CIRCULAR NO. 42/2005-Cus

F.No.450/66/2005-Cus.IV
Government of India
Ministry of Finance
Department of Revenue
Central Board of Excise & Customs

November 24th, 2005

Subject: Introduction of Accredited Clients Programme (ACP)- regarding-

I am directed to invite your attention to Board"s circular letter F.No.450/30/2003-Cus-IV dated 4th April, 2003 on Self Assessment Scheme for Accelerated Clearance of Import/Export Cargo and Board's Circulars issued vide F. No. 446/ 5/ 97- CUS.IV No. 63/97-Cus dated 21/11/97 on Fast Track Clearance. An Inter Ministerial Group (IMG) headed by Secretary (Revenue) consisting of representatives from Ministry of Shipping, Ministry of Commerce, Planning Commission besides CBEC, deliberated on the issue of internationally accepted method of assessing various types of cargo and prescribing procedure for efficient Customs clearance. IMG recommended to Introduce Risk Management System (RMS) as a measure of trade facilitation and for selective screening of only high risk cargo for customs examination. Such systems should provide for a special customs clearance procedure for authorized persons (Accredited Clients) having good track record and who meet specified criteria identified by the Customs.

2. Accordingly, the Board has decided to introduce the **Risk Management System (RMS**) with the **"Accredited Client's Programme"(ACP)** as its major component. The objective of the programme is to grant assured facilitation to importers who have demonstrated capacity and willingness to comply with the laws Customs department is required to implement. With the implementation of the Risk Management System, this programme will replace all existing schemes for facilitation in the sites where RMS is implemented. The RMS is scheduled for implementation from November, 2005 onwards in a phased manner, beginning with the Air Cargo Complex, Sahar, Mumbai. The dates for implementation would be announced separately.

3. The goal of the Risk Management System (RMS) is to enable the department to strike an appropriate balance between trade facilitation and enforcement. Under the RMS, Bills of Entry filed by importers in the Indian Customs EDI System will be processed for risk and a larger number of consignments will be allowed clearance based on the importer's self assessment without examination, after checking the marks and numbers on the packages or in the case of Full Container Load (FCL Cargo), the container numbers and seals, and after taking over the relevant documents from the importers. Other consignments would be selected for Appraisement or Examination or both depending on the evaluation of risk by the RMS.

4. Upon introduction of RMS, Concurrent Audit shall be replaced by Post Clearance Audit for all importers. Post Clearance Audit will be carried out on Bills of Entry selected by the Risk Management System.

5. Importers registered by the department as **"Accredited Clients"** under the Accredited Clients Programme will form a separate category to which assured facilitation would be provided. Except for a small percentage of consignments selected on a random basis by the RMS, or cases where specific intelligence is available or where a specifically observed pattern of non-compliance is required to be addressed, the Accredited Clients will be allowed clearance on the basis of self assessment i.e. as a matter of course, clearance would be allowed on the basis of their declarations, and without examination of goods. Further, this benefit would be available to the registered Accredited Clients at all the ports in the country where EDI and the RMS are operational. It is expected that this measure will bring about drastic reduction in the dwell time of cargo and transaction costs for such importers.

6. Considering the likely volumes of cargo that would be imported by the Accredited Clients, Custom Houses may create separately earmarked facility/counters for providing customs clearance service to the Accredited Clients. Commissioners of Customs are also required to work with the Custodians for earmarking separate storage space, handling facility and expeditious clearance procedures for these clients. Further IMG has also recommended 'faster delivery system by creating separate area in the port premises clearly earmarked for immediate delivery of cargo to specified accredited importers'. The matter should be taken up with port authorities for having a 'separate area' for accredited importers.

7. The importers desirous of availing the facility as "Accredited Clients" are required to apply for registration under the scheme using the Application form attached at Annex - 1. Importers meeting the following criteria shall be the eligible under the Accredited Clients Program:

(i) They should have imported goods valued at Rs Ten Crores [assessable value] in the previous financial year; or paid more than Rs One Crore of Customs duty in the previous financial year; or, in the case of importers who are also Central Excise assessees, paid Central Excise Duties over Rs. One Crore from the Personal Ledger Account in the previous financial year.

(ii) They should have filed at least 25 Bills of Entry in the previous financial year in one or more Indian Customs stations.

(iii) They should have no cases of Customs, Central Excise or Service Tax booked against them in the previous three financial years. Cases booked would imply that there should be at least a show cause notice, invoking penal provisions, issued to an importer.

(iv) They should also not have any cases booked under any of the Allied Acts being implemented by Customs.

(v) The quality of the submissions made by the applicants to Customs should be good as measured by the number of amendments made in the bills of entry submitted by them in relation to classification of goods, valuation and claim for exemption benefits. The number of such amendments should not have exceeded 20% of the bills of entry during the previous financial year.

(vi) They should have no duty demands pending on account of non-fulfillment of Export obligation.

(vii) They should have reliable systems of record keeping and internal controls and their accounting systems should conform to recognized standards of accounting. They are required to provide the necessary certificate from their Chartered Accountants in this regard as per format given in the Application form.

For qualifying for the ACP, the applicants will have to satisfy any one of the criteria set out at serial number (i) and all the other criteria set out above. Further, the accreditation would

initially be valid for a period of one year and would be renewable thereafter upon a review of the compliance record of the Accredited Client.

8. The Board is shortly establishing the '**Risk Management Division**' in the Directorate General of Systems, which will *inter alia* be administering the Accredited Clients Program. The list of Accredited Clients will be maintained centrally in the Risk Management System. Pending the establishment of the division, the importers may apply to the Commissioners in charge of the ports through which they import goods. The Commissioners will, after scrutiny of the applications, forward them to RMS project team in the Directorate of Systems with their recommendations.

