

# AUTHORISED ECONOMIC OPERATOR (AEO) SCHEME

## • FREQUENTLY ASKED QUESTIONS •



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OPERATOR (AEO) SCHEME-  
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प्रणब कु० दास  
अध्यक्ष  
Pranab K. Das  
Chairman



सत्यमेव जयते



MESSAGE

भारत सरकार  
वित्त मंत्रालय  
राजस्व विभाग  
केन्द्रीय अप्रत्यक्ष कर एवं सीमा शुल्क बोर्ड  
नार्थ ब्लॉक, नई दिल्ली-110 001  
Government of India  
Ministry of Finance  
Department of Revenue  
Central Board of Indirect Taxes & Customs  
North Block, New Delhi - 110 001  
Tel. : +91-11-23092849, Fax : +91-11-23092890  
E-mail : chmn-cbec@nic.in

10<sup>th</sup> September, 2019

Differentiation among taxpayers based on their compliance behaviour and the attendant level of risk in determining the degree of Customs control is a key strategy in providing effective trade facilitation. The Indian AEO programme is unique in as much as it combines the features of the WCO SAFE Framework and the provisions of the WTO Trade Facilitation Agreement in one scheme. The programme offers several benefits to all enrolled entities but the scheme of deferred payment of duty for Tier II and III is particularly attractive. Moreover, Indian AEOs can avail of the benefit of AEO schemes of countries with whom we have concluded Mutual Recognition Agreements.

2. It is evident that for further reduction in release time and cost of cargo and future breakthroughs in the Trade Facilitation agenda the number of such entities needs to grow. With our efforts on advocacy and outreach the number has already climbed significantly to about 3734 entities.

3. The release of this booklet containing important FAQs on the AEO programme marks another step in reaching out to potential participants of the programme. It is aimed at explaining the AEO scheme to all the stakeholders in a simple language. These FAQs are also being released in Marathi for the benefit of persons interested to know about the AEO programme. I commend the efforts put in by officers of Mumbai Customs Zone-II and the Directorate of International Customs in preparing the content. I also take this opportunity to express my gratitude to officers of the Department of Languages, Government of Maharashtra - especially Smt Nanda Raut, Director, Shri Arun Gite, Deputy Director -and Shri Umesh S. Chougule, Superintendent (Preventive) in translating it into Marathi.

4. I hope that this booklet on FAQs will be helpful in understanding the scope and process of making the application for the accreditation and in clarifying the benefits of having AEO accreditation so that many more economic operators enrol for the scheme and reap its benefits and those already part of the scheme to graduate to higher levels of accreditation.

  
(Pranab K. Das)

**RAJ KUMAR BARTH WAL**  
**SPECIAL SECRETARY & MEMBER (CUSTOMS), CBIC**



#### **FOREWORD**

1. I am happy that FAQ on Authorised Economic Operator (AEO) programme is being brought out for the benefit of compliant trade. The AEO Programme is focussed on twin objectives of facilitations of Importers, exporters, logistic operators and enhance security in the International supply chain and is based on World Customs Organization's Safe Frame Work of Standards to secure and facilitate global Trade. An entity engaged in international trade is approved on prefixed parameters by the Customs as compliant with supply chain security standards. The entity is granted AEO status by way of certification.

2. AEO is an internationally recognized quality mark indicative of the fact that the procedures related to Customs clearances in the supply chain of the entity are efficient, compliant and secure. I am delighted to note that AEO programme had made a deep impact with a membership of more than 3600 AEO entities on Trade Facilitation and Ease of Doing Business initiatives of Indian Customs. The benefits of AEO include faster processing and clearance of cargo, deferred payment of duty, direct port delivery/entry, and benefits under Mutual Recognition arrangements (MRA).

3. With the Mutual Recognition agreements (MRA) with major trading partners such as South Korea, Hong Kong and Taiwan along with Joint action Plan for signing MRA with USA and Uganda, I am sure it would further strengthen the programme and help Indian exporters in long run. I am confident that FAQ will help the trade particularly MSME Sector and exporters to understand and appreciate the AEO Programme to reap the full benefits of the programme.

