. It is therefore requested that please suggest the importing agencies viz Units/Formation of Army, Air Force, Navy, Cost Guard, DRDO etc to enroll themselves as Authorised Economic Operator (AEO) at concerned Embarkation HQrs, which will allow them a facility to lift consignments with deferred payment of custom duty upto 15 days..
5. This has been issued with approval of Addl. CGDA (US).


Sr. AO (AT-IX)

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Sr. AO (AT-IX)

[TO BE PUBLISHED IN THE GAZETTE OF INDIA, EXTRAORDINARY, PART II,
SECTION-3, SUB-SECTION (i)]

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
(DEPARTMENT OF REVENUE)
(CENTRAL BOARD OF EXCISE AND CUSTOMS)

Notification No. 134/2016-Customs (N.T.)

New Delhi, dated the 2nd November, 2016

G.S.R. (E)---- In exercise of the powers conferred by the proviso to sub-section (1) of sections 47 and section 156 of the Customs Act, 1962 (52 of 1962), the Central Government hereby makes the following rules, namely :-

1. Short title and commencement. — (1) These rules may be called the Deferred Payment of Import Duty Rules, 2016.

(2) They shall come into force on the 16th day of November, 2016.

2. Definitions. -(1) In these rules, unless the context otherwise requires,-

(a) “Act” means the Customs Act, 1962 (52 of 1962);

(b) “due date” means the date specified in rule 5 of these rules;

(c) “eligible importer” means any class of importers notified under proviso to sub section (1) of section 47 of the Act.

(2) Words and expressions used and not defined herein but defined in the Act, shall have the meanings respectively assigned to them in the Act.

3. Application.— These rules shall apply to eligible importer who have been notified under the proviso to sub-section (1) of section 47 of the Act.

4. Information about intent to avail benefit of notification.- (1) An eligible importer who intends to avail the benefit under sub-section (1) of section 47 of the Act shall intimate to the Principal Commissioner of Customs or the Commissioner of Customs, as the case may be, having jurisdiction over the port of clearance, his intention to avail the said benefit.

(2) The Principal Commissioner of Customs or the Commissioner of Customs, as the case may be, shall, upon being satisfied with the eligibility of the importer to pay the duty under

F.No.450/179/2009-Cus.IV(Pt)
Government of India
Ministry of Finance
Department of Revenue
Central Board of Excise & Customs

Room No.227-B, North Block,
New Delhi, 22th July, 2016

All Chief Commissioners of Customs / Customs (Prev.).
All Chief Commissioners of Customs & Central Excise.
All Commissioners of Customs / Customs (Prev.).
All Commissioners of Customs & Central Excise.
All Director Generals under CBEC.

Subject: Review of entity based facilitation programmes viz. Accredited Client Programme (ACP) and Authorized Economic Operator (AEO) programme — Revised Guidelines.

Sir/ Madam

Please refer to the CBEC Circulars no.42/2005 dated 24.11.2005 as amended regarding the ACP scheme and circular no 28/2012-Customs dated 16.11.2012 regarding AEO programme.

2. The Board has decided to merge the two facilitation schemes namely ACP and AEO into a combined three-tier AEO programme, and also enhance the scope of these programmes so as to provide further benefits to the entities who have demonstrated strong internal control system and willingness to comply with the laws administered by the Central Board of Excise and Customs. The prominent features of the new programme are:

- i. Inclusion of Direct Port Delivery of imports to ensure just-in-time inventory management by manufacturers – clearance from wharf to warehouse
- ii. Inclusion of Direct Port Entry for factory stuffed containers meant for export by AEOs
- iii. Special focus on small and medium scale entities – any entity handling 25 import or export documents annually can become part of this programme
- iv. Provision of Deferred Payment of duties – delinking duty payment and Customs clearance
- v. Mutual Recognition Agreements with other Customs Administrations
- vi. Faster disbursement of drawback amount
- vii. Fast tracking of refunds and adjudications
- viii. Extension of facilitation to exports in addition to imports
- ix. Self-certified copies of FTA / PTA origin related or any other certificates required for clearance would be accepted
- x. Request based on-site inspection /examination
- xi. Paperless declarations with no supporting documents
- xii. Recognition by Partner Government Agencies and other Stakeholders as part of this programme

Authorized Economic Operator (AEO) Programme
(Circular No. 33/2016-Customs dated 22.7.2016)

