



WORLD CUSTOMS ORGANIZATION  
ORGANISATION MONDIALE DES DOUANES

SAFE FRAMEWORK

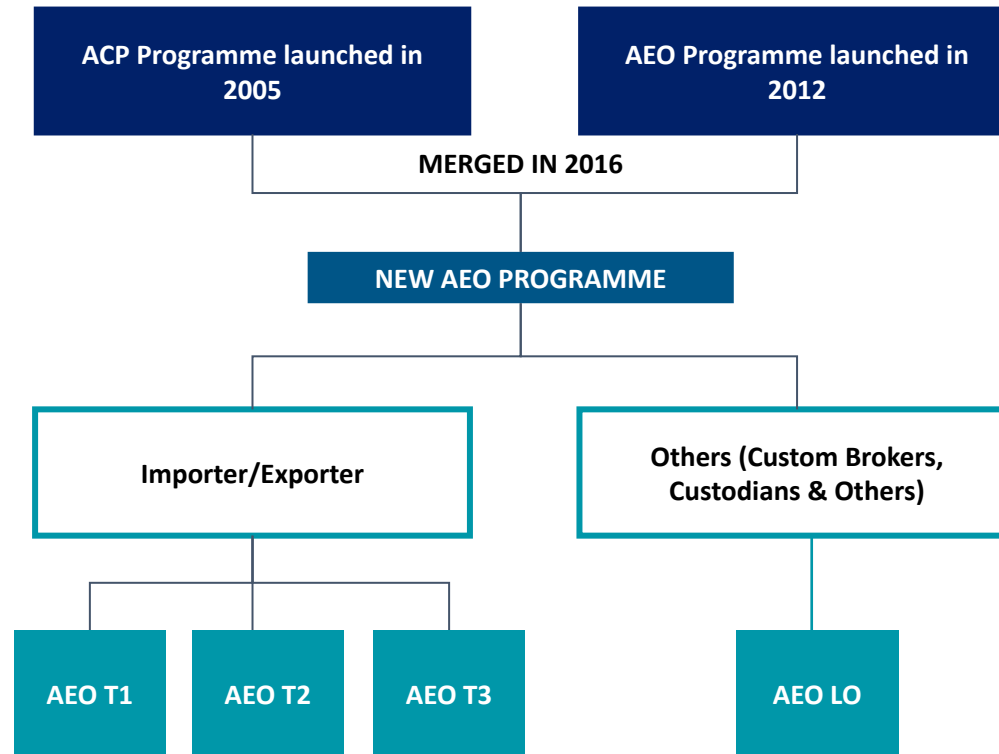
# Authorised Economic Operator Scheme (AEO)





- The Indian AEO is a programme under the aegis of the World Customs Organization (WCO) **SAFE Framework of Standards** to secure and facilitate Global Trade.
  - The programme aims to enhance international supply chain security and facilitate movement of legitimate goods.
  - Under this programme, an entity engaged in international trade is approved by Customs as compliant with supply chain security standards and is granted AEO status along with tangible benefits.
  - India's AEO Programme is in sync with India's commitments made under Article 7.7 of WTO TFA. The AEO Programme enables Indian Customs to enhance and streamline cargo security through close cooperation with the principle stakeholders of the international supply chain viz. importers, exporters, logistics providers, custodians/terminal operators, custom brokers and warehouse operators
- Indian Customs has signed two **Mutual Recognition Agreements** with the Customs Administrations of South Korea and Hong Kong. Two other MRAs with the USA and Taiwan are in final stages of conclusion. MRA with Uganda is already in pipeline, whereas initial discussions have begun after 'letter of intent' for signing of MRA has already been relayed to 15 major trade partner countries.
- As in October 2020, the numbers of AEO are : T1=3038, T2=541, T3=13, LO=770, Total=4362.

