

F.No. D-20/DIC/NCTF(NTFAP)/29/2017
Government of India
Ministry of Finance
Department of Revenue
Central Board of Indirect Taxation & Customs
Directorate of International Customs

New Delhi, dated the 15th December, 2020

All Pr. Chief/Chief Commissioners of Customs/Prev./Central Tax,
All Pr. Commissioners/Commissioners of Customs/Prev./Central Tax,
All Pr. Directors General/Directors General under CBIC,
All Pr. ADG/ADG under CBIC

Madam/Sir,

Subject: Special measures to facilitate MSME for AEO T1 & T2 accreditation- reg.

Please refer to the CBEC Circular No. 33/2016 dated 22.07.2016 as amended, hereinafter referred to as the "Master Circular" regarding the Authorised Economic Operator (AEO) programme. Para 3.1.9 of the Master Circular states that *"In particular, the AEO Programme Manager shall take into account the possible difficulties for MSMEs in meeting with these eligibility conditions and criteria under paras 3.3 and 3.5 with a view to make the above AEO certificates more available to MSMEs."*

2. In line with the Prime Minister's Aatma Nirbhar Bharat Abhiyaan to support MSMEs against the challenges of the COVID-19 pandemic, CBIC has examined the difficulties faced by MSMEs while applying for AEO accreditation. Accordingly, the Board has decided to relax the entire gamut of compliance and security requirements for MSMEs. The relaxation has been carried out to ensure that the MSMEs are facilitated through rationalized compliance requirements (MSME Annexure 1 & 2) and minimum but effective security requirements (MSME Annexure 3).

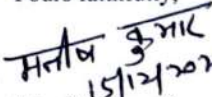
3. Accordingly, the Board has decided to facilitate MSMEs by further relaxing the current accreditation process and reducing the compliance burden for their AEO accreditation. The procedural modifications/relaxations for AEO accreditation of MSMEs are as under:

- i. The eligibility requirement of handling a minimum of 25 documents during the last financial year has been relaxed to 10 documents, subject to handling at least 5 documents in each half-year period of the preceding financial year (Ref.: Para 3.1.7 of the Master Circular).
- ii. The requirement for the applicant to have "business activities for at least three financial years preceding the date of application" has been relaxed to two financial years. (Ref.: Para 3.1.6 of the Master Circular).
- iii. The qualifying period for legal and financial compliance has been reduced from 'the last three financial years' to 'the last two financial years'. (Ref.: Paras 3.2 & 3.4 of the Master Circular).

- iv. For AEO T1 and T2 accreditation, the present annexures i.e., Annexure A, B, C, D, E.1-E.4 have been supplanted with two annexures viz. MSME Annexure 1 and 2. Similar rationalized annexures 1 and 2 are presently being utilized for AEO T1 accreditation only in accordance with the CBIC Circular No. 26/2018-Customs dated 10.08.2018.
 - v. For AEO T2 certification, the present annexures i.e., Annexure E.5.1-E.5.7 for physical verification have been rationalized to a single annexure viz. MSME Annexure 3. The rationalization has been carried out to ensure that the security requirements for an MSME are objective and cover the minimum verifiable security criteria. (Ref.: Para 3.5 of the Master Circular).
 - vi. The time limit for processing of MSME AEO T1 & AEO T2 application has been reduced to fifteen working days (presently one month) and three months (presently six months) respectively after the submission of complete documents for priority processing by customs zones.
 - vii. The benefit of relaxation in furnishing of Bank Guarantee for AEOs has been further relaxed to 25% from 50% and 10% from 25% of that required to be furnished by an importer/exporter who is not an AEO certificate holder, for MSME AEO T1 and MSME AEO T2 entities respectively (Ref.: Para 3.5 of the Master Circular).
4. The aforesaid relaxations shall apply only to an applicant who has a valid MSME certificate from the line-Ministry. Further, the approved MSME must ensure their continuous MSME status during the validity of its AEO certification, if granted.
5. Thus, the AEO accreditation for MSMEs now requires submission of only two annexures for AEO T1 and three annexures for AEO T2 applicants respectively. The two common annexures for AEO T1 and AEO T2 are: MSME Annexure 1 (General Compliance), MSME Annexure 2 (Legal, Managing Commercial Records, and Financial Solvency Compliance). Further, the third annexure for AEO T2 is MSME Annexure 3 (Safety and Security Requirements). These annexures have been designed to fulfil the aspirations of simpler application procedure with reduced documentation requirement for AEO accreditation of MSMEs.
6. The Board Circular No. 33/2016- Customs dated 22/7/2016 as amended stands modified to the above extent.
7. Wide publicity may please be given to this Circular by way of issuance of Trade/Public Notice.
8. Difficulties faced, if any, in the implementation of this Circular may be brought to the notice of this office.

