

CAROTAR Rules 2020

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In news- The Central Board of Indirect Taxes and Customs (CBIC) has recently said that the **customs field officers should be sensitive to applying CAROTAR** (Customs Administration of Rules of Origin under Trade Agreements) and maintain consistency with the provisions of relevant trade agreements or its Rules of Origin.

CAROTAR Rules-

- The Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020 (CAROTAR, 2020), was notified on 21st August 2020 by the Central Board of Indirect Taxes and Customs.
- **Rules aim to add to the existing operational certification procedures which are prescribed under different trade agreements such as Free Trade Agreements (FTAs), Preferential Trade Agreement, Comprehensive Economic Cooperation Agreement and Comprehensive Economic Partnership Agreement.**
- **The Rules define the extent of information which is to be possessed by the importer.**
- An importer needs to keep the origin related information specific to every Bill of Entry (B/E) for a minimum of 5 years. The five years period starts from the date of filing the B/E.
- **The Rules mandate the inclusion of specific origin related information in B/E.**
- It provides for the scenario where verification can be initiated from the exporting country.
- It **sets the timeline for receipt of information** from the verifying authorities, not provided in Trade Agreements.
- It **sets the timeline to finalise decisions** based on the information received from the importer or verifying

authorities.

- It provides for the action that can be taken on the imported identical goods when the goods do not meet the originating criteria.
- These rules **empower the customs officers to ask the importer to furnish further information, consistent with the trade agreement**, in case the officer has reasons to believe that the country-of-origin criteria have not been met.
- Where the importer fails to provide the requisite information, the officer can make further verification consistent with the trade agreement.
- According to the CAROTAR rules, in the event of a conflict between a provision of these rules and a provision of the Rules of Origin, the **provision of the Rules of Origin shall prevail to the extent of the conflict**.
- **The 'rules of origin' provision prescribes minimal processing that should happen in the** Free Trade Agreement (FTA) **country** so that the final manufactured product may be called originating goods in that country.
- **Under this provision, a country that has inked an FTA with India cannot dump goods from some third country in the Indian market** by just putting a label on it.
- **It has to undertake a prescribed value addition in that product to export to India**. Rules of origin norms **help contain dumping of goods**.
- Currently, the CAROTAR rules require extensive submission of data and facts, where in certain cases the requirement even goes beyond the stipulated conditions under the bilateral/multilateral FTAs signed between the countries.
- Exemptions specified in a Free Trade Agreement (FTA) with regard to country of origin will prevail in case of conflict between revenue department and importer.
- India has inked FTAs with several countries, including the UAE, Mauritius, Japan, South Korea, Singapore, and

ASEAN members.

- Under an FTA, the trading partners agree to significantly reduce or eliminate import/customs duties on the maximum number of goods traded between them, besides relaxing norms to promote trade in services and investments.

Further

reading:

<https://journalsofindia.com/free-trade-agreement-fta/>