

M A T E X I L

**MANMADE AND TECHNICAL TEXTILES
EXPORT PROMOTION COUNCIL**

(Formerly SRTEPC)

FAQ on

**Authorised Economic Operator
(AEO) Scheme**

FAQ on Authorised Economic Operator (AEO) Scheme

Q Who is an authorised economic operator (AEO)?

An AEO is a business entity involved in international movement of goods requiring compliance with provisions of the national Customs law and is approved by or on behalf of national administration in compliance with World Customs Organization (WCO) or equivalent supply chain security standards.

The security standards are detailed in World Customs Organisation

Safe framework of standards [WCO SAFE FoS], which is the basis of the Indian AEO programme.

Q What is the AEO programme?

The AEO programme enables Customs administration to identify the safe and compliant business entity in order to provide them a higher degree of assured facilitation. This segmentation approach enables Customs resources to focus on less or non-compliant or risky businesses for control.

Thus, the aim of AEO programme is to secure the international supply chain by granting recognition to reliable operators and encouraging best practices at all levels in the international supply chain. Through this programme, the Customs shares its responsibility with the businesses, while at the same time rewarding them with a number of additional benefits.

Q What is the background of AEO Scheme of the WCO?

The genesis of AEO scheme dates back to September 11, 2001 event in US which made all the governments to realise that the supply chain itself could be used for terror activities and a need was felt to make the supply chain secure.

Since the supply chain is controlled by the trade, the Customs administration is partnering the trade in order to secure the supply chain. The US started CT-PAT (Customs Trade – Partnership against terrorism) programme. Later WCO adopted SAFE Framework of Standards in 2005 in order to secure and facilitate the trade. The SAFE framework has three pillars comprising of Customs to Customs partnership, Customs to Business partnership and Customs to other Govt. stake holders. AEO programme is the core part of Pillar-II i.e. - Customs to Business partnership.

Q How has SAFE framework of Standards (FoS) been implemented in India?

The SAFE FoS sets forth criteria by which businesses in supply chain can obtain authorised status as a secure partner. The criteria are incorporated in CBEC Circular No. 28/2012 dated 16.11.2012. Thereafter a Revised AEO Program was launched vide Circular No. 33/2016-Customs dated 22.07.2016 as amended by Circular No. 03/2018 dated 17.02.2018, 26/2018 dated 10.08.2018 and Circular No. 51/2018 dated 07.12.2018.

Q What is the history of AEO programme in India?

The AEO Programme was introduced as pilot project in 2011 vide Circular No. 37/2011- Customs dated 23rd August, 2011. The same was amended and the revised final AEO programme was introduced vide Circular No. 28/2012 dated 16.11.2012.

With international developments such as the Trade Facilitation Agreement (TFA) on securing and facilitating the international trade and the focus of the Government of India on Ease of Doing Business, a comprehensive, unified trade facilitation initiative was launched by merging the existing Accredited Client Programme (ACP) and the ongoing AEO scheme of 2012 in the form of the revised AEO Programme vide

Circular No. 33/2016-Customs dated 22nd July 2016. The ACP scheme was abolished by rescinding Circular No. 42/2005-Customs dated 24.11.2005. Further simplification for financial solvency and decentralisation of AEO application processing was done vide Circular No. 03/2018 dated 17.01.2018. The application process for AEO-T1 accreditation was further simplified to two Annexures form only by Circular No. 26/2018 dated 10.08.2018 from five Annexure form as was stipulated in Circular No. 33/2016 dated 22.07.2016. Web-based online application filing and trade faces unexpected issues with Customs of countries with which India has MRAs.

Q What is the aim of the Indian Customs AEO Programme?

The AEO programme has the following objectives:

- To provide business entities with an internationally recognized certification;
- To recognize business entities as “secure and reliable” trading partners;
- To incentivize business entities through defined benefits that translate into savings in time and cost;
- Secure supply chain from point of export to import;
- Ability to demonstrate compliance with security standards when contracting to supply overseas importers/exporters;
- Enhanced border clearance privileges in Mutual Recognition Agreement (MRA) partner countries;
- Minimal security-related disruption to the flow of cargo;
- Reduction in dwell time and related costs; and
- Customs advice/assistance if trade faces unexpected issues with Customs of countries with which India has MRAs.

Q Is AEO mandatory for businesses involved in the supply chain?

No. The AEO scheme is purely an optional scheme. Applying for AEO status is a business decision depending on the role of the business entity in the supply chain and its willingness to acquire the benefit flowing by acquiring AEO status.