A handwritten signature in blue ink, appearing to read 'Raj Kumar Barthwal', with a stylized flourish at the end.

(Raj Kumar Barthwal)



## BACKGROUND & FEATURES OF AEO PROGRAMME

### Q 1. Who is an authorised economic operator (AEO)?

**ANS.** 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 2. What is the AEO programme?

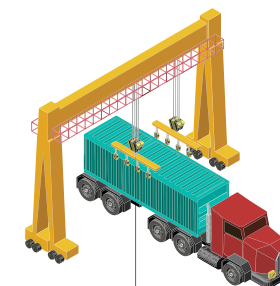
**ANS.** The AEO programme enables Customs administration to identify the safe and compliant business entity in order to provide them a higher degree of assured facilitation. This segmentation approach enables Customs resources to focus on less or non-compliant or risky businesses for control. Thus, 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 3. What is the background of AEO Scheme of the WCO?

**ANS.** 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 4. How has SAFE framework of Standards (FoS) been implemented in India?

**ANS.** 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 Pro-



gram 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 5. What is the history of AEO programme in India?

**ANS.** 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.



**The aim of AEO programme is to secure the international supply chain by granting recognition to reliable operators and encouraging best practice at all levels in the international supply chain.**

With international developments such as Trade Facilitation Agreement (TFA) on securing and facilitating the International Trade and focus of 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 revised AEO Programme vide Circular No. 33/2016-Customs dated 22nd July, 2016. The ACP scheme was abolished by rescinding the 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 On-line application filing and



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.

processing for AEO-T1 status started from December 2018 vide Circular 51/2018 dated 07.12.2018.

### Q 6. What is the aim of the Indian Customs AEO Programme?

**ANS.** 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 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 7. Is AEO mandatory for businesses involved in the supply chain?

**ANS.** 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 8. What is the structure of Indian AEO programme?

**ANS.** 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 single Tier AEO Programme for Logistics Providers, Custodians or Terminal Operators, Customs Brokers and Warehouse Operators who are granted AEO-LO certificate.

### Q 9. What is the validity period of AEO status?

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

### Q 10. Whether AEO certificate is valid at all Customs stations across India?

**ANS.** 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.

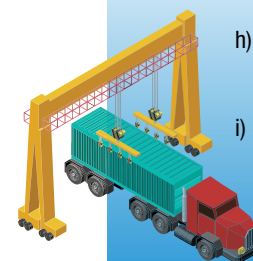


## BENEFITS OF AEO CERTIFICATION

### Q 11. What are the benefits of AEO status?

**ANS.** 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:

- 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;
- Facility of Direct Port Delivery (DPD) of their import Containers and/ or Direct Port Entry (DPE) of their Export Containers;
- Waiver of full or part of the Bank Guarantee requirements, Waiver of Merchant overtime fees;
- Deferred payment of duties;
- Waiver from transactional PCA. Instead Onsite PCA has been provided, the selection of the same shall be based on risk assessment of AEOs;
- Waiver of solvency certification for Customs Brokers;
- A lower risk score in risk analysis systems when profiling;
- Faster disbursal of drawback amount through process eased out vide Circular 18/2017 Customs dated 29.05.2017;
- Fast tracking of refunds and adjudications;

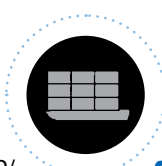


- j) Self-certified copies of FTA / PTA origin related or any other certificates required for clearance would be accepted;
- k) Recognition by Partner Government Agencies and other Stakeholders as part of AEO programme.

ed 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 12. Whether all AEO operators are entitled for DPD /DPE facility?**

**ANS.** 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 13. 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?**