# Background of the AEO Scheme



## AEO – A Trusted Business Partner

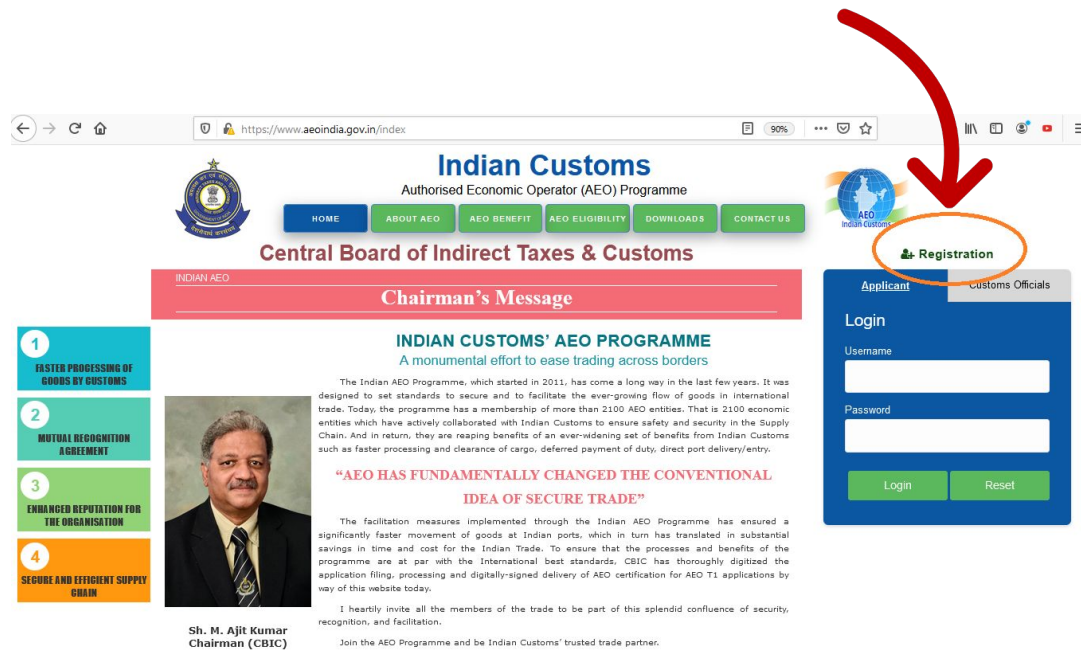
- Over the years, AEO has become a flagship programme for WTO Members
- AEO provides businesses with an internationally recognised security standard and certifies an entity as a “secure” and “reliable” trade partner.
- The new AEO Programme launched by Government of India is a positive step towards the trade facilitation & ease of doing business in India

AEO	Validity
T1	3 years
T2	
T3	5 years
LO	5 years

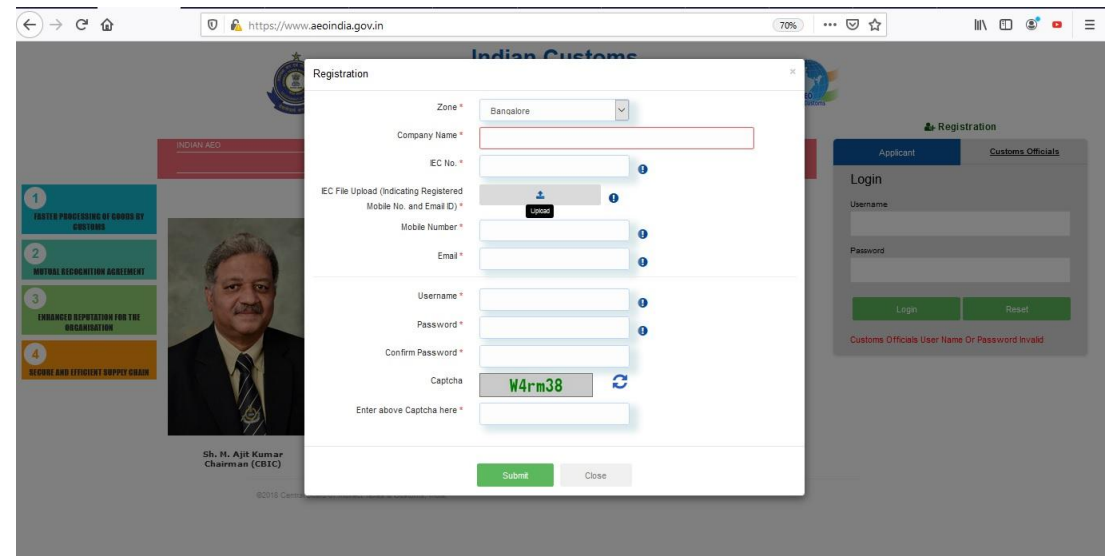
# How to Register?