Q What is the structure of the Indian AEO programme?

There is a three-tier programme for importers and exporters i.e. AEO-T1, AEO-T2, and AEO-T3 in the increasing degree of benefits accorded and compliance requirements. Furthermore, there is a single Tier AEO Programme for Logistics Providers, Custodians or Terminal Operators, Customs Brokers, and Warehouse Operators who are granted AEO-LO certificate.

Q What is the validity period of AEO status?

The validity of the AEO certificate is three years for AEO-T1 and AEO-T2, and five years for AEO-T3 and AEO-LO.

Q Whether AEO certificate is valid at all Customs stations across India?

Yes, it is valid at all Customs stations in India. In other words, an AEO status holder shall get the AEO benefits at all Customs ports/airports/Land Customs stations.

Q What are the benefits of AEO status?

There are a host of benefits for all three categories of AEOs - T1, T2, T3, and LOs. These are listed in paras 1.5.1 to 1.5.4 for AEO T1, T2, T3, and LO respectively of Circular No. 33/2016-Customs dated 22nd July 2016. Some of the major benefits are listed below:

1. Recognition worldwide as safe, secure, and compliant business partners in international trade and get trade facilitation by a foreign Customs administration with whom India enters into a Mutual Recognition Agreement/Arrangement;
2. Facility of Direct Port Delivery (DPD) of their import containers and/or Direct Port Entry (DPE) of their export containers;
3. Waiver of full or part of the Bank Guarantee requirements, waiver of merchant overtime fees;
4. Deferred payment of duties;
5. Waiver from transactional PCA. Instead, onsite PCA has been provided; the selection of the same shall be based on risk assessment of AEOs;
6. Waiver of solvency certification for Customs Brokers;
7. A lower risk score in risk analysis systems when profiling;
8. Faster disbursement of drawback amount through process eased out vide Circular 18/2017 Customs dated 29.05.2017;
9. Fast tracking of refunds and adjudications;
10. Self-certified copies of FTA/PTA origin-related or any other certificates required for clearance would be accepted;
11. Recognition by Partner Government Agencies and other stakeholders as part of the AEO programme.

Q Whether all AEO operators are entitled for DPD/DPE facility?

Yes, all AEO T1/T2/T3 status holders are entitled for DPD/DPE facility. However, they have to apply for the Direct Port Delivery permission to the concerned Chief Commissioner and also register themselves with the port authority for DPD facility.

Q Whether the amount of Bank Guarantee in case of T1, T2, and T3 is reduced to 50%, 25%, and Nil respectively in all cases of dispute between Customs and AEO status holder?

No. The CBIC Circular No. 38/2016 dt. 22.08.2016 lists out the situations where the amount of BG is reduced to 50%, 25%, and Nil. Further, it is not applicable for cases where the competent authority orders the furnishing of a bank guarantee for the provisional release of seized goods.

Q What is the deferred payment of duty scheme?

It is a mechanism for delinking duty payment from Customs clearance. It is based on the principle 'Clear First - Pay later'. Deferred Payment of Import Duty Rules, 2016, vide notification no. 134/2016-Customs (NT) and 135/2016-Customs (NT), both dated 02nd Nov 2016, have been notified and the same have come into effect from 16.11.2016. The AEO-T2 and AEO-T3 certified importers can avail the benefit of these Rules.

Q How can an AEO avail the facility of deferred payment of duty?

As per Rule 4 of the Deferred Payment of Import Duty Rules, 2016, an eligible importer who intends to avail the benefit of deferred payment has to intimate his intent to the jurisdictional Principal Commissioner of Customs or the Commissioner of Customs and get registered on the ICEGATE site www.icegate.gov.in.

Q What are the due dates for payment in respect of deferred payment of duty?

As per Notification No. 134/2016 Cus (NT) dated 02.11.2016 as amended by Notification No. 28/2017 –Cus(NT) dated 31.03.2017, the Deferred Payment of Import Duty timelines are as below:

Date of Return of B/E for Payment of Duty	Date of Deferred Payment of Duty
B/E from 1st–15th day of any month	16th of the same month
B/E from 16th–last day of month (except March)	1st day of the following month
B/E from 16th–31st March	31st March

The duty under the deferred payment scheme has to be paid electronically.

Q Whether facilitation benefits will be available to Indian AEOs in foreign countries?

Yes, the facilitation benefits will be available in countries with whom India has signed Mutual Recognition Agreement (MRA). Indian Customs has signed Mutual Recognition Agreement (MRA) with South Korea, Taiwan, and Hong Kong Customs to enable trade to get benefits on a reciprocal basis.