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

**Q 14. What is deferred payment of duty scheme?**

**ANS.** 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 d'at-

**Q 15. How can an AEO avail the facility of deferred payment of duty?**

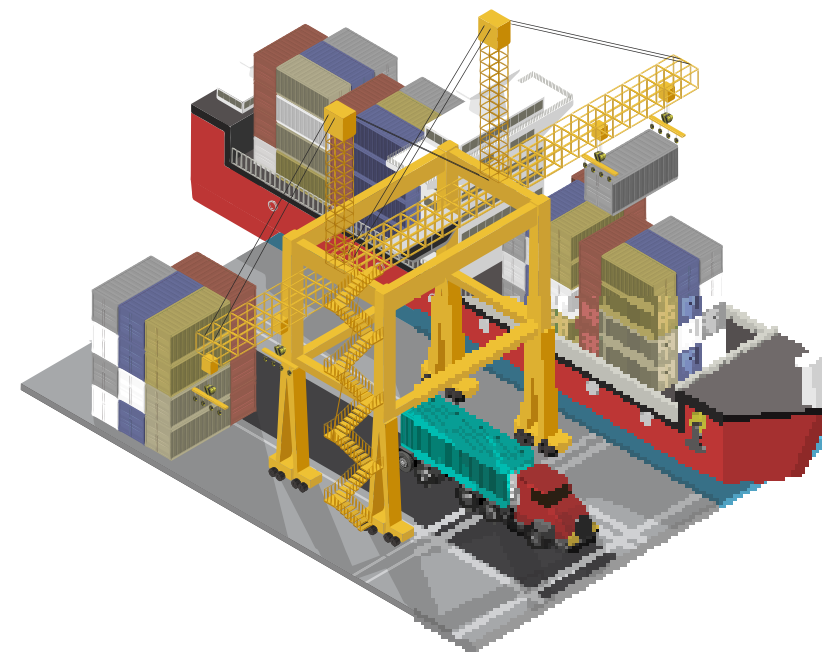
**ANS.** As per Rule 4 of the Deferred Payment of Import Duty Rules, 2016 an eligible importer who intends to avail the benefit of deferred payment has to intimate his intent to the jurisdictional Principal Commissioner of Customs or the Commissioner of Customs and get registered on the ICEGATE site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

**Q 16. What are the due dates for payment in respect of deferred payment of duty?**

**ANS.** 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 time lines are as below:

Date of return of BE for payment of Duty	Date of deferred payment of duty
Date of return of BE for payment of Duty B/E from 1-15th day of any month	16th of the month
B/E from 16th-last day of month except March	1st day of the following month
B/E from 16-31 March	31st March

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



**Q 17. Whether facilitation benefits will be available to Indian AEOs in foreign countries?**

**ANS.** 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 reciprocal basis.

**Q 18. What exactly is a mutual recognition agreement/ arrangement (MRA)?**

**Ans.** 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 nature of enhanced system-based facilitation & reduced interdiction, lower risk score for Indian exporter's consignments at foreign port.

**Q 19. Whether benefit of AEO LO status granted to a Customs Broker will also be given to its clients i.e. importers or exporters?**

**ANS.** 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.

**Indian Customs has signed Mutual Recognition Agreement (MRA) with South Korea, Taiwan and Hong Kong Customs to enable trade to get benefits on reciprocal basis.**





## PROCESS OF FILING OF AEO APPLICATION

### Q 20. Where should applications for AEO be submitted?

**ANS.** The application should be sent to the office of the jurisdictional Chief Commissioner of Customs with copy to 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 majority of business in international supply chain.

An on-line website (Domain name: aeoindia.gov.in) has been created for filing and processing of AEO-T1 application. The applicant can login to the website and file the AEO- T1 application. A separate FAQ about online filing of application is attached as Annexure-A.

### Q 21. Which jurisdictional Chief Commissioner offices are designated for processing of AEO applications?

**ANS.** As of now, the following Chief Commissioner of Customs offices have been designated for processing of AEO application:

- a) Delhi
- b) Mumbai Zone-I
- c) Mumbai Zone-II
- d) Mumbai Zone-III
- e) Ahmedabad
- f) Vishakhapatnam
- g) Bhubaneswar
- h) Bangalore
- i) Chennai
- j) Hyderabad
- k) Kolkata
- l) Tiruchirappalli
- m) Patna
- n) Pune,
- o) Nagpur
- p) Bhopal



### Q 22. Who is responsible for processing AEO application and taking decision on grant of AEO status?

**ANS.** The AEO Cell under the jurisdictional Chief Commissioner of Customs, headed by 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 recommendation to programme manager of Indian AEO Programme having office at Delhi for taking final decision on AEO accreditation.