AEO Registration link on <https://www.aeoindia.gov.in/index#>

Clicking the link opens up the Registration page



The screenshot shows the homepage of the Indian Customs website. At the top, there is a navigation bar with links for HOME, ABOUT AEO, AEO BENEFIT, AEO ELIGIBILITY, DOWNLOADS, and CONTACT US. Below this is the header for the Central Board of Indirect Taxes & Customs. A red arrow points to a 'Registration' link in the top right corner, which is circled in orange. The main content area features a 'Chairman's Message' section with a photo of Sh. M. Ajit Kumar, Chairman (CBIC), and a 'Login' section for Applicants and Customs Officials.



The screenshot shows the AEO Registration form. The form is titled 'Registration' and includes fields for Zone (Bangalore), Company Name, EC No., EC File Upload (indicating Registered Mobile No. and Email ID), Mobile Number, Email, Username, Password, Confirm Password, and a Captcha (W4rm38). There are 'Submit' and 'Close' buttons at the bottom of the form. The background shows a blurred view of the website's main content.

# Eligibility Criteria...

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

Applicant should have business activities for at **least three financial years preceding the date of application**


In order to apply for AEO status the applicant must be established in India. For this purpose, the applicant should provide evidence which may include:

- A certificate of registration issued by the Registrar of Companies.
- Details of places/locations where goods are being handled, e.g. loading, unloading, storage etc., in the course of supply to/from international supply chain.
- Proof that the business has its own accounts

Keeping the small and medium scale enterprises in mind it has been decided the AEO programme is made open to all Importers/Exporters whose threshold of import or export declarations is **25 documents i.e. either Bills of Entry or Shipping Bills during the last financial year**