Q What exactly is a mutual recognition agreement/ arrangement (MRA)?

Mutual Recognition Arrangements/Agreements (MRA) are bilateral understandings between two Customs Administrations which allow one business partnership program to recognize the AEO validations of the other country's program and extend reciprocal benefits to each other's AEO. The benefits are generally in the nature of enhanced system-based facilitation & reduced interdiction, lower risk score for Indian exporter's consignments at foreign ports.

Q Whether the benefit of AEO LO status granted to a Customs Broker will also be given to its clients i.e. importers or exporters?

No. The AEO LO status will only be valid and applicable for the applicant and not for his importers or exporters. They need to apply separately for AEO status.

PROCESS OF FILING OF AEO APPLICATION

Q Where should applications for AEO be submitted?

The application should be sent to the office of the jurisdictional Chief Commissioner of Customs with a copy to the AEO Programme Manager, Directorate of International Customs or in case of any doubt, to the AEO Programme Manager, Directorate of International Customs, 10th Floor, Tower II, Jeevan Bharti Building, Connaught Place, New Delhi – 110001. The jurisdictional Chief Commissioner of Customs is the one from where the Importer/Exporter/Logistic operator is doing the majority of business in the international supply chain. An online website (Domain name: aeoindia.gov.in) has been created for filing and processing of AEO-T1 application. The applicant can log in to the website and file the AEO-T1 application. A separate FAQ about online filing of the application is attached as Annexure-A.

Q Which jurisdictional Chief Commissioner offices are designated for processing of AEO applications?

As of now, the following Chief Commissioner of Customs offices have been designated for processing of AEO applications:

- Delhi
- Mumbai Zone-I
- Mumbai Zone-II
- Mumbai Zone-III

- Ahmedabad
- Vishakhapatnam
- Bhubaneswar
- Bangalore
- Chennai
- Hyderabad
- Kolkata
- Tiruchirappalli
- Patna
- Pune
- Nagpur
- Bhopal

Q Who is responsible for processing AEO application and taking decision on grant of AEO status?

The AEO Cell under the jurisdictional Chief Commissioner of Customs, headed by a nodal officer of the rank of Additional/Joint Commissioner, is responsible for processing AEO applications as per provisions contained in Circular No. 33/2016-Customs as amended by Circular Nos. 03/2018-Customs, 26/2018, and 51/2018-Customs. The nodal officer of the jurisdictional Chief Commissioner forwards the processed application of AEO-T2/T3 and AEO-LO with a recommendation to the programme manager of the Indian AEO Programme having an office in Delhi for taking the final decision on AEO accreditation. The process of AEO-T1 accreditation has been further simplified and decentralized by Circular No. 26/2018 dt. 10.08.2018. Officers in the Rank of Principal Commissioner/Commissioner have been appointed as the Zonal AEO Programme Manager in each Zone headed by the Principal Chief Commissioner or Chief Commissioner of Customs and are responsible for final acceptance or rejection of the AEO application. Thus, the AEO-T1 application is processed by the AEO Cell and eligibility thereto is decided at the Zonal level only. The decision is conveyed to the Directorate of International Customs for generation of the AEO Certificate. Such approved applications are sent online by the zones to DIC Delhi for generation of a digitally signed certificate.

Q Who is the AEO programme manager for the Indian AEO Programme?

The Principal Commissioner, Directorate of International Customs, having an office at 10th floor, Tower-2, Jeevan Bharati Building, Connaught Place, New Delhi-01 is the AEO Programme Manager for the Indian AEO programme. For AEO-T1 accreditation, the Zonal AEO Programme Manager is treated as the AEO Programme Manager for all purposes.

Q Whether an economic operator whose application is once rejected under the current scheme can apply again for AEO status?

Yes, the application can be filed again if the grounds on which the application was rejected are no longer valid and the applicant is otherwise eligible for AEO status.

Q What are the requirements for filing AEO T1/T2/T3/LO application?

