

ADVANCE AUTHORISATION SCHEME

4.1.3.1 An Advance Authorisation is issued to allow duty free import of inputs, which are physically incorporated in export product (making normal allowance for wastage). In addition, fuel, oil, energy, catalysts which are consumed / utilised to obtain export product, may also be allowed. DGFT, by means of Public Notice, may exclude any product(s) from the purview of Advance Authorisation.

Advance Authorisation

4.1.3.2 Mandatory spares which are required to be exported / supplied with the resultant product can be allowed duty free but upto 10% of CIF value of Authorisation.

4.1.3.3 Advance Authorisations are issued for inputs and export items given under SION. These can also be issued on the basis of Adhoc norms or self declared norms as per para 4.7 of HBP v1.

4.1.3.4 (a) Advance Authorisation can be issued either to a manufacturer exporter or a merchant exporter tied to supporting manufacturer(s). However, advance authorisation under paragraph 4.7A of HBP. v1 [for pharmaceutical products manufactured through Non-Infringing (NI) process] shall be issued to Manufacturer exporter only.

(b) Advance Authorisation shall be issued for:

- (i) Physical exports (including exports to SEZ); and/or
- (ii) Intermediate supplies; and/or
- (iii) Such supply of goods that are allowed in Chapter 8 of the FTP;

- (iv) Supply of 'stores' on board of foreign going vessel / aircraft subject to condition that there is specific SION in respect of item(s) supplied.

4.1.3.5 In addition, in respect of supply of goods to specified projects mentioned in paragraph 8.2 (d), (f) and (j) of FTP, an Advance Authorisation can also be availed by sub-contractor to such project provided name of sub contractor(s) appears in main contract.

4.1.3.6 Such Authorisation can also be issued for supplies made to United Nations Organisations or under Aid Programme of the United Nations or other multilateral agencies; such supplies need to be paid for in free foreign exchange.

4.1.3.7 However, Advance Authorization for import of raw sugar can be issued either to a manufacturer exporter or merchant exporter tied to supporting manufacturer(s). Exports can also be made by procurement of white sugar from any other factory(ies). This provision shall be applicable for exports from 17.02.2009.

4.1.4 Advance Authorisations are exempted from payment of basic customs duty, additional customs duty, education cess, anti dumping duty and safeguard duty, if any. However, imports for supplies covered under paragraph 8.2 (h) & (i) will not be exempted from payment of applicable anti-dumping and safeguard duty, if any.

4.1.5 (a) Advance Authorisation and / or materials imported thereunder will be with actual user condition. It will not be transferable even after completion of export obligation. However, Authorisation holder will have option to dispose off product manufactured out of duty free inputs once export obligation is completed. In case where CENVAT credit facility on inputs have been availed for the exported goods, even after completion of export obligation, the goods imported against Advance Authorisation shall be utilized only in the manufacture of dutiable goods whether within the same factory or outside (by a supporting

manufacturer), for which the authorisation holder shall produce a certificate from either the jurisdictional Central Excise Superintendent or Chartered Accountant, at the option of the exporter, at the time of filing application for EODC to RA concerned.

(b) Further the manufacturing wastes / scrap, as allowed, can be disposed off with the payment of applicable duty even before fulfilment of export obligation.

4.1.6

Minimum Value Addition

(a) Advance Authorisation necessitates exports with a minimum value addition of 15%, except for items specified in Appendix 11B of HBP v1 and for items in Gems & Jewellery Sector, for which value addition would be as per paragraph 4A.2.1 of HBP v1. Exports to SEZ Units / supplies to Developers / Co-developers, irrespective of currency of realization, would also be covered.

(b) For physical exports for which payments are not received in freely convertible currency, same shall be subject to value addition as specified in Appendix-11 of HBP v1.

(c) In case of Authorisation for import of Tea, minimum value addition under Advance Authorisation shall be 50%.

(d) Similarly, in case of spices {covered by Chapter 9 of ITC(HS)}, duty free import of spices shall be permitted only for value addition purposes like crushing / grinding / sterilization or for manufacture of oils and oleoresins and not for simple cleaning, grading, re-packing etc.

4.1.7

Validity

(a) Advance Authorisation shall be issued in accordance with Policy and procedure in force on Authorisation issue date.

(b) Validity period of Advance Authorisation for import shall be as prescribed in HBP v1.