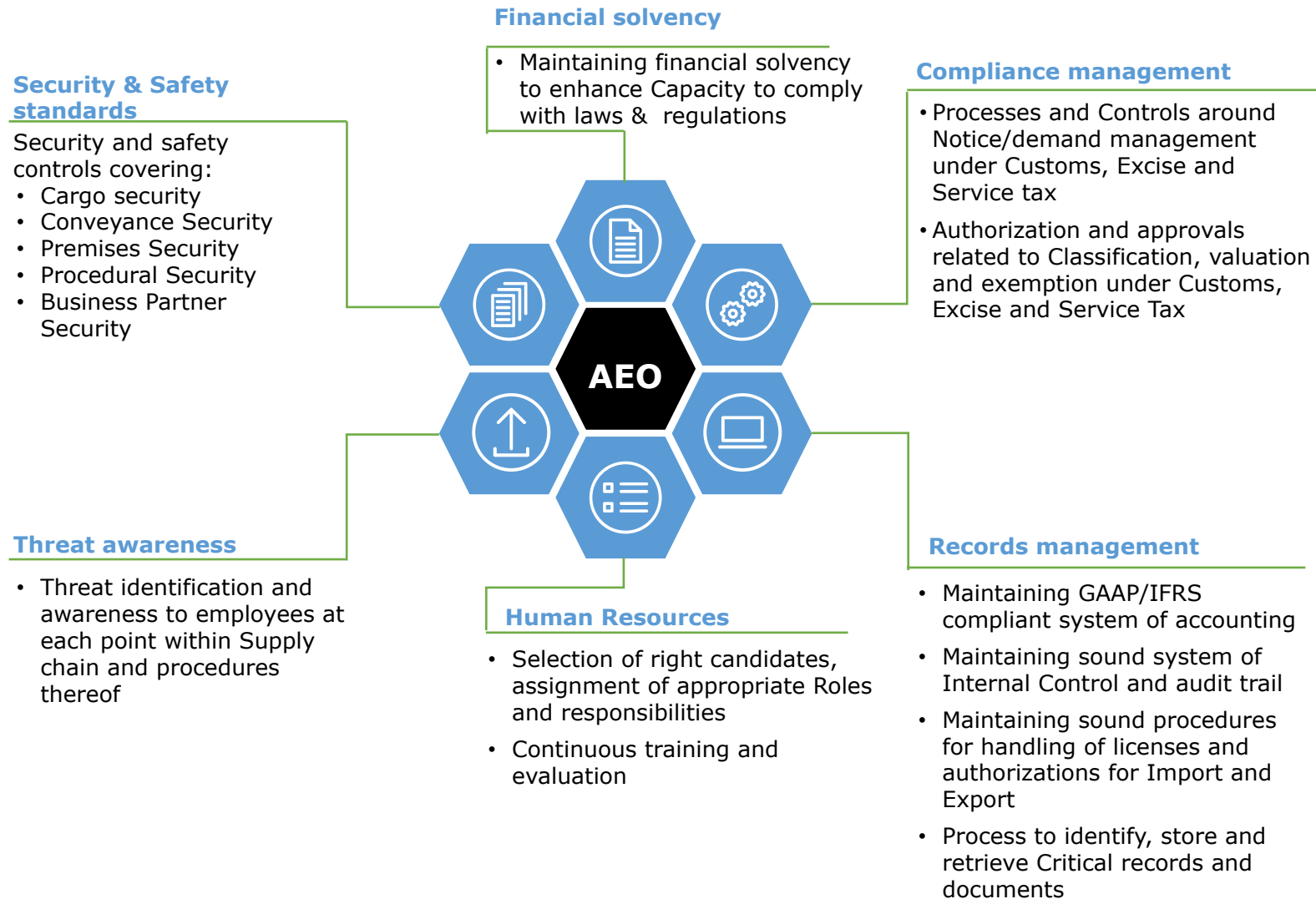
# Eligibility Criteria

S. No	Particulars	AEO-T1*	AEO-T2	AEO-T3**	AEO-LO
1.	<b>Security Plan</b> • Detailed security plan to be provided	NA	Yes	Yes	Yes
2.	<b>Business Partner Details</b> • Details of logistic service provider, custodians, custom brokers to be provided	NA	NA	Yes	NA
3.	<b>Safety and Security</b> • Procedural security, Premises security, Cargo security, Conveyance security, Personnel security, Business partner security, Security training & threat awareness	NA	Yes	Yes	Yes
4.	<b>Process Map</b> • Map illustrating the flow of goods and other details to be provided	Yes	Yes	Yes	Yes
5.	<b>Site Plan</b> • Site plan illustrating access points, security features (CCTV camera etc.) to be provided	Yes	Yes	Yes	Yes
6.	<b>Legal Compliance</b> • No SCN issued in last 3 financial years • No case of prosecution • Procedures should be in place to identify and disclose any irregularities or errors to the Customs authorities	Yes	Yes	Yes	Yes
7.	<b>Managing commercial and (where appropriate) transport Records</b> • Maintain an accounting system consistent with Generally Accepted Accounting Principles (GAAP) / International Financial Reporting Standards (IFRS) • Internal controls capable of detecting illegal or irregular transactions • Procedures in place for the handling of licenses and authorizations connected to export/import	Yes	Yes	Yes	Yes
8.	<b>Financial Solvency</b> • Financially solvent during the three financial years preceding the date of application • Applicant should not be listed currently as insolvent, or in liquidation or bankruptcy • Applicant should not have defaulted in payment of due Customs duties during the past three years	Yes	Yes	Yes	Yes
9.	<b>Physical Verification</b> • Physical verification will be conducted for validating the compliance of above requirements <small>*Application needs to be filed online now</small>	NA	Yes	Yes	Yes