The process of AEO-T1 accreditation has been further simplified and decentralised 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 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 AEO Cell and eligibility thereto is decided at Zonal level only. The decision is conveyed to Directorate of International Customs for generation of AEO Certificate. Such approved applications are sent online by the zones to DIC Delhi for generation of digitally signed certificate.

### Q 23. Who is AEO programme manager for Indian AEO Programme?

**ANS.** The Principal Commissioner, Directorate of International Customs, having office at 10th floor, Tower-2, Jeevan Bharti Building, Connaught Place, New Delhi-01 is the AEO Programme Manager for Indian AEO programme.

For AEO-T1 accreditation, the Zonal AEO Programme Manager is treated as AEO Programme Manager for all purposes.

### Q 24. Whether an economic operator whose application is once rejected under the current scheme, can apply again for AEO status?

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

### Q 25. What are the requirements for filing AEO T1/ T2/T3/LO application?

**ANS.** An applicant for AEO-T1 status is to file application online (Domain name: aeoindia.gov.in) in prescribed proforma alongwith a Declaration as indicated in Annexure A- 1, Annexure A-2 to CBEC Circular No. 26/2018 dated 10.08.2018. After introduction of web- based module for filing online application vide Circular 51/2018 dt. 07.12.2018, it is mandatory to file online application only.

An applicant for 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 Table below. The application form as specified in the 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:

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

**ANS.** An existing AEO certificate holder can apply for higher AEO status. There is no time limit for filing higher status application except in case of AEO-T3.

In case of AEO-T3, either the entity should have had AEO-T2 status continuously for two years or when all its business partners in international supply chain have acquired either AEO-T2 or AEO-LO status.

**Q 27. Can a consultant be appointed as the contact person or the authorised person for filing application?**

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



## ELIGIBILITY/ REQUIREMENTS TO BECOME AEO

**Q 28. Who can apply for AEO status?**

**ANS.** 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 29. What is the eligibility criteria for a business entity to apply for Indian AEO status?**

**ANS.** The eligibility conditions and criteria for granting AEO Status has been listed in the 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 fulfil the following criteria:

- a) Established in India;
- b) Business should be involved in Customs related activity;
- c) Should have dealt with minimum 25 Customs documents (either Bill of Entry or Shipping Bill) in the last fiscal year;
- d) Should have been in business activity for last 3 Financial Years.

**Q 30. Whether a branch of a legal entity can apply for a separate AEO Status?**

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

**Q 31. Whether a newly established company can apply for AEO Status?**

**ANS.** As per the Indian AEO requirements, the applicant should have business activities for at least three financial years preceding the financial year of 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 32. 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?**

**ANS.** No, such economic operator should apply separately for any of the three tier AEO programme of importer/exporter (AEO T1/T2/T3) or single tier AEO LO status.

**Q 33. Whether AEO programme is open to micro, small and medium enterprises?**

**ANS.** Yes, the AEO programme includes MSMEs and the eligibility conditions and criteria for granting AEO status are same regardless of size.



The only requirement is that the entity should have handled at least 25 Customs documents in preceding Financial Year.

**Q 34. What are the legal requirements for applying for AEO status? What are the documents to be submitted?**

**ANS.** The Legal requirement 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 35. What are the documents to be submitted as proof of having business activity for the last three financial year preceding the date of application?**

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

**Q 36. In case where applicant does not have audited balance sheet, what documents are to be submitted in its place?**

**ANS.** In cases where the statute exempts the applicant from statutory audit, the applicant can submit 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 37. What documents are needed to be submitted by a business as proof of having its own accounts?**

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

**Q 38. What does procedure in place to identify and disclose irregularities means?**

**ANS.** It means that the applicant must have tools in the form of Customised software or manual checks to identify risks and detect error in Customs documents (B/L, invoice and Packing list), for self-assessment of goods imported i.e. proper check of classification, valuation etc and after clearance of goods from Custom 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 error noticed to Customs on real time basis and maintain record of such errors for viewing of their employees so that

such mistakes do not recur.

