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Accredited Clients Programme

Promoting Voluntary Compliance

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Accredited Client Programme

As a part of its Business Process Re-engineering efforts, the Central Board of Excise and Customs introduced a risk management based solution for cargo clearance process. The Board's Circular No 42/2005 Customs dated 24/11/2005, as amended by Circular No. 29/2010-Customs dt.20/08/2010 may please be seen in this regard. The objective of the risk management programme is to strike an optimal balance between the concerns of facilitation on the one hand and enforcement on the other. The Risk Management System (RMS) will enable the Customs department to enhance the effectiveness of the resources at its disposal by focusing them on high risk areas, while delivering a higher level of facilitation to clients who are assessed as compliant and, therefore, of low risk. Simultaneously, with the implementation of the RMS, it has also been decided to introduce an improved system of audit, which will operate in the post-clearance environment. The present

concurrent system of audit will be completely abolished.

What is the Accredited Clients Programme?

The Accredited Client Programme (ACP) is a major element of the risk management strategy of the department. Under this programme, clients who are assessed as highly compliant would be given assured facilitation by the RMS. One of the stated objectives of the CBEC, as expressed in its Vision document, is to create a climate of voluntary compliance. Such a climate can be created only by developing a relationship of trust between the department and its clients. With this goal in view, the ACP has been designed to provide recognition and the incentive of facilitation to clients who maintain high levels of compliance.

If you satisfy the eligibility criteria listed below you can apply for enrolment under the ACP. We hardly need to emphasize that apart from satisfying the eligibility

criteria, we also expect you to maintain the required level of compliance once you are approved for the benefits of this programme. Please carefully read the paragraphs entitled “Our expectations from you”. The continued enjoyment of the benefits of the programme is subject to your meeting those expectations. This programme is available at all the Customs locations which have been automated, i.e. where the ICES has been implemented.

What are the benefits you can expect from the ACP?

The clients who are approved under ACP will get assured facilitation. This means that in most cases, excepting a small number of occasions when their consignments will be randomly selected for checks by Customs officers, the Indian Customs EDI System will accept the declared classification and valuation and assess duty on the basis of importers’ self-declaration. The import consignments of ACP clients will also not be subjected to examination. In short, the ACP

clients will enjoy an assured self-assessment in respect of imports. These will be subject to system generated random checks which will be a very nominal percentage of your total consignments.

We will also work with the Custodians at the various ports/airports to ensure that your cargo is delivered quickly. We expect this facility to bring about a dramatic reduction in the time it takes you to clear goods through Customs and also in your transaction costs.

Once you are approved for ACP, you will be eligible for its benefits at all ICES locations. You need not apply for these benefits separately for each port or airport. The ACP permission will have validity for one year unless revoked for reasons of non-compliance or violations. The ACP will be extended on a case to case basis by a screening committee based on review of the continuing compliance record.

The department, however, reserves the right to stop and examine your consignments if there are valid and adequate reasons for doing so.

Who is eligible to apply for ACP?

The ACP is intended for importers who have a clean track record and a history of compliance with the laws and regulations that the Customs department is required to administer. These include not only the Customs Act and the rules or regulations made under it, but also the Import and Export Policy framed by the Director General of Foreign Trade and the various Allied Acts administered by Customs for other government departments (OGDs). For us to extend the benefits of ACP to you, we have to be satisfied that you have the capacity as well as willingness to maintain high levels of compliance.

You are eligible to apply for ACP if you meet the criteria specified below.

- (i) You 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 assesseees, paid Central Excise Duties over Rs. One Crore from the Personal Ledger Account in the previous financial year, or they should be recognized as status holders under the Foreign Trade Policy.

- (ii) You should have filed at least 25 Bills of Entry in the previous financial year in one or more Indian Customs stations.
- (iii) You should have no cases of Customs, Central Excise or Service Tax booked against you in the previous three financial years.
- (iv) You 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 you to Customs should be good as measured by the number of amendments made in the bills of entry submitted by you 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) You should have no duty demands pending on account of non-fulfilment of Export obligation.
- (vii) You should have reliable systems of record keeping and internal controls and your accounting systems should conform to recognized standards of accounting. You are required to provide the necessary certificate from

your Chartered Accountants in this regard as per format given in the Application form.

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

Conditions of ACP

Continued maintenance of the required compliance levels is an essential condition for you to enjoy the benefits of ACP. The benefit would be withdrawn if we detect a deliberate and serious non-compliance, such as the detection of a serious offence committed by you.

As already stated, we would be monitoring your compliance by subjecting your consignments to a small percentage of system generated random checks. Where such checks reveal any non-compliance, which may be short of an offence, we will be providing you with the feedback for compliance improvement. In case non-compliance persists even after such feedback, your benefits would be liable to be curtailed or revoked.