 To be complied with

**\*\* Economic operator must have continuously enjoyed the status of AEO-T2 for at-least a period of two years preceding the date of application for grant of AEO-T3 status and its other business partners namely importers or exporters, Logistics service providers, Custodians/Terminal operators, Customs Brokers and Warehouse operators are holders of AEO-T2 or AEO-LO certificate or any other equivalent AEO certificate granted by a foreign Customs**

# Assessment Criteria





# Processing an AEO application



## Steps in Processing an AEO application

### AEO-T1

- Eligibility conditions as specified above is fulfilled to the satisfaction of the Zonal AEO Cell
- Issue the AEO-T1 certificate within 30 days of filing the application
- Estimated time for obtaining certification: One and half months from the date of submitting complete documents


### AEO T2/LO

- In case the application submitted is found to be eligible, intimation shall be provided within 30 days on submission
- Thereafter, application will be assigned to AEO Programme Team within 15 days to carry out the physical verification of the information/documents
- AEO Programme Team to make the visit for physical verification within 90 days
- AEO Programme Team to prepare report within 60 days of the completion of physical verification
- Applicant to be informed within 30 days of the recommendation of the AEO Programme Team in case the certificate cannot be granted due to any deficiency or incise of no deficiency the certification to be issued

# Documentation/ Check List

*\*Application needs to be filed online now*

*\*\* Economic operator must have continuously enjoyed the status of AEO-T2 for at-least a period of two years preceding the date of application for grant of AEO-T3 status and its other business partners namely importers or exporters, Logistics service providers, Custodians/Terminal operators, Customs Brokers and Warehouse operators are holders of AEO-T2 or AEO-LO certificate or any other equivalent AEO certificate granted by a foreign Customs*

 Implies requirement to be complied with

S. No	Item	AEO-T1*	AEO-T2	AEO-T3**	AEO-LO
1.	<b><u>Security Plan</u></b> Detailed security plan to be provided	NA	Yes	Yes	Yes
2.	<b><u>Business Partner Details</u></b> Details of logistic service provider, custodians, custom brokers to be provided	NA	NA	Yes	NA
3.	<b><u>Safety and Security</u></b> Procedural security, Premises security, Cargo security, Conveyance security, Personnel security, Business partner security, Security training & threat awareness	NA	Yes	Yes	Yes
4.	<b><u>Process Map</u></b> Map illustrating the flow of goods and other details to be provided	Yes	Yes	Yes	Yes
5.	<b><u>Site Plan</u></b> Site plan illustrating access points, security features (CCTV camera etc.) to be provided	Yes	Yes	Yes	Yes
6.	<b><u>Legal Compliance</u></b> No SCN issued in last 3 financial years No case of prosecution Procedures should be in place to identify and disclose any irregularities or errors to the Customs authorities	Yes	Yes	Yes	Yes
7.	<b><u>Managing commercial and (where appropriate) transport Records</u></b> Maintain an accounting system consistent with Generally Accepted Accounting Principles (GAAP) / International Financial Reporting Standards (IFRS) Internal controls capable of detecting illegal or irregular transactions Procedures in place for the handling of licenses and authorizations connected to export/import	Yes	Yes	Yes	Yes
8.	<b><u>Financial Solvency</u></b> Financially solvent during the three financial years preceding the date of application Applicant should not be listed currently as insolvent, or in liquidation or bankruptcy Applicant should not have defaulted in payment of due Customs duties during the past three years	Yes	Yes	Yes	Yes
9.	<b><u>Physical Verification</u></b> Physical verification will be conducted for validating the compliance of above requirements	NA	Yes	Yes	Yes