- An applicant for AEO-T1 status is to file an application online (Domain name: aeoindia.gov.in) in the prescribed proforma along with a Declaration as indicated in Annexure A-1, Annexure A-2 to CBEC Circular No. 26/2018 dated 10.08.2018. After the introduction of the web-based module for filing online applications vide Circular 51/2018 dt. 07.12.2018, it is mandatory to file online applications only. An applicant for the grant of any of the remaining three AEO statuses, namely AEO-T2, AEO-T3, and AEO-LO, should submit the application in the proforma specified in the Table below. The application form as specified in Circular No. 33/2016-Customs 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:

FAQ on Authorised Economic Operator (AEO) Scheme

S. No.	Annexure	Subject	AEO T2	AEO T3	AEO LO
1	Annexure-A	Application Form	Yes	Yes	Yes
2	Annexure-B	Security Plan	Yes	Yes	Yes
3	Annexure-C	Process Map	Yes	Yes	Yes
4	Annexure-D	Site Plan	Yes	Yes	Yes
5	Annexure-E1	General Compliance	Yes	Yes	Yes
6	Annexure-E2	Legal Compliance	Yes	Yes	Yes
7	Annexure-E3	Managing commercial and (where appropriate) transport records	Yes	Yes	Yes
8	Annexure-E4	Financial Solvency	Yes	Yes	Yes
9	Annexure-E5	Safety & Security	Yes	Yes	Yes
10	Annexure-F	Business Partner Detail	No	Yes	No

Q Can an existing AEO status holder file application for higher AEO status? If yes, what is the time limit for filing such application?

An existing AEO certificate holder can apply for higher AEO status. There is no time limit for filing a higher status application except in the case of AEO-T3. In the case of AEO-T3, either the entity should have had AEO-T2 status continuously for two years or when all its business partners in the international supply chain have acquired either AEO-T2 or AEO-LO status.

Q Can a consultant be appointed as the contact person or the authorised person for filing application?

No. The applicant has to nominate the contact person/authorised representative from the company's own administration only (Para 2.3 of Circular No. 33/2016-Customs).

ELIGIBILITY/ REQUIREMENTS TO BECOME AEO

Q Who can apply for AEO status?

Any business entity that is part of the international supply chain; involved in the cross-border movement of goods and required to fulfill obligations under the Customs law in India, only can apply for AEO status. These may include exporters, importers, logistic

providers (e.g., carriers, airlines, freight forwarders, etc.), custodians or terminal operators, customs house agents, and warehouse owners, port operators, authorized couriers, stevedores, etc. The list is not exhaustive.

Q What is the eligibility criteria for a business entity to apply for Indian AEO status?

The eligibility conditions and criteria for granting AEO status have been listed in Section 3 of the AEO Circular No. 33/2016 – Customs dated 22nd July 2016, as amended by Circular No. 3/2018-Customs dated 17th January 2018. An entity should fulfill the following criteria:

1. Established in India;
2. Business should be involved in customs-related activity;
3. Should have dealt with a minimum of 25 customs documents (either Bill of Entry or Shipping Bill) in the last fiscal year;
4. Should have been in business activity for the last 3 financial years.

Q Whether a branch of a legal entity can apply for a separate AEO status?

No. There is no provision to grant AEO status to a specific site, division, or branch of the legal entity of the applicant.

Q Whether a newly established company can apply for AEO status?

As per the Indian AEO requirements, the applicant should have business activities for at least three financial years preceding the financial year of 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 can consider it for certification.

Q Whether a legal entity falling under three-tier AEO programme as an importer/exporter and single-tier AEO programme as a logistics provider can apply for single accreditation of AEO T1/T2/T3 or AEO LO?

No, such economic operators should apply separately for any of the three-tier AEO programmes of importer/exporter (AEO T1/T2/T3) or single-tier AEO LO status.

Q Whether the AEO programme is open to micro, small, and medium enterprises?

Yes, the AEO programme includes MSMEs, and the eligibility conditions and criteria for granting AEO status are the same regardless of size. The only requirement is that the entity should have handled at least 25 customs documents in the preceding financial year.

Q What are the legal requirements for applying for AEO status? What are the documents to be submitted?

The legal requirements for applying for AEO status, as prescribed in para 3.2 and annexure E.2, to Circular No. 33/2016-Customs dated 22.7.2016.

Q What are the documents to be submitted as proof of having business activity for the last three financial years preceding the date of application?

The documents/evidence include the Certificate of Incorporation, Import-Export Code (IEC), balance sheets for three years, etc.

Q In case where the applicant does not have an audited balance sheet, what documents are to be submitted in its place?

In cases where the statute exempts the applicant from statutory audit, the applicant can submit a

balance sheet certified by both the proprietor/partner/MD and any chartered accountant (CA) stating the profit/loss and net worth for the purpose of AEO application.

Q What documents are needed to be submitted by a business as proof of having its own accounts?

The documents/evidence required as proof about the business of a company having its own accounts include a cancelled cheque, account statement, and audited balance sheets.

Q What does the procedure in place to identify and disclose irregularities mean?