**Q 39. How is the ratio between duty demanded and duty paid listed at serial number d(ii) of annexure E-2 calculated?**

**ANS.** The ratio is calculated by dividing duty amount involved in SCN issued under the Customs Act divided by 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 40. Whether the applicant having ratio of duty demanded and total duty paid/drawback claimed more than 10% are not eligible for AEO accreditation?**

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

**Q 41. What are the documents required to be maintained for ensuring compliance of Annexure E.3 - Managing Commercial and Transport Records?**

- ANS.** The AEO applicant should:
- maintain records which permit Customs to conduct any required audit of cargo movement relating both to import and export;
  - give Customs full access to necessary records;
  - have internal records access and control systems;
  - appropriately maintain and make available to Customs any authorizations, powers of attorney and licences relevant to the importation or exportation of merchandise;
  - properly archive records for later production to Customs. For instance, for Customs purpose, the records should be maintained at least for five years.
  - employ adequate information technology security measures which will protect against access by unauthorized persons.

The Legal requirement 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 42. What accounting system is required to be followed by an AEO [Annexure E.3(a)]?**

**ANS.** 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 Auditor contains remark about the Accounting system adopted by applicant.

**Q 43. What are the documentary evidences in support of claim of compliance required as per annexure E.3(b) i.e. adequate administrative set up and internal controls for detecting illegal or irregular transactions?**

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



**Q 44. What are the documentary evidences in support of claim of compliance required for storage and archiving of documents as per annexure E.3(d)?**

**ANS.** 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 concerned person, period of storing / archiving, process of taking suitable measures like back up 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 45. What are the requirements for Annexure E.3(v) i.e. need for employee to inform Customs about compliance difficulty?**

**ANS.** The applicant may submit their practice /processes of educating/ training their employees on Customs compliances. The process must include procedure to convey compliance difficulties, if any, to the designated Customs officer. The applicant may designate a person in their organisation for above purpose.

**Q 46. Is there any format for the undertaking regarding solvency and for the solvency certificate?**

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

**Q 47. Who are required to submit Security Plan (Annexure B) and fulfill requirement listed in Annexure E.5 of AEO Circular 33/2016?**

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

**Q 48. What are the requirements of Safety and Security for AEO applicant?**

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

- Procedural Security [refer para 3.5.2]
- Premises Security [refer para 3.5.3]
- Cargo Security [refer para 3.5.4]
- Conveyance Security [refer para 3.5.5]
- Personnel Security [refer para 3.5.6]
- Business Partner Security [refer para 3.5.7]
- Security Training & Threat Awareness [refer para 3.5.8]

**Q 49. What is the additional requirement for AEO T-3 applicant?**

**ANS.** In addition to submission of documents and fulfillment of requirements prescribed for AEO T-2 applicant, 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 International Supply chain which includes their accreditation under Indian AEO Programme. The declaration is to be given in format of Annexure "F".

The AEO T3 applicant who are not AEO T-2 certificate holder for last two preceding financial years must have all business partners (CB, Freight forwarder, liner etc) AEO T-2 or AEO-LO certificate holder.

**Q 50. What are the documents to be filed along with declaration**

**made in Annexure A of the AEO?**

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

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



**In Annexure F, the applicant has to give details of all his business partner(s) in International Supply chain which includes their accreditation under Indian AEO Programme.**

**Q 51. Whether Annexure B (security plan) is to be given for all premises belonging to applicant?**

**ANS.** 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 is same for all locations, the applicant can submit security plan of any one premise which is valid for all its premises used in International Supply Chain.

**Q 52. What is Annexure C (Process Map)? Whether it is related to premises belonging to applicant?**

**ANS.** 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 role of applicant and its business partners in the supply chain.