# Key Reasons for Rejection of Applications

- 1** Applicant doesn't have appropriate safety processes, site plans or other necessary procedures
- 2** Negative net current assets in any of the last 3 years
- 3** Negative net worth in any of the last 3 years
- 4** Prosecution has been launched against the applicant or senior management
- 5** Applicant doesn't have business for at least 3 years
- 6** Show cause notice has been issued involving fraud, forgery, smuggling etc.

## AEO Certification—How Organization can Plan ...

	Planning	Readiness Assessment	Application preparation and submission	Follow up with Customs
Objective	<ul style="list-style-type: none"> <li>Companies to decide a strategic intent &amp; outcomes for AEO certification</li> </ul>	<ul style="list-style-type: none"> <li>Gap assessment desired level of AEO certification</li> <li>Submit valid AEO application</li> <li>Build internal competencies</li> </ul>		<ul style="list-style-type: none"> <li>Increase awareness amongst all the stakeholder with respect to a visit by Customs</li> </ul>
Activities	<ul style="list-style-type: none"> <li>Identify activities and work plan to be undertaken for AEO certification</li> <li>Fix responsibility of various departments of company to comply with the requirement of AEO programme</li> </ul>	<ul style="list-style-type: none"> <li>Perform 'As Is' assessment</li> <li>Validate existing operations and processes against AEO requirements</li> <li>Identify gaps and take action</li> <li>Standardise trade process across business units</li> <li>Writing /updating of SOP</li> </ul>	<ul style="list-style-type: none"> <li>Preparation of AEO application</li> <li>Submission of AEO application</li> <li>Tracking the progress of application and follow-up</li> </ul>	<ul style="list-style-type: none"> <li>Answering to any queries from customs</li> <li>Prepare for on-site visit by Customs, if any</li> <li>Follow up with Customs</li> </ul>

# AEO

Key benefit	AEO T1 (Over regular importer/ exporter)	AEO T2 (In addition to T1)	AEO T3 (In addition to T2)
Brand Enhancement	✓	✓	✓
Direct Port Delivery/Entry of containers	✓	✓	✓
24 hour clearance without Merchant overtime fees	✓	✓	✓
Separate space in custodian premises	✓	✓	✓
Facility for Deferred Duty Payment	X	✓	✓
Waiver of bank guarantee for various schemes	50%	75%	100%
Faster resolution of investigations under Indirect taxes	✓	✓	✓
Seal verification by Customs officer	Required	Waived	Waived
Priority processing of BOE/Shipping Bills	✓	Higher as compared to T1	Higher as compared to T2
Dedicated relationship manager from Customs	X		
Access to consolidated data through ICEGATE	X	✓	✓
Scanning of containers at Port	Required	Priority over others	Waived
Facility to paste MRP stickers in their premises	X	✓	✓
Faster completion of SVB proceedings	X		
Faster Disbursement of all Incentives (Duty Drawback, & Refunds)	X	✓	✓

- The Hon'ble Finance Minister, during his 2016 Budget speech, announced that *“Our Government has taken a number of steps to reduce the cargo release time and the transaction costs of EXIM trade. I propose to amend the Customs Act to provide for deferred payment of customs duties for importers and exporters with proven track record.”*
- Accordingly, a proviso was inserted in Section 47 of the Customs Act, 1962, vide the Finance Act, 2016, providing that the Central Government may permit a class of importers to make deferred payment of the import duty or any charges in the prescribed manner.
- Standards 4.15 to 4.17 of the Revised Kyoto Convention (RKC)
- The [ICC Customs Guideline](#) # 15 provide supporting business rationale for deferred payment facilities.
- The GoI has notified the Deferred Payment of Import Duty Rules, 2016 vide [Notification no 134/2016-Customs\(NT\)](#) and [Notification No. 135/2016-Customs\(NT\)](#)- both dated 02 Nov 2016.