It means that the applicant must have tools in the form of customized software or manual checks to identify risks and detect errors in customs documents (B/L, invoice, and packing list), for self-assessment of goods imported, i.e., proper check of classification, valuation, etc. After clearance of goods from customs control, they must have the process to reconcile the goods with duty paid invoice and packing list. Further, they may have documented processes/SOPs/escalation matrix for communicating the errors noticed to customs on a real-time basis and maintain a record of such errors for viewing by their employees so that such mistakes do not recur.

Q How is the ratio between duty demanded and duty paid listed at serial number d(ii) of annexure E-2 calculated?

The ratio is calculated by dividing the duty amount involved in SCN issued under the Customs Act by the total duty paid & drawback claimed during the last three financial years. For example, the amount involved in SCN/disputed demand (includes demand of duty and denial of drawback) is Rs. 500/- and total duty paid is Rs. 20,000/-, drawback claimed is Rs. 5,000/-, the ratio shall be $500/(20000+5000)*100 = 2\%$.

Q Whether the applicant having a ratio of duty demanded and total duty paid/drawback claimed more than 10% is not eligible for AEO accreditation?

Yes. In case the ratio is above 10%, the AEO programme envisages examination of the nature of cases of duty demand. The decision for the issue or continuance of AEO status is at the discretion of the AEO programme manager based on the examination of the Show Cause Notices issued.

Q What are the documents required to be maintained for ensuring compliance of Annexure E.3 – Managing Commercial and Transport Records?

The AEO applicant should:

1. Maintain records which permit customs to conduct any required audit of cargo movement relating both to import and export;
2. Give customs full access to necessary records;
3. Have internal records access and control systems;
4. Appropriately maintain and make available to customs any authorizations, powers of attorney, and licenses relevant to the importation or exportation of merchandise;
5. Properly archive records for later production to customs. For instance, for customs purposes, the records should be maintained for at least five years;
6. Employ adequate information technology security measures which will protect against access by unauthorized persons.

Q What accounting system is required to be followed by an AEO [Annexure E.3(a)]?

Any accounting system consistent with Generally Accepted Accounting Principles (GAAP) / International Financial Reporting Standards (IFRS) which facilitates audit-based customs control can be adopted. The audited balance sheet by the auditor

contains a remark about the accounting system adopted by the applicant.

Q What are the documentary evidences in support of the claim of compliance required as per annexure E.3(b) i.e., adequate administrative setup and internal controls for detecting illegal or irregular transactions?

Generally, the audited financial statement/balance sheet contains comments as to whether the administrative setup corresponds to the size of the business. Other requirements for internal controls are a satisfactory organizational setup to handle goods and documents related to the same in the international supply chain.

Q What are the documentary evidences in support of the claim of compliance required for storage and archiving of documents as per annexure E.3(d)?

The applicant must have documented processes/Standard Operating Procedures (SOPs) for storage and archiving of records and information. The SOP may contain the process of storing with the responsibility of the concerned person, the period of storing/archiving, and the process of taking suitable measures like backup for protection against loss of information. If the applicant has outsourced the storage and archiving of records, then the above requirements should be covered in the agreement with the agency storing the records, and such agreements should be presented along with the application.

Q What are the requirements for Annexure E.3(v) i.e., the need for employees to inform customs about compliance difficulty?

The applicant may submit their practice/processes of educating/training their employees on customs compliance. The process must include a procedure to convey compliance difficulties, if any, to the

designated customs officer. The applicant may designate a person in their organization for the above purpose.

Q Is there any format for the undertaking regarding solvency and for the solvency certificate?

No, there is no format in AEO Circular No. 33/2016-Customs. The only requirement is that the certificate should be for the last three financial years (each year) based on books of accounts and financial statements, tax returns, etc.

Q Who are required to submit the Security Plan (Annexure B) and fulfill the requirements listed in Annexure E.5 of AEO Circular 33/2016?

The applicant for AEO T-2, T-3, and AEO-LO are required to submit a security plan and documents/evidence in support of the fulfillment of requirements for safety and security listed in Annexure E.5.1 to E.5.7.

Q What are the requirements of Safety and Security for AEO applicants?

The safety and security criteria are listed in Para 3.5 and Annexure E.5.1 to E.5.7 of Circular No. 33/2016. It has seven components:

1. Procedural Security [refer para 3.5.2]
2. Premises Security [refer para 3.5.3]
3. Cargo Security [refer para 3.5.4]
4. Conveyance Security [refer para 3.5.5]
5. Personnel Security [refer para 3.5.6]
6. Business Partner Security [refer para 3.5.7]
7. Security Training & Threat Awareness [refer para 3.5.8]

Q What is the additional requirement for AEO T-3 applicants?

