

# Liberalized MSME AEO package

January 8, 2021

In news

Central Board of Indirect Taxes & Customs (CBIC) introduces the “Liberalised MSME AEO Package” for Micro Small and Medium Enterprises (MSMEs).

## About the Liberalised MSME AEO Package

- In order to attract MSMEs to become **Authorised Economic Operators (AEOs)** and avail the various benefits, the CBIC has relaxed the compliance criteria provided the MSMEs have a valid certificate from their line-Ministry.

### **Authorized Economic Operator (AEO)**

According to the World Customs Organization (WCO), an authorized economic operator (AEO) is “a party involved in the international movement of goods in whatever function that has been approved by or on behalf of a national Customs administration as complying with WCO or equivalent supply chain security standards. Authorized Economic Operators include *inter alia* manufacturers, importers, exporters, brokers, carriers, consolidators, intermediaries, ports, airports, terminal operators, integrated operators, warehouses and distributors”

- The relaxed requirements allow MSMEs who have filed minimum 10 Customs clearance documents in one year and who have a clean compliance record over 2 years to apply for the scheme.
- The documentary requirements have also been appreciably simplified.
- Another feature is that the CBIC commits to take a decision on an application for grant of AEO status within only 15 days from the electronic submission of

- complete documents for AEO Tier T1.
- Additional benefits, like a further reduction in Bank Guarantee requirements, have been introduced for MSMEs and will be expanded subsequently.
  - CBIC's flagship "Liberalised MSME AEO Package" scheme is a voluntary compliance program that enables swifter Customs clearance for accredited stakeholders in the global supply chain viz. importers, exporters, logistic service providers, custodians, etc.
  - The approved AEOs derive various benefits such as, inter alia, the facility of Direct Port Delivery (DPD) of imported containers, Direct Port Entry (DPE) of their Export Containers, high level of facilitation in customs clearance of their consignments thereby ensuring shorter cargo release time, exemption from Bank guarantees, priority for refund/ rebate/ duty Drawback, as well as a Client Relationship Manager at the customs port as a single point of interaction.
  - Another important benefit available to specified AEOs is that their payment of Customs duty is deferred and need not to be paid before the clearance of the imported goods by Customs.
  - An added advantage for Tier 2 AEOs is that their exports to certain countries are accorded facilitation by the foreign Customs administration with whom India enters into a Mutual Recognition Agreement/Arrangement.
  - Through the "Liberalised MSME AEO Package", CBIC encourages all eligible MSMEs to avail advantages of faster Customs clearances and other related benefits.

### About Central Board of Indirect Taxes and Customs

- Central Board of Indirect Taxes and Customs (erstwhile Central Board of Excise & Customs) is a part of the Department of Revenue under the Ministry of Finance, Government of India.
- It deals with the tasks of formulation of policy

concerning levy and collection of Customs, Central Excise duties, Central Goods & Services Tax and IGST, prevention of smuggling and administration of matters relating to Customs, Central Excise, Central Goods & Services Tax, IGST and Narcotics to the extent under CBIC's purview.

- The Board is the administrative authority for its subordinate organizations, including Custom Houses, Central Excise and Central GST Commissionerates and the Central Revenues Control Laboratory.