# Deferred Duty Payment in Customs

- [Circular No. 52/2016-Cus.](#), dated 15<sup>th</sup> November 2016
- **This scheme is in force w.e.f.16<sup>th</sup> Nov 2016.**
- This benefit is currently being extended to importers holding AEO T-2 or T-3 status
- An intimation to the AEO programme manager with a copy to Principal Commissioner of Customs or the Commissioner of Customs, as the case may be, having jurisdiction over **the port of clearance**, shall be considered as an intimation by an eligible importer of his intention to avail the said benefit
- **FAQ -**  
[https://www.aeoindia.gov.in/SourceCode/Website/pdf/faq\\_on\\_deferred\\_duty\\_payment.pdf](https://www.aeoindia.gov.in/SourceCode/Website/pdf/faq_on_deferred_duty_payment.pdf)

Period when B/E returned	Due date of payment
1 <sup>st</sup> to 15 <sup>th</sup> day of a month	17 <sup>th</sup> day of that month
16 <sup>th</sup> to last day of a month other than March	2 <sup>nd</sup> day of the following month
16 <sup>th</sup> to 29 <sup>th</sup> day of March	31 <sup>st</sup> March
30 <sup>th</sup> to 31 <sup>st</sup> day of March	2 <sup>nd</sup> April

# The AEO Scheme

Self-declaration of SION under Para 4.07A of FTP 2015-20 for AEO Exporters in cases where SION is not notified

Inclusion of Direct Port Delivery of imports to ensure just-in-time inventory management by manufacturers – clearance from wharf to warehouse for AEO T1, T2 and T3

Inclusion of Direct Port Entry for factory stuffed containers meant for export by AEOs for AEO T1, T2 AND T3

Provision of Deferred Payment of duties – delinking duty payment and Customs clearance for AEO T2 and AEO T3

Benefits of Mutual Recognition Agreements with other Customs Administrations for AEO T2 and AEO T3