Enclosure: As above.

Yours faithfully,


15/12/2020

(Manish Kumar)

Joint Commissioner (DIC)

APPLICATION FORM FOR GRANT OF AEO T1 & T2 STATUS (for MSMEs)

Note:- This form shall apply only to an applicant who has a valid MSME certificate from the line-Ministry. Further, the approved MSME must ensure their continuous MSME status during the validity of its AEO certification, if granted. In case of break or revocation of the MSME status, the same shall be communicated to the Pr. Commissioner, DIC within 30 days, failing which, the AEO status shall be revoked and the entity shall be considered non-compliant on account of wilful suppression of information for the next one year from the end of the validity of its AEO certification.

MSME Annexure – 1 (General Compliance)

The applicant is required to provide information in this prescribed format in terms of Para 3 (iv) of the Circular No. 54/2020 dated 15.12.2020.

S.No.	COMPLIANCE PARAMETER	DETAILS
1.	Name of Company / Economic Operator:	
2.	Has your AEO application been rejected or your AEO status been suspended in past? If so, on what grounds (please enclose the rejection/suspension letter):	
3 (a).	IEC No.:	
3 (b).	GSTIN:	
3 (c).	MSME Certificate No.:	
3 (d).	Company Registration No. (If applicable):	
3 (e).	PAN: (Copy of the above documents to be provided)	
4.	Address:	
4(i).	Number and Street:	
4(ii).	Zip Code and City:	
	(This shall include list of sites, under control, where import / export goods are handled, e.g. packed / unpacked / loaded / unloaded / consolidated etc. in the course of supply to/from international supply	

	chain) Please provide Site Plan for all the above sites.	
5 (a).	Whether applicant is a manufacturer or trader	
5(b).	If applicant is a manufacturer, what are the main items of manufacturing?	
5 (c).	The industry sector to which the applicant belongs (Eg. Auto/ Pharma/ Chemicals & Plastics/ IT/ Metals/ Electronics Goods et al.)	
6 (a).	Contact person: *	
6 (b).	Designation:	
6 (c).	Contact Number:	
6 (d).	Email address:	
7 (a).	Major Items of import and countries (in case of importer):	
7(b).	Major Items of export and countries (in case of exporter):	
8.	No. of documents i.e. Bills of Entry or Shipping Bills filed during last financial year	
9.	Duration for which the entity has business activities preceding the date of application (in months):	
10.	Provide Process Map that should illustrate the flow of goods and provide sample copy of relevant record keeping documentation (related to- sales & purchase orders, inventory management of warehouse and manufactured goods, shipping/transport document) to ascertain the complete trail and flow of goods. It should describe all the activities/ operations and role of the applicant and that of other business partners who are involved in the import-export supply chain in any manner.	

MSME Annexure – 2 (Legal, Managing Commercial Records, and Financial Solvency Compliance)

The applicant is required to provide information in this prescribed format in terms of Para 3 (iv) of the Circular No. 54/2020 dated 15.12.2020.

S.No.	COMPLIANCE PARAMETER	YES / NO	REMARK
1.	<p>Whether there are any cases of infringement of Customs Laws by any of the following persons over the two financial years preceding the submission of the application:</p> <p>(i) the applicant;</p> <p>(ii) the person responsible in the applicant company for customs matters.</p> <p>If yes, please indicate the details of the cases.</p>		
2.	<p>Have you been issued an SCN by Customs or GST (erstwhile Central Excise and Service Tax) authorities in last two financial years? If yes, kindly bring out:</p> <ol style="list-style-type: none"> Brief of the breach including the provision invoked in the SCN. Whether SCN has been adjudicated? If Yes, bring out the decision of the order. Whether there is any case against you wherein prosecution has been launched? 		
3.	<p>Provide the break-up of contingent liability of last two financial years. If any contingent liability pertains to Customs or GST (erstwhile Central Excise and Service Tax) provide the brief of such liability</p>		
4 (i).	<p>Provide procedures for administering of licence, authorizations connected to exports/imports</p>		
4 (ii).	<p>Provide procedures for administering the commercial records connected to exports/imports</p>		
4 (iii).	<p>Do you deal in goods subject to Anti-dumping duties, Safeguard duties or Countervailing duties? If yes, please provide details of the goods</p>		
5.	<p>Provide procedures for verifying the accuracy of Customs declarations including procedure in place for the establishment of Customs Value and tariff classification.</p> <p>In case any Business Partner/representative is involved in the above mentioned process/formalities, please provide details of</p>		

	the representative along with the document that brings out the responsibility of such representative.		
6.	Provide in brief the procedure to ensure the protection of your computerized record system from unauthorized access		
7.	Provide procedures for backup, recovery, archiving, and retrieval of your business record: Please state for how long this data is achieved.		
8.	Provide the Net-worth along with the audited Audit Report of your company for last two financial years		
9.	Provide the Net Current Assets for your company for the last two financial years. If it is negative, bring out the reason for the same:		
10.	Provide details of any insolvency, bankruptcy or liquidation proceedings taken against your company in last two financial years. Please give a declaration in this regard duly signed by CFO or head of Finance department:		

