



INFRASTRUCTURE
Building for Growth



Government of India

Report of the Inter Ministerial Group

**Customs Procedures
and Functioning of Container
Freight Stations and Ports**

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Secretariat for the Committee on Infrastructure

Preface

This Report is aimed at streamlining the customs procedures and the functioning of Container Freight Stations (CFS) at India's major seaports with a view to reducing the dwell time of cargo and the associated costs.

Maritime trade is becoming an increasingly important dimension of India's growing economy. In fiscal 2005-06, Indian exports crossed \$101 billion representing an annual growth of 25%. Similarly, imports crossed \$140 billion in the same year. Though some improvements have been witnessed in the recent past, numerous bottlenecks continue to persist in the chain of maritime trade. As a result, the turnaround time for ships at Indian ports is significantly longer compared to other major ports in the Asian region. This compromises the competitiveness of Indian industry and trade potential and, therefore, needs to be addressed on priority.

Recognising the urgency of reducing the dwell time for cargo, the Committee on Infrastructure, chaired by the Prime Minister, constituted an Inter Ministerial Group (IMG) under the chairmanship of Shri K.M. Chandrasekhar, Revenue Secretary with representatives from Shipping Department, Planning Commission and the Commerce Ministry to make recommendations for streamlining customs procedures and the functioning of Container Freight Stations. This IMG held extensive deliberations with experts and various stakeholders before submitting its Report.

The Report makes recommendations in key areas such as risk management based screening, EDI based systems, transshipment, financial procedures and staffing. The goal is to match international benchmarks. These measures, in conjunction with other initiatives relating to maritime infrastructure and port connectivity are expected to enable Indian ports to attain world-class standards.

The recommendations have been formulated as actionable items to be implemented within a definite time frame specified in the Report. Implementation of this Report would reduce the dwell time of cargo at the ports and improve the competitiveness of Indian industry.

(Gajendra Haldea)

Executive Summary

1. An Inter Ministerial Group (IMG) under the chairmanship of Revenue Secretary with other members from Planning Commission, Shipping, Commerce Ministries and Central Board of Excise and Customs was constituted in pursuance to a decision taken in a meeting of the Committee on Infrastructure on the Ports Sector. The Group obtained feedback from the trade and other stakeholders and deliberated in detail on streamlining customs procedures in the functioning of Container Freight Stations (CFS) and ports in the background of existing international standards.

2. The important issues which the Group discussed relate to Risk Management based customs clearance, expeditious clearance of goods from port area, EDI based customs control, integration of Customs EDI with other agencies, transshipment, amendment to Import General Manifest, bank guarantee and 'multiple bond' issue, consolidation of Less than Container Load Cargo, Conversion of 'foreign going vessel' for coastal run and e-payment of Customs duty. The Group also considered policy issues like expeditious clearance of uncleared/unclaimed cargo and 24X7 operation of Customs at ports and suggested some areas like temporary importation of containers, import of sludge oil, bunkering for coastal vessels and spares used in ship repairs for coastal vessels for considering tax exemption.

3. The Group made the following recommendations,-

- Introduction of Risk Management System (RMS) for selective screening of only high risk cargo for customs examination.
- Faster delivery system by creating separate area in the port premises clearly earmarked for immediate delivery of cargo to specified accredited importers.
- Licences issued by DGFT under various export schemes to be in electronic format compatible with Customs EDI system.
- Simplified procedure for amendment to Import General Manifest
- Simplified customs procedure for transshipment between Gateway port and hinterland ports - ICD/CFS
- Waiver of requirement of bank guarantee for shipping lines carrying more than 1000 TEUs.
- Simplified procedure for conversion of foreign going vessel to coastal run
- Containers loaded with Less than Container Load (LCL) cargo to be allowed movement from one CFS to another CFS for stuffing
- Simplified EDI based bond module for custodian/shipping lines covering both custodianship and transshipment.
- Customs message exchange with ports, airports, CFSs, CONCOR, banks and DGFT to be implemented
- Extension of the facility of payment of customs duty through more banks via e-banking

- Customs Staffing in identified 13 ports to be available on 24 X 7 hours basis with attendant facilities from other agencies Ports, Banks, PHO/Drug Controller.
- Simplified procedure for expeditious disposal of uncleared cargo through e-auction
- Institutional mechanism to oversee the implementation of the measures suggested
- Setting up of working arrangement for closer coordination between customs and custodian of ports, CFS.

