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## Newsflash

**Authorised Economic Operator Scheme – Inclusion  
of the Gems & Jewellery Sector**

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### Authorised Economic Operator Scheme – Inclusion of the Gems & Jewellery Sector

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#### 1.0 Brief Background

- The Authorized Economic Operator (AEO) Programme, launched as a pilot project in the year 2011 by the Central Board of Indirect Taxes and Customs (CBIC), aims to enhance security and efficiency in cross-border trade.
- The AEO Program requires an application by a business and requires processes and compliance with supply chain standards.
- The AEO status offers various benefits such as streamlined customs clearance, expedited cargo processing, deferred duty payments, direct port delivery/entry, and privileges of mutual recognition agreements (MRAs).
- AEO is a voluntary compliance programme that works in collaboration with the principal participants of the global supply chain i.e. the importers, exporters, logistics providers, custodians, custom brokers, and warehouse operators, thereby seeking to strengthen cargo security.
- The programme is a collaboration between Customs administrations and trade partners globally, working together to improve security and streamline cross-border trade processes. The CBIC has effectively digitalized the AEO application process and facilitates online delivery of electronically signed applications. The present AEO processing is completely decentralized and the application can be approved at the Customs Zonal level. This minimizes wastage of time in forwarding the applications from zonal offices to the AEO headquarters.
- The AEO certification program provides businesses in India with a range of benefits related to supply chain security and facilitation of international trade. There are three tiers of AEO certification - Tier 1, Tier 2, and Tier 3 - each with increasing levels of requirements for compliance, security, and safety to achieve. These are explained below:



## 2.0 AEO Scheme and The Gems and Jewellery (G & J) Sector in India:

- The Gems and Jewellery (G&J) sector in India is a crucial pillar of the country's economy and a major export oriented sector. Since G&J is a highly competitive and ever-evolving sector, there is a need for streamlined Customs and Export procedures.
- The G & J sector in India faces several challenges, such as international competition, regulatory compliance, and supply chain security. In this context, AEO certification shall provide India's major exporters with a competitive edge in the global marketplace.
- Obtaining recognition as an AEO status holder has several benefits:
  - ✓ Ensures that businesses in the G & J sector comply with the highest standards of security and safety across the supply chain.
  - ✓ This enhances the sector's reputation for compliance and increases the confidence of foreign buyers and customers
  - ✓ It also ensures several trade facilitation benefits including faster clearance times, priority treatment for inspections, reduced compliance costs, and mutual recognition arrangements with other countries' customs authorities.

## 3.0 AEO – Eligibility Conditions for a Desirous Applicant:

The following conditions need to be fulfilled by a business entity engaged in cross border trade in order to obtain the AEO status:

- The business entity should have handled a minimum of 25 custom documents (Bill of Entry or Shipping Bills) in the last fiscal year
- The entity should have been engaged in business activities for last 3 financial years (This condition can be waived in deserving cases)
- Entity needs to ensure Systematic record maintenance and maintain approved security and safety standards.

#### **4.0 Benefits of AEO status:**

The AEO scheme offers several advantages for all three categories of AEOs - T1, T2, T3, and Logistic Operators (LOs). Here are some of the key benefits:

- Recognition worldwide as safe, secure and compliant business partners in international trade
- Trade facilitation by a foreign Customs administration with whom India enters into a Mutual Recognition Agreement
- 24/7 clearances on request at all sea ports and airports
- ID cards for convenient entry to Custom Houses, Container Freight Stations (CFS) and Inland Container Depots (ICDs)
- Facility of Direct Port Delivery (DPD) of their import Containers and/ or Direct Port Entry (DPE) of their Export Containers
- Full or part waiver of Bank Guarantee requirements
- Priority scanning of select documents
- Deferred payment of duties
- Waiver from transactional Post Clearances Audit (PCA). Instead, Onsite PCA has been provided, and the selection of the same will be based on the risk assessment of AEOs.
- Faster disbursement of drawback amount
- Shorter cargo release time
- Separate space earmarked in Custodian's premises
- Speedy dispute resolutions

Thus, by achieving AEO certification, businesses in the G&J sector can ensure a smoother, efficient flow of goods while mitigating the risks associated with international trade, making it a vital programme for the growth and development of the sector.

#### **5.0 Other Significant points in relation to AEO Status Holders:**

- The validity of AEO certificate is three years for AEO-T1 and AEO-T2, and five years for AEO-T3 and AEO-LO.
- An AEO status holder shall get the AEO benefits at all Customs ports/ airports/ Land Customs stations.
- 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.

#### **6.0 Other Significant points in relation to AEO Status Holders:**

The G & J sector is one of the most significant industries in India. The AEO programme holds a great potential to support and benefit the trade in this sector. With new security measures and risk management protocols in place, the programme aims to provide several benefits to businesses engaged in international trade.

RSM India, with its broad presence in the G&J industry, and with dedicated specialists in domains such as cybersecurity, supply chain, Customs and indirect taxes, can assist clients as follows:

- Evaluating current process and security measures to assess readiness for AEO certification.
- Assistance in performing a Cost vs Benefit Analysis in respect of the AEO Status.
- Stakeholder Education on AEO requirements and benefits.

- Assist in making application and submission of documentation required for obtaining AEO Status.
- Follow up for the application and obtaining benefits on behalf of the client.
- Assistance in ongoing compliances to ensure continuation of benefits.

With the benefits the AEO Scheme proposes and the expertise RSM India has in the G&J space, we can assist clients in taking advantage of this scheme and becoming competitive in the global G&J marketplace.

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