The benefits are also likely to be curtailed or revoked if we notice on your part a serious and persistent failure to comply with the prescribed requirements.

'Prescribed requirements' would include, but not be limited to, the requirement to adhere to the standards of completeness, accuracy and validity in respect of declarations filed by you, specified through public notices or circulars etc from time to time.

You shall make the duty payments for all your bills of entry through your account only at the designated bank. No payment shall be made in any other mode.

Our expectations from you

Risk, as defined in the Customs context, is the chance or likelihood of an event occurring that threatens our mandate. In other words, it is the potential for non-compliance with laws Customs are required to implement-measured in terms of probability, magnitude and impact. These laws include not only the Customs Act, 1962 and the rules and regulations framed under it, but a host of other enactments which impose the responsibility of border control on Customs.

The main risks identified by Customs are:

- Threat to national security, public safety and health
- Threat to revenue arising from misdeclaration of goods, undervaluation, misclassification of goods or erroneous claims of exemptions
- Threat to the economy by evasion of duties like anti-dumping or safeguard duties etc.

- Smuggling of prohibited articles

While the legislative framework assigns the responsibility of enforcement to Customs, the responsibility for compliance rests on the trading community. We look to the Accredited Clients to share the responsibility and look upon them as our partners in compliance management. In selecting our Accredited Clients, therefore, we would be examining to what extent their systems address these risks. Some of the specifics of the compliance requirements are set out below.

ACP requirements:

For it to operate properly, the Customs risk management system requires a certain minimum level of quality in terms of completeness, accuracy and validity in the data submissions made by importers. We issue public notices from time to time to address deficiencies in data quality. It is our expectation from our Accredited Clients that they have in place mechanisms to ensure

that their declarations invariably meet the standards specified by us. For example, the following details for every item in a Bill of entry must be precise, complete and unambiguous.

1. CTH Customs Tariff Heading.
2. CETH Central Excise Tariff Heading.
3. Item Description.
4. Generic description.
5. Manufacturer name.
6. Supplier details.
7. Model/Specification/grade
8. Brand
9. Country of Origin.
10. Number of units/Total quantity.
11. Unit quantity code.
12. Unit Price
13. Notifications and Serial numbers
14. SVB details if any.

An illustrative example of how the field for classification and description of goods should invariably be filled is given below:

SI No	Item field in the Bill of Entry	Illustrative data
1	<i>CTH Customs Tariff Heading</i>	84733020
2	<i>CETH Central Excise Tariff Heading</i>	847320
3	<i>Item Description</i>	VIC ZEM=TWO PORT VOICE INTERFACE CARD E AND M(PCB)
4	<i>Generic description</i>	PCB
5	<i>Manufacturer name</i>	CISCO SYSTEM
6	<i>Model</i>	VICZEM
7	<i>Brand</i>	CISCO

The ACP client or the authorised Custom House Agent on his behalf must insert the correct Customs tariff heading (CTH) and Central Excise tariff heading (CETH) as in SI No 1 and 2 above. Similarly if any Notification benefit is claimed for any type duty in the Bill of entry, then the ACP client or his authorised CHA must specify the correct Notification Number and serial number after due verification of the applicability of the same in the Bill of Entry. The duty calculations by the ICES are dependent on the declarations given as above, hence due care and focus should be on these aspects.

It would not do, for instance, to mention “PCB” against both item description and generic description. Similarly, where the items in question are branded goods, the brand must be mentioned. Where they are not branded, the declaration against col. 6 of the table above should be ‘unbranded’

The details given in the generic description should be indicative of the basic nature of the goods imported and should not be same as

the item description. The fields mentioned above are mandatory for all the items. The Model, Brand and Manufacturer's name should not be declared vaguely as N/A, '0' or any other special character. In all the fields discussed above special characters like * # @ etc should not be used at all.

Where any of the commodities imported by you require an import licence or any permission or certification from any authority, we expect you to secure the required license or certificate before your goods arrive and produce it to the Customs officer when you take delivery of the goods.

The suppliers name and complete address must be accurately indicated in the columns given in the Bill of Entry. The Special Valuation Branch related duty calculations are dependent on the Accredited Client's correct entry of SVB and Suppliers details in the Bill of Entry. Hence, exact insertion of data is mandatory. *Where any short levy occurs through errors of*

classification or valuation, we expect you, without prejudice to your legal rights, to voluntarily comply and make payment of duty short levied.