**Q 53. Whether Annexure D (Site Plan) is to be given for all premises belonging to applicant?**

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

**Q 54. What are the documents required for General compliance (Annexure E.1)?**

- ANS.** The following documents are required for general compliance
- a) Copy of AEO certificate, if any;
  - b) Copy of IEC, GSTIN;
  - c) Declaration on type of business entity with copy of registration. For instance, in case of public or private limited, certificate of incorporation issued by ROC; in case of partnership, registered partnership deed; in case of small proprietorship firm, a license issued by local shop and establishment Act etc. ;
  - d) List of places/location where goods are being handled (For example loading, unloading, storage etc);
  - e) Cancelled bank cheque or certificate from Bank evidencing account of applicant, account statement from bank etc as a proof of business having own account;
  - f) List of documents (Bill of entry, shipping bills) handled in the last Financial Year;
  - g) Declaration on conviction in criminal offence, if any, with details.



## PROCESSING OF AEO APPLICATION

**Q 55. In what cases is the application for AEO accreditation not processed or returned for rectification?**

- ANS.** The application for AEO accreditation is not processed in following cases:
- a) When application is incomplete. The application may be resubmitted with the complete information.
  - b) Where the application has not been made by a legal person. The same can be resubmitted by the concerned legal entity.
  - c) 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 organisation only, who will be the point of contact for the AEO Programme.
  - d) 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.
  - e) Where a previously granted AEO status has been revoked -The application can be submitted only after one year, in case of AEO T-1 & T-2 and after three years in case of AEO T-3 and LO, from the date of revocation.

**Q 56. In what cases the AEO application be rejected?**

**ANS.** The AEO application can be rejected in following two cases:  
 (i) Where the applicant is not eligible for grant of AEO status, or  
 (ii) Where the deficiency noticed in the application is not remedied.

**Q 57. What are the timelines and procedure for processing AEO applications?**

**ANS.** In case of AEO T-1 application, if the eligibility conditions and criteria for grant of certificate, as mentioned in Section 3 of Circular No. 33/2016-Customs, are found to have been met to the satisfaction of 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 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 AEO team within 15 days to carry out physical verification in consultation with applicant. The AEO programme team visits the premises of applicant within 90 days. The applicant can contact programme manager if visit is not planned within 45 days. The AEO programme team prepares the report and makes recommendation within 60 days of completion of visit. The AEO programme manager informs about AEO T-2/LO status to applicant within 30 days

of the recommendation of AEO team. Thus, the total time taken from submission of application till the issuance of the certificate work out to maximum 180 days.

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

**Q 58. Whether all premises of applicant involved in Customs related activity are to be visited for physical Verification by AEO team?**

**ANS.** For AEO T-2 and AEO LO certification, examination of the criteria laid down under Section 3 of AEO Circular 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.

In case, more than one premises of applicant are run in similar way by standard systems of record keeping and security etc., 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 AEO Circular. In such situation, the applicant has to make declaration to this effect in the form of 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 59. What are the areas covered by AEO Programme team during physical verification of applicant premise?**

**ANS.** The purpose of Physical verification by AEO team is to check whether the claims made in application regarding requirement and fulfilment of criteria as listed in Section 3 of AEO Circular exists or are in place.

The AEO programme team may cover following areas during visit:

- (i) Information on Customs matters including about the contravention of Customs Act.
- (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 and selection of other business partners.
- (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

The above list is not exhaustive. The team can decide to cover more areas during visit as per the requirements.

In case, more than one premises of applicant are run in similar way by standard systems of record keeping and security etc., the AEO programme team can choose to visit any one of such similarly run premises



**Q 60. 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?**

**ANS.** 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 AEO team regarding rectification within 6 months so that the verification process recommences. The applicant in such cases will get decision on application by the revised date to be informed by the AEO team.

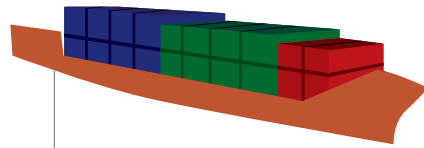
**Q 61. To whom the AEO status holder should inform about Customs related errors and regarding its compliance?**

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

**Q 62. How will the AEO status be renewed?**

**ANS.** The AEO status is renewed against application for the same made before 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 63. In what circumstances, does the AEO status holder need to notify about changes in their business and processes?**

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

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

 The audited balance sheet by Auditor contains remark about the Accounting system adopted by applicant.