In addition to the submission of documents and fulfillment of requirements prescribed for AEO T-2 applicants, the applicant for AEO T-3 has to submit details prescribed in Annexure F of Circular No. 33/2016 dated 22.07.2016. In Annexure F, the applicant has to give details of all his business partner(s) in the international supply chain, which includes their accreditation under the Indian AEO Programme. The declaration is to be given in the format of Annexure "F". The AEO T3 applicants who are not AEO T-2 certificate holders for the last two preceding financial years must have all business partners (CB, freight forwarder, liner, etc.) AEO T-2 or AEO-LO certificate holders.

Q What are the documents to be filed along with the declaration made in Annexure A of the AEO?

The following documents are required to be submitted along with the application:

1. Certification of incorporation from the registrar of companies (ROC)
2. Declaration about ACP/AEO status (Self)
3. Address/Sites/Locations of places where goods are handled in the international supply chain and administrative offices
4. Previous three years audited financial accounts;
5. Previous three years bank accounts
6. GSTIN, IEC, PAN, Company incorporation certificate
7. List of bills of entry and shipping bills handled during the last financial year
8. Places of business and their addresses and phone numbers
9. List of directors with DIN numbers.
10. Evidence/Certificate issued under MSME Act, if the applicant claims to be MSME
11. Authorization letter for the contact person of the applicant from the proprietor/partner/board of directors/managing director.

Q Whether Annexure B (Security Plan) is to be given for all premises belonging to applicant?

Yes. However, if the company's written and verifiable policies, processes, procedures, access control, and other security policies, training and skill upgradation, and compliance with government are the same for all locations, the applicant can submit the security plan of any one premise which is valid for all its premises used in the International Supply Chain.

Q What is Annexure C (Process Map)? Whether it is related to premises belonging to applicant?

The process map should illustrate the flow of goods, documentation/information from receipt of order to export/delivery/receipt of goods. The same has to be separate for each activity such as exports, imports, providing service for logistics operators, etc. Hence, Annexure C shall be for each individual activity of the applicant. The Process Map must include the role of the applicant and its business partners in the supply chain.

Q Whether Annexure D (Site Plan) is to be given for all premises belonging to applicant?

Yes, the site plan as prescribed in Annexure D of the Circular should be for all locations/sites.

Q What are the documents required for General Compliance (Annexure E.1)?

The following documents are required for general compliance:

1. Copy of AEO certificate, if any;
2. Copy of IEC, GSTIN;
3. Declaration on type of business entity with a copy of registration. For instance, in the case of public or private limited, a certificate of incorporation issued by ROC; in the case of partnership, a registered partnership deed; in the case of a small proprietorship firm, a license issued by the local shop and establishment Act, etc.;

4. List of places/locations where goods are being handled (for example, loading, unloading, storage, etc.);
5. Cancelled bank cheque or certificate from the bank evidencing the account of the applicant, account statement from the bank, etc., as proof of business having its own account;
6. List of documents (Bill of entry, shipping bills) handled in the last financial year;
7. Declaration on conviction in criminal offence, if any, with details.

PROCESSING OF AEO APPLICATION

Q In what cases is the application for AEO accreditation not processed or returned for rectification?

The application for AEO accreditation is not processed in the following cases:

1. When the application is incomplete. The application may be resubmitted with the complete information.
2. Where the application has not been made by a legal person. The same can be resubmitted by the concerned legal entity.
3. Where no responsible person is nominated as the Point of Contact. The application can only be resubmitted when the applicant nominates a responsible person from his/her organization only, who will be the point of contact for the AEO Programme.
4. Where the applicant is subject to bankruptcy proceedings at the time the application is made. The application can be resubmitted when the applicant becomes solvent.
5. Where a previously granted AEO status has been revoked. The application can be submitted only after one year, in the case of AEO T-1 & T-2, and after three years in the case of AEO T-3 and LO, from the date of revocation.

Q In what cases can the AEO application be rejected?

The AEO application can be rejected in the following two cases:

1. Where the applicant is not eligible for the grant of AEO status, or
2. Where the deficiency noticed in the application is not remedied.

Q What are the timelines and procedure for processing AEO applications?

In the case of AEO T-1 application, if the eligibility conditions and criteria for the grant of certificate, as mentioned in Section 3 of Circular No. 33/2016-Customs, are found to have been met to the satisfaction of the AEO programme manager, the AEO T-1 certificate shall be granted within 30 days of submission of information/documents.