Section 1
General Provisions

1.1 Introduction:

1.1.1 Customs organizations all over the world are tasked with the twin challenges of securing the borders from unlawful trade and at the same time facilitating the legitimate trade. Trade security and facilitation is one of the key determinants for the economic development of the countries. Customs, being the government organization that controls and administers the international movement of goods, is in a unique position to provide increased security to the global supply chain and to contribute to socio-economic development through revenue collection and trade facilitation. With a view to secure the international supply chain, the World Customs Organization had in June 2005 adopted the SAFE Framework of Standards to secure and facilitate global trade. Since then, this unique international instrument has ushered in modern supply chain security standards with the help of a closer partnership between Customs and business in the form of Authorized Economic Operator (AEO) programme, which constitutes one of the three pillars on which SAFE Framework rests. The AEO programme seeks to provide tangible benefits in the form of faster Customs clearances and simplified Customs procedures to those business entities who offer a high degree of security guarantees in respect of their role in the supply chain. The SAFE Framework sets forth the criteria by which businesses in the supply chain can obtain authorized status as a secure partner. Such criteria address issues such as threat assessment, a security plan adapted to the assessed threats, procedural measures to prevent illegitimate goods entering the supply chain, physical security of buildings and premises used as loading or warehousing sites, and security of cargo, means of transport, personnel and information system.

1.1.2 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.

1.1.3 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). On the other hand, 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.

1.1.4 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", it is imperative to develop a comprehensive unified trade facilitation programme by incorporating the existing ACP scheme and ongoing AEO

programme into a revised AEO programme providing additional facilities to the legitimate trade who have demonstrated strong internal control system and willingness to comply with the laws

1.3.1 AEO-LO Certificate– This certificate may be granted to categories of economic operators other than importers and exporters, namely Logistics Providers, Custodians or Terminal Operators, Customs Brokers and Warehouse Operators.

For the purpose of this certificate,

- (iii) the economic operator should fulfill the criteria mentioned at para 3.1 below; and
- (iv) all other requirements as stipulated in paragraphs 3.2, 3.3, 3.4 and 3.5 below shall be considered to have been met if the claims made in this regard in information and documents submitted by the applicant have been physically verified by the AEO Programme Team by visiting the concerned places/premises of the applicant, on the dates decided by mutual consent by the team and the applicant, and found to be true to the satisfaction of the AEO Programme Manager.

1.4 Treatment of existing AEOs and ACPs

1.4.1 All the existing AEOs who have been granted the AEO certificate in terms of the erstwhile AEO circulars and who continue to possess such certificates validly shall be granted either AEO-T2 or AEO-LO Certificate depending upon their category by the AEO Programme Manager within 15 days of issue of this circular, and thereafter, they shall become entitled for benefits in terms of this circular in terms of paragraph 1.5 below. They shall remain AEO-T2 or AEO-LO certificate holders till the validity period mentioned in their AEO certificate issued under Circular 28/2012 – Cus dated 16-11-2012. Thereafter, they will have to follow renewal procedure as prescribed in this circular. In the meantime, it shall also be open for them to apply for AEO-T3 certificate, if eligible.

1.4.2 All the existing ACP clients who have been granted ACP status in terms of the erstwhile ACP circulars and who continue to possess such status validly shall be provisionally granted AEO-T1 Certificate by the AEO Programme Manager within 15 days of issue of this circular, and thereafter, they shall become entitled for benefits in terms of this circular in terms of paragraph 1.5 below. They shall remain AEO-T1 certificate holders till the validity period mentioned in their ACP renewal /granting letter. Thereafter, they will have to follow renewal procedure as prescribed in this circular.

1.4.3 All such ACP clients shall have an opportunity to submit applications for grant of AEO Certificates in terms of this circular within 90 days of issue of this circular. The validity period and the entitlement to benefits for ACP clients who fail to submit application within 90 days shall be taken up for review.

1.4.4 However, ACP clients who submit the applications within 90 days of issue of this circular shall continue to avail the benefits of AEO-T1 till a decision is taken by the AEO Programme Manager to issue them the AEO Certificates as applicable to them, and benefits in terms of this circular is extended to them. In case, they are not found to be eligible for the AEO Certificates, they would no longer be entitled to the benefits of AEO-T1.

1.4.5 All ACP clients are also entitled to submit their applications for getting status of AEO-T2 or AEO-T3, as may be applicable. However, the status of AEO-T2 or AEO-T3 would be given after physical verification of requirements specified in paragraphs 3.2, 3.3, 3.4 and 3.5.