**Q 64. What is the time limit to notify significant change in business and processes by AEO status holders?**

**ANS.** 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 65. What happens to the AEO accreditation if the legal status of the entity changes?**

**ANS.** The AEO status holder needs to re-apply for the AEO certification in the name of 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 66. Whether the AEO status is subject to Review?**

**ANS.** Yes. The AEO team is mandated to review the AEO status periodically to ensure

that the AEO client continues to adhere to the condition of AEO accreditation.

**Q 67. What are the timelines for review of AEO status?**

**ANS.** The frequency of review of AEO status are 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 AEO Programme in India, can initiate review at any point of time, if there is reason to believe that the conditions of AEO Programme or standard of AEO status have been compromised.





## WITHDRAWAL/ SUSPENSION/ RESTORATION

### Q 68. Under what circumstances, can the AEO status be suspended or downgraded?

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

- Where any non-compliance with the conditions or criteria for the Certificate of AEO Status has been detected; or
- 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.

There is also provision for downgrading of the status of an AEO-T3 to AEO-T2 or to AEO-T1, or downgrade the status of an AEO-T2 to AEO-T1, in the case of issue of any show cause notice (other than on issue listed in 3.2.1 of the AEO Circular) for contravention of Customs/Central Excise/GST law or suspend 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.

### Q 69. Can appeal be filed against the decision of AEO Programme manager suspending or downgrading the AEO status?

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

### Q 70. What are the requirements for restoration of suspended/ downgraded AEO status?

**ANS.** The requirements in various situations are as under:

- 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.
- In case of suspension on account of some action under Customs Act like 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/ suspension of license is revoked.
- 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 Customs Act in the last three years to the total duty paid and drawback claimed is not more than ten percent, the AEO pro-

gramme manager may consider for restoration of AEO status.

- In case an AEO status has been downgraded, the entity can apply again for higher status as and when the eligibility conditions and criterion are met by it. Such applications will be treated as a fresh application.

### Q 71. Under what circumstances, can the AEO Status be revoked?

**ANS.** The Certificate of AEO Status will be revoked in following circumstances:

- Where the Certificate of AEO Status is already suspended and the AEO holder fails to take the remedial measure within 60 days of withdrawal for the suspension; or
- 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 or
- 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; or
- Where the AEO status holder requests the authorization be revoked.

### Q 72. Can an AEO status holder re-apply for AEO status after the same is revoked?

**ANS.** 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.

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







## GRIEVANCE REDRESSAL

### Q 73. How are the legitimate concerns and issues of AEO status holders regarding their benefits and facilitation resolved by Customs?

**ANS.** 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 appointment of Client Relationship Manager (CRM) at the level of AC/DC as a single point of interaction with AEO Status holder at the office of each Chief Commissioner of Customs. The appointment of CRM is notified by way of public notice by all jurisdictional Customs station. 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 CBIC website.

### Q 74. What are the other responsibilities of Client Relationship Manager?

**ANS.** All Jurisdictional Client Relationship Manager (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 co-ordinating with different sections within Customs as well as other stakeholders.

### Q 75. Is there an AEO Helpdesk?

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

## ANNEXURE-A

### F A Q on On-Line Filing of AEO –T1 Application

#### Q 1. Can the AEO application be filed on-Line?

**ANS** Yes. An on-line website (domain name: aeoindia.gov.in) has been created for filing and processing of AEO application. The on-line facility for filing of AEO-T1 application was launched vide CBIC Circular No. 51/2018 Cus. dated 07.12.2018. The filing and processing of remaining three type of AEO accreditation namely AEO T2, AEO T3 and AEO LO is manual as of now.

#### Q 2. Where one can find the detailed guidelines for filing On-line AEO T-1 application?

**ANS** CBIC Circular No. 51/2018 Cus dated 07.12.2018 detailing the process of the on-line filing of AEO T1 application is available at website [www.cbic.gov.in](http://www.cbic.gov.in). The field formations have issued Public Notices about the web based on-line application for AEO T1 status. For illustration, Jawaharlal Nehru Custom House Mumbai has issued Public Notice No. 158/2018 dated 21.12.2018 explaining the process of filing AEO T-1 application in detail with screen shots of relevant web page of the On-line AEO website. The above Public Notice is available at JNCH Mumbai website <http://www.jawaharCustoms.gov.in/> under the Public Notice tab.