The mode of application for AEO T-1 and its processing has been made online since December 2018.

In the case of AEO T-2 and LO application, on submission of all required information/documents, the applicant is informed about the receipt of the same within 30 days. The application is assigned to the AEO team within 15 days to carry out physical verification in consultation with the applicant. The AEO programme team visits the premises of the applicant within 90 days. The applicant can contact the programme manager if the visit is not planned within 45 days. The AEO programme team prepares the report and makes recommendations within 60 days of completion of the visit. The AEO programme manager informs the applicant about AEO T-2/LO status within 30 days of the recommendation of the AEO team. Thus, the total time taken from submission of application till the issuance of the certificate works out to a maximum of 180 days.

In the case of AEO T-3 application by an AEO T-2 status holder, the application is assigned to the AEO programme team within 15 days. The timelines for further activities are the same as in the above paragraph for AEO T-2 and LO certifications.

Q Whether all premises of the applicant involved in Customs related activity are to be visited for physical verification by the AEO team?

For AEO T-2 and AEO LO certification, examination of the criteria laid down under Section 3 of the AEO Circular shall be carried out for all the premises which are relevant to the Customs related activities of the applicant for AEO T-2 or AEO LO status.

In case more than one premises of the applicant are run in a similar way by standard systems of record keeping and security, the AEO programme team can choose to visit any one of such similarly run premises as per the provision contained in Para 4.4.5.5 of the AEO Circular. In such a situation, the applicant has to make a declaration to this effect in the form of an Undertaking.

However, if the applicant has a range of activities or different premises are run using different methods of operation, the AEO Programme team has to visit those premises.

Q What are the areas covered by the AEO Programme team during physical verification of the applicant's premises?

The purpose of physical verification by the AEO team is to check whether the claims made in the application regarding requirement and fulfillment of criteria as listed in Section 3 of the AEO Circular exist or are in place.

The AEO programme team may cover the following areas during the visit:

1. Information on Customs matters including about the contravention of the Customs Act.
2. Remedial action taken on previous Customs errors, if any.
3. Accounting and logistic systems.
4. Internal controls and procedures.
5. Flow of cargo.
6. Use of Customs House Agents and selection of other business partners.
7. Security of computers/IT and documents.
8. Financial solvency.

- 9. Safety and security assessment – premises, cargo, personnel, etc.
 - 10. Logistic processes.
 - 11. Storage of goods.
- The above list is not exhaustive. The team can decide to cover more areas during the visit as per the requirements.

Q Can physical verification be stopped if the applicant for AEO T-2 or AEO LO fails to provide certain documents to the team or there are problems with the system/processes/requirements?

Yes, in exceptional cases the verification process can be stopped with mutual consent. The applicant is given time to submit additional documents and rectify the minor issues. The applicant has to inform the AEO team regarding rectification within 6 months so that the verification process recommences. The applicant in such cases will get a decision on the application by the revised date to be informed by the AEO team.

Q To whom should the AEO status holder inform about Customs related errors and regarding its compliance?

The AEO status holder should report Customs related errors and its compliance to the CRM as well as the AEO cell of the jurisdictional Chief Commissioner.

Q How will the AEO status be renewed?

The AEO status is renewed against an application for the same made before the lapse of their validity as stated below:

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

The applicant must highlight the changes made from the last application in their renewal application. The AEO Programme Manager will consider the renewal applications by following the procedure adopted while granting the fresh AEO status.

Q In what circumstances does the AEO status holder need to notify about changes in their business and processes?

The AEO status holder must notify the AEO cell or the client relationship manager of the jurisdictional chief commissioner in the following cases of changes:

- Change in its legal entity.
- Change of business name and/or address.
- Change in the nature of business i.e. manufacturer/exporter etc.
- Changes in accounting and computer systems.
- Changes to the senior personnel responsible for Customs matters.
- Addition or deletion of locations or branches involved in the international supply chain.

Q What is the time limit to notify significant change in business and processes by AEO status holders?

The AEO status holder must notify the changes as soon as it is known or at least within fourteen days of the change taking place.

Q What happens to the AEO accreditation if the legal status of the entity changes?

The AEO status holder needs to re-apply for the AEO certification in the name of the new legal entity. For instance, if a legal entity changes from proprietorship to LLP or Pvt Limited company, then it has to file a fresh application.

Q Whether the AEO status is subject to review?

Yes. The AEO team is mandated to review the AEO status periodically to ensure that the AEO client continues to adhere to the conditions of AEO accreditation.



What are the timelines for review of AEO status?