1.4.6 It is clarified that all the entities who were earlier denied either ACP or AEO status can apply for AEO-T1, AEO-T2, AEO-T3 or AEO-LO as may be applicable. Their applications would be processed in terms of the conditions specified in this circular. Further those applicants whose applications are once rejected under the current scheme are free to apply again, if grounds on which their application is rejected are no longer valid, and they are eligible for the AEO status.

1.5.2 Benefits for AEO-T2:

The following benefits would be provided over and above the benefits offered in T1:

- i. They shall be accorded higher level of facilitation (as compared to AEO-T1 in imports and export of their consignments).
- ii. For Importers/Exporters not opting for DPD/DPE, seal verification/scrutiny of documents by Custom officers would be waived. Consignments would be given out of charge or let export order, as the case may be, without any scrutiny by the officers.
- iii. The containers selected for scanning will be scanned on priority, by giving front line of treatment.
- iv. Facility of deferred payment of duty will be provided, from a date to be notified
- v. Faster disbursement of drawback amount within 72 hours of EGM submission, from a date to be notified
- vi. The BEs/SBs selected for Assessment and/or Examination will be processed on priority by the Customs officers.
- vii. Facility of self -sealing of export goods would be allowed without the requirement to seek case to case base permission from the authorities
- viii. Faster completion of Special Valuation Branch ('SVB') proceedings in case of related party imports and monitoring of such cases for time bound disposal in terms of new guidelines
- ix. In case they are required to furnish a Bank Guarantee, the quantum of the Bank Guarantee would be 25% of that required to be furnished by an importer/ exporter who is not an AEO Certificate Holder. 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.
- x. They will be given facility to paste MRP stickers in their premises.
- xi. They will not be subjected to regular transactional PCA instead of that onsite PCA will be conducted once in three years only.
- xii. They will be given access to their consolidated import/export data through ICEGATE from a date that would be communicated separately.
- xiii. They will be provided the facility of submitting paperless declarations with no supporting documents in physical form.
- xiv. All Custom Houses will appoint a "Client Relationship Manager" (CRM) at the level of Deputy / Assistant Commissioner as a single point of interaction with them. The CRM would act as voice of the AEO within Customs in relation to legitimate concerns and issues of AEO and would assist in getting procedural and operational issues resolved by coordinating with different sections within Customs as well as other stakeholders.
- xv. The refund/Rebate of Customs/Central Excise duty and Service Tax would be granted within 45 days of the submission of complete documents.
- xvi. They will get trade facilitation by a foreign Customs administration with whom India enters into a Mutual Recognition Agreement/Arrangement.

4	Warehouse Operators	(a) Faster approval for new warehouses within 7 days of submission of complete documents (b) Waiver of antecedent verification envisaged for grant of license for warehouse under circular 26/2016 (c) Waiver of solvency certificate requirement under circular 24/2016 (d) Waiver of security for obtaining extension in warehousing period under circular 21/2016 (e) Waiver of security required for warehousing of sensitive goods under circular 21/2016
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1.5.5 With a view to promote an overall voluntary compliance framework, the selection of AEO's for on-site post clearance audit (OSPCA) in respect of AEO-T1, AEO-T2 and AEO-T3 shall be based on risk assessment. Better and higher compliance level demonstrated by the AEO shall be taken into account for determining the frequency of audit. It is also clarified that AEO's undergoing OSPCA shall not be subjected to routine transactional PCA. Detailed guidelines on risk based OSPCA will be issued subsequently.

Section 2

Application for an AEO certificate

2.1 An applicant for grant of any of the aforesaid four AEO statuses, namely AEO-T1, AEO-T2, AEO-T3 and AEO-LO, should submit the application in the proforma enclosed. The application form contains ten annexures. However, an applicant is required to fill-in and submit only those annexures which may be applicable to it, as mentioned below:

Sl No	Annexure	Subject	Application for grant of			
			AEO-T1	AEO-T2	AEO-T3	AEO-LO
1	Annexure-A	Application Form	YES	YES	YES	YES
2	Annexure-B	Security Plan	NO	YES	YES	YES
3	Annexure-C	Process Map	YES	YES	YES	YES
4	Annexure-D	Site Plan	YES	YES	YES	YES
	Annexure-E	Self-Assessment Form				
5	Annexure-E.1	General Compliance	YES	YES	YES	YES
6	Annexure-E.2	Legal Compliance	YES	YES	YES	YES
7	Annexure-E.3	Managing commercial and (where appropriate) transport records	YES	YES	YES	YES
8	Annexure-E.4	Financial Solvency	YES	YES	YES	YES

3.1.5 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.

