

8. Advance Authorization Scheme:

8.1 Advance Authorisations (AA) are issued to allow duty free import of inputs that are physically incorporated in the export product (after making normal allowance for wastage). The holder is required to fulfil the export obligation (EO) by exporting a specified quantity/value of the resultant product. AA holders are required to file a bond with 100% Bank Guarantee for the duty difference at the time of import of duty free inputs. Certain categories of exporters, however, have been exempted from filing Bank Guarantees subject to certain conditions.

[Refer Circular No.58/2004-Cus., dated 21-10-2004, No.17/2009-Cus., dated 25-5-2009, No.32/2009-Cus., dated 25-11-2009, No.6/2011-Cus., dated 18-1-2011 and 8/2013-Customs dated 04-03-2013]

8.2 AA normally have a validity period of 12 months for the purpose of making imports and a period of 18 months for fulfilment of Export Obligation (EO) from the date of issue with certain exceptions as per para 4.22(a) of HBP Vol.1. The relevant DGFT authority who issues the Authorisation is competent to grant one extension of EO period up to six months from the EO expiry date subject to payment of composition fee of 0.5% of the short fall in EO as per para 4.22 (b) of HBP Vol.1. RA may consider a request of original authorization holder and grant one revalidation for six months from expiry date as per para 4.23 of HBP Vol. 1.

8.3 In addition to inputs, certain items like fuel, oil, catalysts, etc., which are consumed in the course of their use to obtain the export product are also allowed under the scheme. The raw materials/inputs are allowed duty free as per the quantity specified in the Standard Input-Output Norms (SION) notified by the DGFT or as per self-declared norms of the exporter in terms of Para 4.7 of Handbook of Procedures (HBP) Vol.1.

8.4 AA are issued both for physical exports as well as deemed exports. These are also issued on the basis of annual requirements of the exporter, which enables planning manufacturing / export programme on a longer term basis. The Advance Authorisations are issued on pre-export or post export basis in accordance with the FTP and procedures in force on the date of issue of Authorisation.

8.5 AA are issued either to a manufacturer exporter or merchant exporter tied to a supporting manufacturer(s). They can also be issued to sub-contractors in respect of supplies of goods to specified projects provided the name of such subcontractor appears in the main contract.

8.6 AA have a minimum of 15% value addition with effect from the current FTP, 2009-14. In para 4.1.2 of FTP the formula/norm for Value Addition (except for gems and jewellery) includes a reference to intent of claiming drawback. All Industry Rate (AIR) of Duty Drawback is not admissible to an AA holder. However, the Advance Authorization holder may claim Brand Rate of Duty Drawback in respect of inputs which are not imported against the Advance Authorisation and on which Customs/Excise duties have been paid. However, for this the drawback would be allowed only for such duty paid items which have been endorsed for drawback payment on the authorization itself by the Regional Authority. This specification is in para 4.1.14 of FTP and is essential to ensure the value addition norms are correctly met.

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- 8.7 The value addition for gems and jewellery and for specified goods is specified as per Appendix-11B and para 4A2.1 of HBP Vol.1. In case of Authorisation for Tea, the minimum value addition is 50% as per para 4.1.6 of FTP (RE-2010). Higher value additions are prescribed for exports for which payments are not received in freely convertible currency. The Advance Authorisations and/or materials, imported thereunder are not transferable even after completion of export obligation.
- 8.8 The imports/exports under AA and their utilization require proper monitoring as the goods are imported duty free against an obligation to export. AA holder is required to maintain a true and proper account of consumption and utilization of duty free imported/domestically procured goods for a minimum period of 3 years as per para 4.30 of HBP Vol.1. Further, the holder is to indicate the Advance Authorization No./date on the Shipping Bill/Invoice (in case of deemed exports) and fulfilment of export obligation, relevant export documents are to be submitted to DGFT to obtain Export Obligation Discharge Certificate (EODC) which is produced to the Customs for redemption of bond/Bank Guarantee filed. The acceptance of EODC by Customs is subject to prescribed checks including intelligence based checks.
- 8.9 AA holder is required to pay the duties with interest in case export obligation is not fulfilled. The DGFT's Regional Authority are required to inform details of recovery/deposits to Commissioner of Central Excise having jurisdiction over the factory of the authorization holder as per para 4.29 of HBP Vol.1.
- 8.10 AA schemes (normal and for annual requirement) are implemented through Notification No. 96/2009-Cus and No. 99/2009-Cus, both dated 11.9.2009 with certain variations in the conditions. AA for Deemed Exports is implemented by Notification No. 112/2009-Cus dated 29.09.2009.