The frequency of review of AEO status is the same for AEO T-1 and AEO T-2 i.e. once in three years. The same is five years for AEO T-3/LO status. However, the Directorate of International Customs, entrusted to implement and monitor the AEO Programme in India, can initiate a review at any point in time if there is reason to believe that the conditions of the AEO Programme or the standard of AEO status have been compromised.

WITHDRAWAL/ SUSPENSION/ RESTORATION



Under what circumstances can the AEO status be suspended or downgraded?

The AEO Programme Manager may suspend the Certificate of AEO Status in the following cases:

1. Where any non-compliance with the conditions or criteria for the Certificate of AEO Status has been detected;
2. In the case of a Custodian, Custom Broker, or Warehouse Operator, where the basic license as a Custodian, Custom Broker, or Warehouse Operator, as the case may be, has been suspended by the competent authority.

There is also provision for downgrading the status of an AEO-T3 to AEO-T2 or to AEO-T1, or downgrading the status of an AEO-T2 to AEO-T1, in the case of the issue of any show cause notice (other than on issues listed in 3.2.1 of the AEO Circular) for contravention of Customs/Central Excise/GST law or suspending the status of the AEO, as deemed appropriate. The above decision is taken after due examination of the SCN, in consultation with the jurisdictional Commissioner.



Can an appeal be filed against the decision of the AEO Programme Manager suspending or downgrading the AEO status?

No, there is no provision for appeal under the AEO scheme. However, there is provision for restoration of suspended/downgraded AEO status.



What are the requirements for restoration of suspended/downgraded AEO status?

The requirements in various situations are as under:

1. In case of non-compliance with the condition of AEO status, if the AEO status holder takes the necessary remedial measures to the satisfaction of the AEO Programme Manager within 60 days of suspension, the AEO Programme Manager may restore the AEO status.
2. In case of suspension on account of some action under the Customs Act like the issue of SCN, cancellation of Customs Broker's license, etc., an AEO Programme Manager may consider restoration of AEO status if the action under the Customs Act is dropped or the suspension of the license is revoked.
3. In case AEO status has been suspended/downgraded on account of SCN and if the ratio of disputed duty demanded or drawback demanded or sought to be denied in SCN under the Customs Act in the last three years to the total duty paid and drawback claimed is not more than ten percent, the AEO Programme Manager may consider restoration of AEO status.
4. In case an AEO status has been downgraded, the entity can apply again for higher status as and when the eligibility conditions and criteria are met by it. Such applications will be treated as a fresh application.

Q Under what circumstances can the AEO status be revoked?

The Certificate of AEO Status will be revoked in the following circumstances:

1. Where the Certificate of AEO Status is already suspended and the AEO holder fails to take the remedial measures within 60 days of withdrawal for the suspension;
2. 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 a person under the Customs Act, 1962;
3. 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;
4. Where the AEO status holder requests the authorization to be revoked.

Q Can an AEO status holder re-apply for AEO status after the same is revoked?

The AEO-T1 and T2 status holders can re-apply only after a period of one year from the date of revocation. The AEO-T3 and LO status holders can re-apply only after a period of three years from the date of revocation.

GRIEVANCE REDRESSAL

Q How are the legitimate concerns and issues of AEO status holders regarding their benefits and facilitation resolved by Customs?

The Customs Administration is bound to extend all the benefits and facilitation measures to AEO status holders listed in the AEO Circular. There is provision for the appointment of a Client Relationship Manager (CRM) at the level of AC/DC as a single point of interaction with AEO status holders at the office of each Chief Commissioner of Customs. The appointment of CRM is notified by way of public

notice by all jurisdictional Customs stations. The CRM is entrusted with the responsibility to attend to the legitimate concerns and issues of AEO clients. The details of CRMs are also provided online at the CBIC website.

Q What are the other responsibilities of the Client Relationship Manager?

All jurisdictional Client Relationship Managers (CRM) are responsible for:

- Extending facilitation/benefits listed in the AEO Circular to the AEO status holders.
- Assisting in filing AEO applications.
- Assisting in getting procedural and operational issues resolved by coordinating with different sections within Customs as well as other stakeholders.

Q Is there an AEO Helpdesk?

The AEO team, headed by the nodal officer in the respective Chief Commissioner of Customs, acts as a help desk for all queries related to the filing of AEO applications. The contact details of nodal officers and CRM are available on the CBIC website. For any query regarding the online filing of the AEO T-1 application, a separate help desk with the following details has been created: Ph-011-23310013. E-mail: diccbec.dor@gov.in. ■