3.1.6 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 Programme Manager may consider it for certification.

3.1.7 Keeping the small and medium scale enterprises in mind it has been decided the AEO programme is made open to all Importers/Exporters whose threshold of import or export declarations is 25 documents i.e. either Bills of Entry or Shipping Bills during the last financial year. The other economic operators should have handled at least 25 documents i.e. Bills of Entry or Shipping bills during the last financial year.

3.1.8 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.

3.1.9 The AEO Programme is open to all economic operators, including micro, small and medium enterprises (MSMEs) and the eligibility conditions and criteria for granting the AEO Certificates are the same for all economic operators regardless of their size. However, the AEO Programme Manager shall take due account of the specific characteristics of economic operators, in particular of MSMEs, while applying the eligibility conditions and criteria prescribed under paras 3.3 (relating to management of commercial and transport records), and those under paras 3.5 (relating to safety and security) for granting the above AEO Certificates. The AEO Programme Manager shall take into account such factors as the size of the MSMEs, the legal status (e.g. proprietorship, partnership etc), the structure, the key business partners and also the specific economic activity of the economic operator while applying these eligibility conditions and criteria specified under paras 3.3 and 3.5. In particular, the AEO Programme Manager shall take into account the possible difficulties for MSMEs in meeting with these eligibility conditions and criteria under paras 3.3 and 3.5 with a view to make the above AEO certificates more available to MSMEs. The criteria of turnover indicated in MSME Act would be taken into consideration for categorization of entities into Micro, Small and Medium Enterprises.

3.1.10 DG(Systems), CBEC will progressively introduce an ICT based solution, which will not only cater to the management of AEO enrolment life-cycle but will also help ensure that all Authorized Economic Operators receive high quality service. All communication between AEO/AEO applicants and Programme Manager shall be through e-mail at Aeo.India@icegate.gov.in.

3.2 Legal Compliance:

3.2.1 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.

3.2.2 There should be no case wherein prosecution has been launched or is being contemplated against the applicant or its senior management.

3.2.3 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 those mentioned in Para 3.2.1 and 3.2.2) during the last three financial years, to the total duty paid and drawback claimed

3.5 Safety and security

3.5.1 The applicant must have in place appropriate internal controls and measures to ensure safety and security of applicant's business and his supply chain, in addition to any specific legal requirements that may be applicable to the business. In order to satisfy the requirements of AEO status, the applicant will need to ensure security of procedures, cargo, conveyances, premises, personnel and business partners. The applicant's security and safety standards shall be considered to be appropriate if the following conditions are fulfilled:

3.5.2 Procedural Security

In order to ensure security of the international supply chain, the applicant must have in place appropriate internal controls and measures to ensure safety and security of procedures relating to applicant's business and his supply chain. With this view, following criteria should be fulfilled by the applicant:

- i. The applicant should develop and maintain a security policy and procedure manual which shall contain detailed guidelines on procedures to be followed to preserve the integrity of the cargo while in its custody, loading and unloading from transport conveyance and during transport. The manual should also stipulate how seals are to be controlled and affixed to cargo and transport conveyances.
- ii. Security measures should be in place to ensure the integrity and security of processes relevant to the transportation, handling, and storage of cargo in the supply chain.
- iii. Proper documentation of management procedure should be in place to ensure that all documentation used in the clearing of cargo is legible, complete, accurate and protected against the exchange, loss or introduction of erroneous information.
- iv. Procedure should be in place to ensure that information received from business partners is reported accurately and timely as well as declared in the time limit regulated by Customs.
- v. Procedure should be in place to ensure that:
 - a. Import / Export cargo are reconciled against the information on the bill of lading.
 - b. The weights, labels, marks and piece count of the import/export cargo are accurately indicated.
 - c. Import/export cargo are verified against purchase/delivery orders.
 - d. Drivers delivering or receiving cargo are positively identified before cargo is received or released.
 - e. All shortages, overages, and other significant discrepancies or anomalies must be resolved and/or investigated appropriately.