Note: The applicant should enclose appropriate documentary evidence in support of the above claims.

MSME Annexure – 3 (Safety and Security Requirements)

(applicable for MSMEs applying for AEO T2 only)

The applicant is required to provide information in this prescribed format in terms of Para 3 (v) of the Circular No. 54/2020 dated 15.12.2020.

S.No.	PREMISES SECURITY	YES / NO	REMARK
1	Whether the building/premises is fully secured against unlawful entry i.e. - (i) Adequate fencing, lighting, and security of the perimeter is maintained. (ii) Adequate procedure for issuance of lock & key by an authorized personnel is available.		
2	Whether adequate procedures exist to check that only properly identified and authorized persons, vehicles and goods are permitted access?		
3	Whether there are appropriate security systems for - (i) access control (both into and within the premises). (ii) monitoring the movements/processes within the premises.		

S.No.	CARGO SECURITY	YES / NO	REMARK
1	Whether goods are uniformly marked or stored in designated areas only and its integrity maintained by - (i) restricting access to only properly identified and authorized persons. (ii) permanent monitoring and keeping in a safe, locked area. (iii) adequate monitoring and documentation of movement of cargo within the premises.		
2	Whether all consignments are secured by the use of any high security seals/e-seals and whether such seals are being maintained, distributed and checked by an authorized personnel of the company and verifiable record of the same is being maintained?		
3	Whether appropriate procedures exist to - (i) weigh / tally the goods and compare them against transport documents, purchase/ sales orders and Customs papers. (ii) deal with situations when any discrepancies and/or irregularities are discovered.		

S.No.	CONVEYANCE SECURITY	YES / NO	REMARK
1	Whether, to the extent possible, all conveyances used for the transportation of cargo within the supply chain are - (i) capable of being effectively secured. (ii) driven by drivers having proper identification and training.		
2	Whether the seven-point inspection process is carried out in respect of containers before stuffing of cargo therein. Also, whether potential places of concealment of illegal goods on conveyances are regularly inspected. (preferably under camera or verifiable record of the same is maintained)?		
3	Whether the transporters - (i) maintain training record with respect to drivers employed. (ii) maintain the conveyance integrity while it is en-route transporting cargo (by utilizing a tracking and monitoring device or activity log/records)		

	(iii) notify - any route delays / rerouting or any suspicious incident to the designated department of the applicant company as well as to maintain records of these reports.		
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S.No.	PERSONNEL SECURITY	YES / NO	REMARK
1	Whether all reasonable precautions are taken and background verification is done while recruiting new staff to verify that they are not previously convicted of security-related, Customs or other criminal offences?		
2	Whether adequate procedures are in place - (i) for employee identification that require all employees to carry proper identification that uniquely identifies the employee and organization. (ii) to identify, record and deal with unauthorized or unidentified persons.		
3	Whether procedures are in place to expeditiously remove identification and access to premises and information for employees whose employment is terminated?		

S.No.	BUSINESS PARTNER SECURITY	YES / NO	REMARK
1	Whether the applicant has an adequate vendor/business partner selection policy?		
2	Whether the applicant has documented proof of scope of services being rendered by the vendor/business partner, incorporating as to whether they meet relevant AEO equivalent security criteria?		
3	Whether a system is in place for periodic review/appraisal of business partner's processes and facilities (based on risk assessment for maintenance of security standards by the business partners)?		

S.No.	SECURITY TRAINING AND THREAT AWARENESS	YES / NO	REMARK
1	Whether the applicant has established and maintained - (i) a threat awareness program to foster awareness of any threat at any point in the supply chain. (ii) adequate training programs for relevant employees with respect various aspects of security (such as premises security, cargo security, conveyance security and personnel security)		
2	Whether employees of the applicant are aware of the procedures in place to address any situation with respect to any breach in supply chain and to report/escalate the same?		
3	Whether the records of security training are maintained and are available for verification by the AEO Programme team and Indian Customs?		

Note: The applicant should enclose appropriate documentary evidence in support of the above claims.