Above recommendations of the Group would be implemented in prescribed time frame ranging from few weeks to one year.

Background

1. In the 4th meeting of the Committee on Infrastructure on Port Sector held under the Chairmanship of Hon'ble Prime Minister on 12th May, 2005, it was, inter alia, decided that an Inter Ministerial Group (IMG) under the chairmanship of Revenue Secretary and consisting of representatives of Planning Commission, Shipping and Commerce Ministries would submit recommendations for streamlining customs procedures in the functioning of Container Freight Stations (CFS) by August, 2005. Accordingly, an Inter-Ministerial Group was constituted on 4th July, 2005 with the following members:-

- (a) Shri K.M. Chandrasekher, Secretary (Revenue) - Chairman
- (b) Shri D.T. Joseph, Secretary (Shipping)
- (c) Shri Gajendra Haldea, Advisor to Deputy Chairman, Planning Commission
- (d) Shri Christy Fernandez, Additional Secretary, Department of Commerce
- (e) Shri A.P. Sudhir, Member (Customs), Central Board of Excise & Customs

2. The meetings of the group were held on 20.07.2005, 27.07.2005, 01.08.2005, 08.08.2005, 16.08.2005, 29.08.2005, 04.10.2005, 25.10.2005 and 13.12.2005 amongst the Members and core group of officers.

3. The Commerce Secretary, Shipping Secretary and Revenue Secretary jointly visited Mumbai on 22 and 23 June and held discussions with officials of Mumbai and Nhava Sheva Ports and trade representatives.

4. The Group deliberated on issues concerning the trade where there are certain difficulties, bottlenecks flagged by the Ministry of Shipping, Ministry of Commerce and Planning Commission. The various initiatives taken by the Department of Revenue on measures of Trade Facilitation, widening of Indian Customs EDI System (ICES), introduction of Risk Management Module were noted by the Group. The Group decided to review some of these and existing customs procedures. The Group suggested several procedural changes leading to simplification of customs procedures, facilitation to trade and reduction in dwell time for cargo clearances. These suggestions were discussed with the stakeholders in a meeting held on 22.10.2005 before finalizing them.

Introduction on Customs procedures and functioning at Ports & Container Freight Stations

1. In accordance with international practice, all cargo goods imported into the country or exported out of the country by sea, air, land or rail routes are governed by the provisions of the Customs Act, 1962 and other laws of the country related to entry/ exit from the country. Customs ensures that the import and export of goods are in compliance with the Customs Act and other laws in force. Accordingly, customs procedures are intended to provide definite, predictable methods by which the goods can enter the country and get cleared on payment of applicable import duties, fulfilling the requirements of the law of the land.

2. To regulate and to exercise effective control over import and export activities, goods are allowed for import/export at notified places under section 7 of the Customs Act, 1962. Custodians are appointed under section 45 of the Customs Act, 1962 for safe storage of goods till they are cleared for home consumption or warehoused. Clearance of goods involves classification, assessment, examination and payment of Customs duty on imported cargo on the basis of Bill of Entry presented by the importer or his authorized agent. The Central Board of Excise and Customs (CBEC) has prescribed the procedures through notifications, rules, regulations and circulars which are implemented by field formations. These are updated and modified according to the need, demands of trade and to improve the efficiency of the system.

The role of Container Freight Stations (CFS):-

3.1. CFS is a place where containers are stuffed, de-stuffed and aggregation/ segregation of export/import cargo takes place. With the growing volume of international trade, the need for expeditious clearance of goods at the port within the minimum possible time has been gaining importance. This is more so when the ports are facing congestion at their premises. Further, for optimal utilization of existing infrastructure, space, equipment, goods that are landed at ports need to be evacuated straight away without any loss of time. Accordingly the concept of Container Freight Stations (CFS) has grown in importance along with the development and growth of ports.

3.2. A CFS is an extended arm of Port/ ICD/ Aircargo Complex, where import/ export goods are kept till completion of their examination and clearance. The imported goods can be immediately shifted from the port to CFS which also helps in the reduction of port congestion. All the activities related to clearance of goods for home consumption, warehousing, temporary admissions, re-export, temporary storage for onward transit and outright export and transshipments take place from such stations. Therefore, clearance of goods from CFS is an important point of consideration for trade in respect of export/ import Cargo as it is the final Customs contact point.

