

Agha Shahid Law Associates

Advocates | Tax Advisers | Consultants | Mediators

AUTHORIZED ECONOMIC OPERATOR

The Government through SRO 1114(I)/2020 dated 26th October 2020, has initiated “Authorized Economic Operator” (AEO) Scheme. The concept of this scheme is outlined below:

1. AEO is one of the pillars of the World Customs Organisation’s framework of standards to Secure and Facilitate global trade (SAFE).
2. It is a partnership between customs and trade, aiming to secure and facilitate global supply chain security through Mutual Recognition Agreements (MRAs).
3. Under Chapter XXXII of the Customs Rules, 1969, an AEO is described as:

"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"

SALIENT FEATURES

1. Types of proposed AEO certifications
 - a. Gold Certificate
 - b. Platinum Certificate
 - c. Silver Certificate

The Gold and Platinum certifications are granted to importers and exporters; whereas the Silver certification is granted to categories of economic operators other than importers or exporters.

2. The benefits of an AEO certification include:
 - a. Speedy green channel and high level of facilitation in imports / export

Agha Shahid Law Associates

Advocates | Tax Advisers | Consultants | Mediators

- consignments, thereby ensuing shorter cargo release time.
- b. Facility of Direct Port Delivery (DPD) and/ or Direct Port Entry (DPE)
 - c. Access cards for hassle free entry to Custom Houses, terminals, off-dock terminals and dry ports.
 - d. Separate parking space and sitting/waiting area earmarked in Custodian's premises.
 - e. 50% reduction in the quantum of required Bank Guarantee.
 - f. Speedy completion of cases/Investigations, if any, in six to nine months.
 - g. 24/7 clearances on request, if required, at all sea ports and airports.
 - h. Onsite entity-based PCA will be conducted once in two years only.
 - i. Single point of assistance to AEOs through designated relationship officer in relation to legitimate concerns.

QUALIFICATION ELIGIBILITY AND REQUIREMENTS

1. In order to qualify for AEO authorization, an applicant must:
 - a. have an appropriate record of compliance with customs requirements;
 - b. have a satisfactory system of managing commercial and, where appropriate, transport records, which allows appropriate customs controls;
 - c. demonstrate, where appropriate, proven financial solvency;
 - d. practical standards of competence or professional qualifications directly related to the activity carried out; and
 - e. maintenance of appropriate security and safety standards.
2. Eligibility
 - a. In case of importers and exporters, at the time of filing of AEO application, annual turnover of the business must be 2.5 million USD or above (Gold or Platinum status).

For this purpose, the applicant should provide:

- (i) NTN and STRN certificates;
- (ii) a certificate of registration issued by the Registrar of

Address: Office No. 6, 2nd Floor Mitha Court, Plot No. BC-7 above First Women Bank,
Clifton, Block-9, Karachi - Telephone: +92-21-35309056 Mobile: +92-334-3902229

E mail: aghashahid.advocates@gmail.com

Agha Shahid Law Associates

Advocates | Tax Advisers | Consultants | Mediators

- Companies;
 - (iii) details of places and locations where goods are being handled, e.g. loading, unloading, storage etc., in the course of supply to or from international supply chain; and
 - (iv) proof that the business has its own accounts;
 - b. The applicant should have business activities for at least three financial years preceding the date of application.
- 3. Legal Compliance
 - a. An entity must have a clean tax profile - no adjudged arrears during last three financial years involving serious violations of law including fraud, forgery, outright smuggling, illegal removal of goods, illegal claim of duty drawback or sales tax refunds, illegal availing of tax exemptions - no case wherein prosecution has been launched or is being contemplated against the applicant or its senior management.
 - b. The applicant should have satisfactory procedures in place for the handling of imports and exports connected to prohibitions and restrictions including measures to distinguish goods subject to the prohibitions or restrictions from other goods and measures to ensure compliance with those prohibitions and restrictions.
 - c. An applicant will also need to demonstrate that he has-
 - (i) procedures in place to identify and disclose any irregularities or errors to the Customs authorities or, where appropriate, other regulatory bodies; and
 - (ii) taken appropriate remedial action when irregularities or errors are identified. Failure to take such steps could count against applicant;
 - d. The applicant or the person in charge of the applicant's customs matters complies with one of the following practical standards of competence-

Address: Office No. 6, 2nd Floor Mitha Court, Plot No. BC-7 above First Women Bank,
Clifton, Block-9, Karachi - Telephone: +92-21-35309056 Mobile: +92-334-3902229

E mail: aghashahid.advocates@gmail.com

Agha Shahid Law Associates

Advocates | Tax Advisers | Consultants | Mediators

- (i) a proven practical experience of a minimum three years in customs matters;
 - (ii) the applicant or the person in charge of the applicant's customs matters has successfully completed training covering customs legislation consistent with and relevant to the extent of his or her involvement in customs related activities, provided by any of the following, namely:-
 - a customs training authority providing such qualification;
 - a national or foreign educational establishment recognized by the customs authorities, for the purposes of providing such qualification; and
 - a national or foreign professional or trade association recognized by the customs authorities for the purpose of providing such qualification;
4. Managing commercial and (where appropriate) transport records.-
- a. The applicant must have a satisfactory system of managing commercial and, where appropriate, transport records. The applicant shall:
 - (i) maintain an accounting system consistent with Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS) which facilitates audit-based Customs control;
 - (ii) have an administrative set up which corresponds to the type and size of business and which is suitable for the management of the flow of goods and have internal controls capable of detecting illegal or irregular transactions;
 - (iii) wherever applicable, have satisfactory procedures in place for the handling of licenses and authorizations connected to export or import;
 - (iv) have satisfactory procedures in place for archiving of the company's records and information, and also for protection against the loss of information;
 - (v) ensure that employees are made aware of the need to

Agha Shahid Law Associates

Advocates | Tax Advisers | Consultants | Mediators

- inform the Customs authorities whenever compliance difficulties are discovered and establish suitable contacts to inform the Customs authorities of such occurrences;
- (vi) have satisfactory procedures for verifying the accuracy of Customs declarations; and
 - (vii) have appropriate information technology security measures to protect the applicant's computer system from unauthorized intrusion and to secure the applicant's documentation.
- b. The applicant must allow the customs authority physical access to its accounting systems and where applicable, to its commercial and transport records.
- c. The applicant must allow the customs authority electronic access to its accounting systems and where applicable to its commercial and transport records where those systems or records are kept electronically.
- d. The applicant must have satisfactory procedures in place for the archiving of its records and information and for protection against the loss of information.
- e. The applicant must have appropriate security measures in place to protect the applicant's computer system from un-authorised intrusion and to secure the applicant's documentation.
5. Financial Solvency
- a. Generally, consistent profitability of a business (importers or exporters), having annual turnover of 2.5 million USD or above, will be considered financially solvent based on last three years record. . Further, the applicant should not have defaulted in payment of due Customs duties during the past three years. The applicants must submit an undertaking regarding its solvency and a Solvency Certificate issued by the Statutory

Agha Shahid Law Associates

Advocates | Tax Advisers | Consultants | Mediators

Auditor of the applicant.

6. Safety and Security

a. The applicants security and safety standards shall be considered appropriate if the following conditions are fulfilled:

- (i) Procedural Security
- (ii) Premises Security
- (iii) Cargo Security
- (iv) Conveyance Security
- (v) Personnel Security
- (vi) Business Partner Security
- (vii) Security Training and Threat Awareness
- (viii) Risk based Management System