

# Advance Authorization Scheme

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## Advance Authorization Scheme

- The Advance Authorization Scheme is a scheme where the import of inputs will be allowed to be made duty-free (after making normal allowance for wastage) if they are physically incorporated in a product which is going to be exported.
- An export obligation is usually set as a condition for issuing Advance Authorization.

## Eligibility for Advance Authorization

- The Advance Authorization Scheme is available to either a manufacturer exporter directly or a merchant exporter tied with a supporting manufacturer.
- The authorization is available for the following:
  - Physical exports
  - Intermediate supply
  - Supplies made to specified categories of deemed exports
  - Supply of 'stores' on board of a foreign going vessel/aircraft provided that there are specific Standard Input Output Norms (SION) in respect of items supplied.

## The validity of Advance Authorization

- Advance Authorization is valid for 12 months from the date of issue of such Authorization.
- In the case of deemed exports, the Authorization is linked to the contracted duration of project execution or 12 months from the date of issue of such Authorization, whichever is more.
- However, the export obligation may be fulfilled within 18 months from the date of issue of Authorization or as

notified by the DGFT. Unless specified, the export proceeds should be realized in freely convertible currency.

### **Grounds for issuing Advance Authorization**

Advance Authorization can be issued for inputs used in the product that is to be exported on the basis of the following:

- **Standard Input Output Norms (SION) notified:** The Director General of Foreign Trade (DGFT), on the recommendation of the Norms Committee, issues standard norms that define the amount of input required in the manufacture of a unit of the output product that will be exported. It is available for a wide range of products.
- **Self-declaration:** Sometimes the SION is not available for a particular product. In such a case, an application may be made to the Regional Authority who will issue the Advance Authorization upon review.
- **Application prior to fixation of the norm by the Norms Committee:** Another option available to an exporter where the SION is not defined is to make an application to the norms committee, requesting the same. After providing all the required data to the norms committee, the committee shall endeavour to either fix these norms or provide ad-hoc norms on the basis of the application made. Such ad-hoc norms are valid for one authorization only and no repeat authorizations can be issued.
- **Self Ratification Scheme:** Advance Authorization under this Scheme is available only to an exporter who holds the Authorized Economic Operator (AEO) Certificate under Common Accreditation Programme of CBEC. This Scheme can be opted for when there is no SION or valid ad-hoc norms for an export product and also where, SION has been notified, but the exporter wishes to use additional inputs in the manufacturing process. Ratification by the norms committee is not required under this scheme and the regional authority may issue Advance Authorization

upon fulfilment of the relevant conditions.

### **Duties exempt under the Advance Authorization Scheme**

The inputs imported are exempt from duties like Basic Customs Duty, Additional Customs Duty, Education Cess, Anti-dumping duty, Safeguard Duty and Transition Product-Specific Safeguard duty, Integrated tax, and Compensation Cess, wherever applicable, subject to certain conditions

### **Duty-free importable items under the scheme**

The following items can be imported without payment of duty under this scheme:

- Inputs that are physically incorporated in the product to be exported after making normal allowance for wastage
- Fuel, oil, catalysts which are consumed or utilized to obtain the export product.
- Mandatory spares that are required to be exported along with the resultant export product – up to 10% of the CIF value (Cost, Insurance and Freight) of Authorization
- Specified spices would be allowed to be imported duty-free only for activities like crushing, grinding, sterilization, manufacture of oil or oleoresin and not for simpler activities like cleaning, grading, re-packing, etc.