Supply Chain Security

Considering that nearly all the consignments of our Accredited Clients are likely to be cleared without any pre-clearance intervention on our part, we believe a degree of vulnerability to abuse is bound to arise. We expect the Accredited Clients to play a more pro-active role in supply chain security to provide assurance against unauthorized use of the facility granted to them and the risk of contraband being smuggled. The Accredited Clients are required to take due care in the selection of Agents and personnel engaged in the supply chain.

To sum up, the Accredited Client Programme is designed for clients who have a corporate commitment to compliance and have in place people, processes and systems that are designed to ensure compliance.

We are aware that in many companies, the functions relating to Customs processing are outsourced to Customs House Agents. While we do not wish to interfere with your choice of agents, we would wish you to keep in mind that the performance of your agent has a vital bearing on your continued enjoyment of the benefits under the ACP. It will, therefore, be in your interest to assess and monitor the capabilities and performance of your agent meticulously.

On our part, we promise to deal with you with sense of responsibility, understanding, openness and co-operation. Within the requirements of law, we will also respect your concerns of confidentiality in relation to the information you may supply to us.

How to apply for ACP

You will need to fill the application form attached to this document. Please make sure that you fill all the columns correctly and subscribe to the declaration under the form.

Please attach supporting documentation along with the form.

You have to file your application with the Commissioner of Customs in charge of the port/airport or ICD through which you effect your imports.

The Commissioner, after scrutiny of your application, will forward it to the Risk Management Division, which has the authority to take the final decision. In case you are approved for accreditation under ACP, the RMD will inform you and the sponsoring Commissioners and include you in the ACP database. You will then be eligible to get clearances under the ACP at all the ports/airports/ICDs where EDI is in operation.

You will ordinarily get a decision on your application within four weeks of the submission of your application.

Annex 1: Application form for Accredited Clients Programme:
(Please refer to Para 7 of the Circular)

SI No		
1	Name of the Importer	
2	PAN based BIN [Self Attested copy of PAN number to be attached with Application form]	
3	IEC	
4	Date of Issue of IEC	
5	State whether a Manufacturer or Trader with details of major items Manufactured and/or imported	
6	Constitution of business. Proprietorship, Partnership Registered Co. Unregistered Co. Trust Society others	
7	Bank Account Details with Account No & Name of the Bank, Address and date since operated.	
8	History of the Importer. Whether any business was owned by the importer in the past , if so previous PAN no, IE code, Central Excise registration No, with all details including address, telephone number, fax no , Email Address.	
9	Do you posses any Quality accreditations such as ISO? If yes, please specify the particulars	
10	Have you implemented any ERP solutions for your accounting, inventory control and logistics? If yes, please specify the package.	
11	Mention your Joint Venture partners, if any with details i.e address, tel no, fax	
12	Corporate address City State PIN Telephone No FAX number Email Address	

13	Managing Director / Chief Executive officer Name Address PAN No Telephone Fax E-mail Address	
14	Directors/Partners Name Address PAN No of Telephone Fax E-mail Address	
15	Are the Managing Directors and Directors of the applicant Company listed as directors of any other Company? If yes, please furnish the particulars	
16	Name of the Department(s) handling Customs matters Name(s) of the person (s) in charge Address Telephone Fax E-mail Address (Port wise details to be furnished if applicable)	
17	List of Outsourced activities relating to Customs and respective firms/persons (Inland transporters, logistics, freight forwarders etc.,) Name of the firm: Activity: Address: Telephone: Email Address:	
18	List of CHAs employed at each port with date of appointment of the CHA. CHA Name: Port: CHA address: Phone: Email address:	

19	Customs Special Valuation Branch[SVB] Registration No if any with details including that of last review by the Custom House	
20	Central Excise registration No(s) Date of Issue Commissionerate Division Range	
21	Service Tax Registration No Date of Issue Commissionerate Division Range	
22	No of Bills of Entry filed at each port in the previous financial year. Please furnish the details port- wise.	
23	Value of Imports at each port and total duty paid in the previous financial year.	
23A	Details of category of status holder granted under the FTP.	
24	Details of disputes pending with the Customs (pl attach a brief about each dispute from the Company's perspective)	
25	Has the applicant been penalized under Customs Act/Central excise act/ service tax enactment in the previous 3 financial years? If Yes, Details of the connected Show cause notice(s), adjudication order(s) etc may be furnished	
26	Have the Managing Director or any of the Directors been penalized under Customs Act or Central Excise Act/Service tax enactment? Details if yes	
27	Are you enjoying 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 availed of.	
28	Name and designation of the Authorized Signatory PAN No of Authorized signatory Address Telephone No FAX number Email Address	

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 at the port of Registration within a fortnight of such being occasioned.
2. I/We understand that the Accredited Client status which may be conferred to 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)

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 Accountants 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

For further information and clarifications, if any please contact:

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