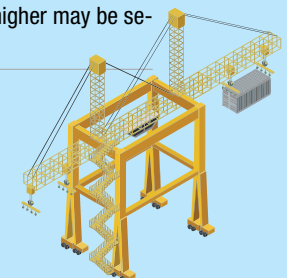
#### Q 3. What is the first step of filing on-line application for AEO T-1 status? What is its importance?

**ANS** The applicant has to first register themselves at the AEO website [www.aeoindia.gov.in](http://www.aeoindia.gov.in) by furnishing the information asked for in the Registration window and to create user id and password for logging into the website to file AEO T1 application.

The Registration particulars are verified vis-à-vis the details from applicant's IEC by the Customs officer before processing the AEO T1 application on-line. If the registration particulars filed are not verifiable, the on-line application is not processed. Hence it is important to file correct detail, as per IEC, during Registration.

#### Q 4. What applicant has to select in the field "Zone" while registering for filing on-line AEO T-1 application?

**ANS** The applicants are advised to select Customs Zone which is being used by them for import or export activity. In case they are using more than one Customs Zone, then the Zone in which the number of Import/Export activity is higher may be selected.



**Q5. Which mobile number and e-mail address the applicant should furnish while registering for filing On-line AEO T1 application?**

**ANS.** The mobile number and/or e-mail address should be the one which is registered with DGFT and matches with the IEC certificate. In case the present mobile number and e-mail address of the applicant has changed, the same should also be updated in the DGFT issued IEC Certificate.

**Q6. What are the mandatory documents to be uploaded with the online AEO application?**

**Ans.** The online AEO application has two Annexure with information/ declarations to be filed numbered serially. The upload option along with help sign (information button ⓘ) to guide applicant about the document to be uploaded has been created against some query points of the two Annexure. The applicant has to upload documents/ evidences against all such query points/serial number to make the application complete for processing.

**Q7. Site Plan of which locations/ addresses is to be uploaded at Sl. No. 4 of Annexure -1 of Online application?**

**ANS.** Applicant has to upload site plan of Registered office and branch addresses mentioned in The IEC certificate issued by the DGFT. Google maps of locations should not be uploaded as site plan.

**Q8. What document is required to be uploaded at Sl. No. 8 and 9 of Annexure A2 of online**

**application in support of Net worth and net current asset?**

**ANS.** Applicant has to upload the concerned page containing Net Worth and Net Current asset from the audited balance sheet of last three Financial Years. The uploaded page should bear the verification/authentication of statutory auditor or the Chartered Accountant.

**Q9. What is to be done by applicant when he receives mail on the deficiencies in his on-line application?**

**ANS.** The applicant can re-submit the application online after rectification of deficiency pointed out by the AEO team and uploading of documents listed in the deficiency. Such application shall again come to the Nodal Officer AEO of the concerned Zone for processing.

**Q10. Is there any help desk to answer the queries of prospective applicants of On-line application?**

**ANS.** Yes. For any query regarding on-line filing of AEO T1 application, a separate help desk with following details has been created: Ph-011-23310013. E-mail: diccbec.dor@gov.in.

Further, the applicant can contact Nodal Officer AEO or the Client Relationship manager of the concerned office of Zonal Chief Commissioner of Customs. The detail of above are available at the CBIC website [www.cbic.gov.in](http://www.cbic.gov.in) or the website of the concerned Zone. For example, the detail of CRM of Mumbai Zone-II is available at website [www.jawaharcustoms.gov.in](http://www.jawaharcustoms.gov.in)



For any query regarding online filing of AEO T1 application, a separate help desk with following details has been created:  
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E-mail: diccbec.dor@gov.in.





# AUTHORISED ECONOMIC OPERATOR (AEO) SCHEME



**PREPARED BY**  
Nodal Officer, AEO Cell  
Office of Pr. Chief Commissioner of Customs  
Zone- II ( JNCH ) Mumbai  
Central Board of Indirect Tax and Customs