9. The importers who have been granted the status of Accredited Clients will be required to maintain high levels of compliance. It will be closely monitored by the Risk Management Division in co-ordination with the Commissioners of Customs and where compliance levels fall, the importer will first be informed for improvement. In case of persistent non compliance, the importer may be deregistered under the Accredited Client's Program.

10. In order to ensure that there is no misuse of the program by imposters (persons who assume the Accredited Client's name and identity), it would be mandatory for the accredited clients under the ACP to file bills of entry using digital signatures. Therefore, importers are advised to obtain Digital Signature Certificates being issued by CBEC. Where the Accredited Clients are filing their documents through their Custom House Agents, they must advise their Custom House Agents to file their bills of entry using digital signatures granted to them by the department. For obtaining Digital Signature Certificates, the trade may visit the site at **www.icert.gov.in.**

11. Additionally, all bills of entry must be filed by Accredited Clients through the ICEGATE facility and duty in respect of these consignments must be paid though such Clients' bank account at the designated bank.

12. Initially, this scheme will be launched for Imports at Air Cargo Complex, Sahar where the RMS roll out is likely to commence in the month of November 2005. This would be followed by the progressive roll out of the RMS at other locations where EDI is operational. The importers who are registered as Accredited Clients under the ACP scheme would get its benefits at all the locations where RMS is operationalised. To facilitate migration of the eligible importers to the new scheme, it has been decided that its benefits would be automatically extended to importers who are availing of any of the existing facilitation schemes for a period of three months. This is to enable such importers to apply for the Accredited Clients Programme and get registered under it. It is also clarified that the existing schemes for facilitation would continue at each of the EDI sites till the RMS is implemented at that site.

13. Detailed instructions as regards the other aspects of the Risk Management System will follow.

14. The details of the ACP scheme along with the Application Package are available at **www.cbec.gov.in** and **www.icegate.gov.in.** Wide publicity may be given to this scheme through the recognized trade bodies and chambers of commerce.

15. Receipt of this Circular may be acknowledged.

Annex -1

Application form for Accredited Clients Programme:

(Please refer to Para 7 of the Circular)

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y of PAN number to be attached with Application form]

C

anufacturer or Trader with details of major items Manufactured and/or imported

siness.

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ails with Account No & Name of the Bank, Address and date since operated.

orter.

ess was owned by the importer in the past, if so previous PAN, IE Code, Central Excise Registration Number, with all detail
fax no, Email Address.

Quality Accreditations such as ISO? If yes, please specify the particulars.

ented any ERP solutions for your accounting, inventory control and logistics? If yes, please specify the package.

t Venture partners, if any with details i.e Address, Telephone, Fax,

r / Chief Executive officer

Directors and Directors of the applicant Company listed as directors of any other Company? If yes, please furnish the partic

rtment(s) handling Customs matters
son (s) in charge

o be furnished if applicable)

activities relating to Customs and respective firms/persons (Inland transporters, logistics, freight forwarders etc.,) Name
Activity: Address: Teleph

use Agents employed at each port, with date (s) of appointment of the CHA.

Valuation Branch [SVB] Registration Number, if any, with details including that of last review by the Custom House

istration No (s)

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tration No

y filed at each port in the previous financial year. Please furnish the details port-wise.

t each port and total duty paid in the previous financial year.

s pending with the Customs (pl attach a brief about each dispute from the Company's perspective)

been penalized under Customs Act/Central Excise Act/ Service Tax and/or any other enactments implemented by the Custom
l years? If Yes, Details of the connected Show cause notice(s), adjudication order(s) etc may be furnished, along with the pr
n Appellate or Judicial forums.

g Director or any of the Directors been penalized under Customs Act or Central Excise Act/Service Tax enactment? Details

Green Channel/Fast Track facility at any port today? If yes then list the ports and the date(s) from which the facility is being

tion of the Authorized Signatory
rized signatory

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Declaration:

1. I/We hereby affirm that the particulars furnished above have been verified from my/our internal records and are true and complete disclosures. I/We accept that any discrepancy noticed by the department may debar us at the threshold or at any stage thereafter from obtaining/continuing with the Accredited Client Status. Any change in the said particulars will be intimated to the Commissioner of Customs within a fortnight of such being occasioned.

2. I/We understand that the Accredited Client status which may be conferred on us is an expression of the Customs department's trust in my/our ability and willingness to comply with the Acts, Rules, Regulations and policies that the Customs department is required to implement.

3. I/We have understood the conditions listed in the Accredited Client Program document for continued enjoyment of the status and undertake to abide by them. We also understand that

waiver of examination of our documents or goods cannot be claimed as a legal right by me/us in every instance.

4. I/We are willing to align our systems with the requirements of the Customs department and incur reasonable expenditure on such initiatives.

5. I/We accept that the decision of the Customs department in any matter concerning grant, revocation or curtailment of the Accredited Client status will be final and binding on me/us.

Date:

Place:

Authorized Signatory

Name

Designation

Format of Auditor's/Chartered accountant's certificate to be submitted by ACP Applicants.

(Please refer to Para 7 (vii) of the Circular)

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This is to certify that we have gone through the accounts maintained by Messrs._____ [Importer] and do hereby certify that the accounting systems followed by Messrs._____ [Importer] conform to the accounting standards prescribed by the Institute of Chartered Accounts of India. We also certify that the systems of _____ [Importer} provide for maintenance of records relating to the receipt, usage and disposal of imported goods for at least a period of five years from the date of import.

We also certify that the Messrs._____ [Importer] have/have not implemented ERP based solutions for their accounts and inventory management systems.

Signature of Authorized signatory

Statutory Auditor /Chartered Accountant