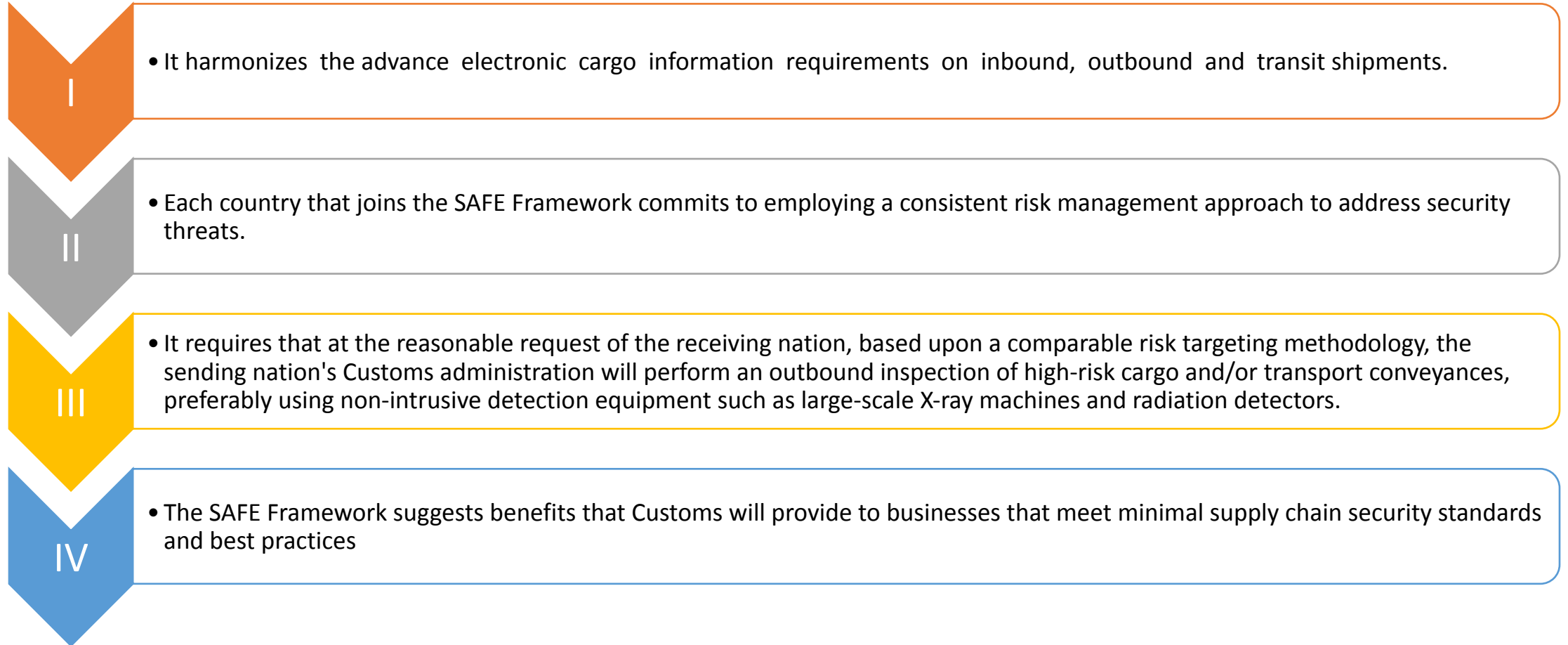
Fast tracking of adjudications and refunds including IGST refunds and disbursement of drawback.



- WCO Members have developed a regime that will enhance the security and facilitation of international trade.
  - This is the WCO SAFE Framework of Standards to secure and facilitate global trade (the "SAFE Framework").
    - The SAFE Framework sets forth the principles and the standards and presents them for adoption as a minimal threshold of what should be done by WCO Members.

- The SAFE Framework aims to:
  - Establish standards that provide supply chain security and facilitation at a global level to promote certainty and predictability.
  - Enable integrated and harmonized supply chain management for all modes of transport.
  - Enhance the role, functions and capabilities of Customs to meet the challenges and opportunities of the 21st Century.
  - Strengthen co-operation between Customs administrations to improve their capability to detect high-risk consignments.
  - Strengthen co-operation between Customs administrations, for example through exchange of information, mutual recognition of controls, mutual recognition of Authorized Economic Operators (AEOs), and mutual administrative assistance.
  - Strengthen co-operation between Customs administrations and other Government agencies involved in international trade and security such as through Single Window.
  - Strengthen Customs/Business co-operation.
  - Promote the seamless movement of goods through secure international trade supply chains.

# Four Core Elements of the SAFE Framework



# Three Pillars of the SAFE Framework



Customs-to-Customs network Arrangements



Customs-to-Business Partnerships



Customs-to-other Government Agencies Co-operation

# Benefits of the SAFE Framework for Business'

- Creates the conditions for securing international trade, as well as facilitates and promotes international trade.
  - Encourages and makes it easier for buyers and sellers to move goods across borders.
- The SAFE Framework takes account of, and is based on, modern international production and distribution models.
- Authorized Economic Operators will reap benefits, such as faster processing of goods by Customs, e.g. through reduced examination rates.
  - This, in turn, translates into savings in time and costs.
- One of the main tenets of the SAFE Framework is to create one set of international standards.
  - This establishes uniformity and predictability. It also reduces multiple and complex reporting requirements.
  - These processes will ensure that AEOs see a benefit to their investment in good security systems and practices, including reduced risk-targeting assessments and inspections, and expedited processing of their goods.