3.5.3 Premises Security:

In order to ensure security of the international supply chain, the applicant must ensure that the buildings to be used in connection with the operations to be covered by the certificate are constructed of materials which resist unlawful entry and provide protection against unlawful intrusion. In addition, the applicant must ensure that appropriate access control measures are in

- used. However in case of maritime containerized cargo only PAS / ISO 17712 seals shall be used.
- iv. The integrity of container seals should be checked by the authorized person by following the procedure prescribed in the security policy manual.
 - v. Only authorized personnel should distribute container seals and safeguard their appropriate and legitimate use.
 - vi. When appropriate to the type of cargo container used, a seven-point inspection process is recommended: Front wall, Left side, Right side, Floor, Ceiling/Roof, Inside/outside doors, Outside/undercarriage.
 - vii. Appropriate procedures should be laid down on measures to be taken when an unauthorized access or tampering is discovered.
 - viii. Goods should be uniformly marked or stored in designated areas and procedures should exist to weigh / tally them and compare them against transport documents, purchase/sales orders and Customs papers.
 - ix. Internal control procedures should exist when discrepancies and/or irregularities are discovered.

3.5.5 Conveyance Security:

In order to ensure security of the international supply chain, the applicant must ensure that the conveyances to be used in connection with the operations to be covered by the certificate are handled in a manner which ensures security of the cargo. With this view, the applicant must:

- i. ensure to the extent possible that all conveyances used for the transportation of cargo within the supply chain are capable of being effectively secured.
- ii. ensure to the extent possible that all operators of conveyances used for transport of cargo are trained to maintain the security of the conveyance and the cargo at all times while in its custody.
- iii. require operators, to report actual or suspicious incident to designated security department staff of the applicant company as well as to maintain records of these reports, which should be available to the AEO Programme Team and the Customs.
- iv. ensure that potential places of concealment of illegal goods on conveyances are regularly inspected,
- v. ensure that transporters make sure that conveyance integrity is maintained while the conveyance is en route transporting cargo to export/import points or import/transit containers by utilizing a tracking and monitoring activity log or records.
- vi. ensure that pre-determined routes are identified by the dispatcher, and procedures must consist of random route checks along with documenting and verifying the length of time between the loading point/trailer pickup and the delivery destinations.
- vii. ensure that drivers must notify the dispatcher of any route delays due to weather, traffic and/or rerouting.

3.5.8 Security Training and Threat Awareness

In order to secure the international supply chain, the applicant must ensure that its concerned employees actively participate in security awareness programmes. With this view, following criteria should be fulfilled by the applicant:

(i) The applicant should ensure that:

- a. A threat awareness program is established and maintained for employees to foster awareness of the threat at each point in the supply chain.
- b. Employees are aware of the procedures the company has in place to address a situation and how to report it.
- c. Specific training is offered to assist employees in maintaining cargo integrity, recognizing internal conspiracies and protecting access controls.

(ii) Supply chain security training of employees must include the following items:

- a. Security policy of the company.
- b. Potential risk to internal security of the company.
- c. Maintaining cargo security.
- d. Access control measures of the company.
- e. Identifying and reporting suspicious cargo and personnel.
- f. Conveyance management and cargo security for conveyance management personnel.

(iii) Records of security training must be maintained and made available for verification by the AEO Programme Team and the Customs.

Section 4

Procedure for issuing AEO certificates

4.1 Acknowledgement of application

Each application will be acknowledged and recorded in an AEO Programme database.

4.2 Return of application:

4.2.1 If application is incomplete or deficient, the applicant will be suitably informed within 30 days of the receipt.

4.4.5.1 The AEO Programme Team will, within 90 days, visit the business premises for verification of the information and documents provided. Such visit shall be made on a convenient date after consulting the applicant.

4.4.5.2 If within 45 days of the date of intimation issued in terms of paragraph 4.4.5, the applicant has not been contacted by the AEO Programme Team, then the applicant should contact the AEO Programme Manager immediately.

4.4.5.3 During the course of such verification, the applicant for AEO-T2 or AEO-LO status should be prepared to answer questions or provide additional information on all aspect of the application to the visiting AEO Programme Team.

4.4.5.4 Examination of the criteria laid down under Section 3 above shall be carried out for all the premises which are relevant to the customs related activities of the applicant for AEO-T2 or AEO-LO status. The examination as well as its results shall be documented by the AEO Programme team.

4.4.5.5 In case several premises of the applicant are run in a similar way by standard systems of record keeping and security etc. there will be no need for the AEO Programme Team to visit all of them. However, if the business of the applicant covers a range of activities or different premises have different method of operating, then it may be necessary for more visits to be made.

4.4.5.6 The duration of visit/verification would depend on the size of business, number of premises, how they operate etc. The AEO Programme Team will give the applicant for AEO-T2 or AEO-LO status an estimate of time required, though this may have to be amended once the verification has commenced. The date(s) for physical verification would be decided by the team in consultation with the applicant.

4.4.5.7 Where appropriate, in addition to the other requirements detailed earlier, the AEO Programme Team may cover the following:

- (i) Information on Customs matters.
- (ii) Remedial action taken on previous Customs errors, if any.
- (iii) Accounting and logistic systems.
- (iv) Internal controls and procedures.
- (v) Flow of cargo.
- (vi) Use of Customs House Agents.
- (vii) Security of Computers/IT and documents.
- (viii) Financial solvency.
- (ix) Safety and security assessment – premises, cargo, personnel etc.
- (x) Logistic processes.
- (xi) Storage of goods.

4.4.5.8 During the course of physical visit/verification, the person who is nominated in the application form as point of contact must ordinarily be available unless unforeseeable situation arises. In addition, individuals responsible for specific business activities such as transport, record keeping and security should also be available.

4.4.5.9 On completion of verification, the AEO Programme Team will prepare their report and make a recommendation to the AEO Programme Manager within 60 days of completion of visits/verification. The contents of report and recommendation can be seen by applicant who will get the opportunity to sign the same, but this will not be a mandatory requirement.

4.4.5.10 Within 30 days of such recommendation by the AEO Programme Team, the applicant will be suitably informed, including issue of the appropriate AEO certificate for AEO-T2 or AEO-LO status, by the AEO Programme Manager.

4.4.6 Where the application for grant of AEO-T2 or AEO-LO status is not accepted by the AEO Programme Manager after the verification by the AEO Programme Team, the applicant will be advised of the criteria that have not been met and give the applicant time to adapt procedures to remedy the deficiency. If applicant is unable to make the required changes within the specified

5.2 Renewal of AEO certificate

5.2.1 The AEOs, if they so desire to continue their AEO status and avail the benefits, must submit their application as stipulated under Section 2 of this circular, before lapse of their validity as per the following:-

AEO status	Time limit for submission of application for renewal before lapse of validity
AEO-T1	30 days
AEO-T2	60 days
AEO-T3	90 days
AEO-LO	90 days

5.2.2 While submitting the application for renewal, the applicant must clearly highlight the changes from the last application.

5.2.3 AEO Programme Manager will consider the renewal applications by following the procedure adopted while granting the fresh AEO status.

5.3 Maintenance of AEO Status:

5.3.1 After obtaining AEO status, the AEO status holder should maintain their eligibility by adhering to the appropriate standards.

5.3.2 The holder of a Certificate of AEO Status is required to notify any significant change in business and processes which may affect the AEO status to the AEO Programme Team. These changes may include the following:

- (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.

5.3.3 The AEO status holder should notify the AEO Programme Team as soon as the change is known or, at least within 14 days of the change taking place.

5.3.4. If the legal entity changes, the AEO status holder needs to reapply for AEO in the name of new legal entity.

5.3.5. If the AEO status holder makes Customs related errors, they must be reported to the local "Client Relationship Manager" (CRM) as well as the AEO Programme Team. Errors that are voluntarily disclosed will not impact the AEO status provided that the AEO status holder has:

- (i) Examined the reasons for the errors.
- (ii) Taken appropriate remedial action to prevent recurrence.

5.4 Review of AEO Status:

5.4.1 The AEO Programme Team will review AEO status periodically to ensure continued adherence to the conditions and standards of grant of Certificate of AEO Status. Thus, it is recommended that the AEO status holder should continue to re-assess its compliance with the conditions of certification and act upon any identified problems as soon as they arise. The frequency of such review will be two years, three years, five years and five years in case of AEO-T1, AEO-

5.7 Revocation of AEO Status:

5.7.1 In following circumstances, the Certificate of AEO Status will be revoked:

- 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; or
- 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 as mentioned in Para 3.2.2; or
- 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 as mentioned in Para 3.2.1; or
- iv. Where the AEO status holder requests the authorization be revoked.

5.7.2 Prior to any decision to revoke authorization, the applicant will be notified. Revocation is applied from the day following the authorization holder being notified.

5.7.3 In case the AEO status is revoked, the AEO-T1 and AEO-T2 status holder will not be entitled to reapply for the AEO certificate for a period of one year from the date of revocation.

5.7.4 In case the AEO status is revoked, the AEO-T3 and AEO-LO status holder will not be entitled to reapply for the AEO certificate for a period of three years from the date of revocation.