Present Procedure of clearance of goods at Ports:-

4.1 The Shipping lines/steamer

Agents/carriers/ Consol Operators file the Import General Manifest (IGM) in accordance with Section 30 of the Customs Act, 1962. After filing the IGM and on arrival of the goods, Custom House Agent/Importer files Bill of Entry (cargo declaration) in terms of Section 46 of Customs Act, 1962. The first stage for processing a Bill of Entry is noting/registration of Bill of Entry (B/E). The B/E is then forwarded to the concerned Appraising group in the Custom House dealing with the commodity sought to be cleared. The assessing officer in the appraising group assesses the duty liability, taking due note of any exemption or benefits claimed by the importer. Necessary checks regarding any restriction or prohibition on the goods imported are followed. In case of doubt, the officer may give an examination order in advance of finalization of assessment. Otherwise, the B/E is finally assessed and the importer deposits the duty calculated with the nominated banks.

4.2 After assessment the B/E is passed on to the Shed Appraiser/Superintendent for examination of goods along with the B/E. The Shed Inspector/examiners examine the goods and enter their report on the B/E with signature of the importer/CHA in token of examination in his presence. After completing the examination of the goods, the shed Appraiser/Superintendent would give order for “Out of Charge”. However, in rare cases, if some discrepancy is found between the declaration and the result of examination

of cargo, the Assistant Commissioner/Deputy Commissioner (AC/DC) revises the assessment on the basis of examination report. After issuance of Out of Charge order on the B/E, the importer presents the same to the Custodian who in turn issues the Gate Pass after verification of correctness of Bill of Lading and number of packages. The importer/CHA presents importer’s copy of the B/E and the Custodian Gate Pass to the Customs Officer at the gate while taking the goods out of the Customs area.

5. As regards exports, Shipping Bills are required to be filed along with other documents such as invoice, Application for Removal (ARE), packing list etc. The Assessing Officer in the export department checks the value of the goods, classification, rate of duty and others with regards to different provisions and the Foreign Trade Policy and related documents. After the Shipping Bill is passed by export department, the exporter presents the goods to the Shed Appraiser (Export) for examination. The examination is carried out under supervision of Shed Appraiser/ Superintendent (Export) and after examination, officer gives a “Let Export” order, after which exporter may load the goods into vessel/aircraft under supervision of Customs Officer.

Present procedure of Clearance of goods at CFS:-

6. The Main function of CFS is receipt, dispatch and clearance of Containerized Cargo, up-to-date inventory control and tracking system to locate containers/cargo.

7. The goods received at ports are brought to CFS and stacked in CFS after verification of the seal by Customs Officers. In respect of import consignment, the Steamer Agents/liners/ Importers desiring to take the consignment to CFS, file Import General Manifests in the port. After obtaining the permission from the AC/DC, the Container moves to CFS under Customs escort or under bond and bank guarantee. The CFS allow de-stuffing of the goods. The CHA / importer files the Bill of Entry at Customs House and then Customs formalities of assessment, examination and payment of duty are completed. Thereafter, Customs gives “Out of Charge” and the Custodian releases the goods from CFS by issuing a Gate-Pass.

8. In respect of exports, the goods are brought directly to CFS under a Shipping Bill. The export cargo in Less than Container Load (LCL)/ Full container Load (FCL) is received by the Custodian of CFS for safe custody. After stuffing of the goods, Container/ Customs Bonded Truck (CBT) is sealed by the Custom Officer and the same is removed from CFS for export through the desired Port.

Issues raised by IMG Members

(A) Issues raised by the Ministry of Shipping:

Ministry of Shipping brought forward certain major issues, where the trade is facing difficulty, as detailed below:-

1. Import General Manifest (IGM):

- (a) As per the existing regulations, a vessel having filed IGM at one port is not allowed to call at any other port even in cases of congestion and berthing delays. Necessary provisions need to be made by Customs to freely allow transfer of IGM from one port to another at the option of vessel operators.
- (b) Customs have recently introduced certain procedural changes in filing of IGMs vide their Circular No.13 / 2005 dated 11.03.2005. This Circular makes it obligatory that any major amendment in the IGM will be accepted only with adjudication & prior permission of the Commissioner of Customs. Implementation of this new procedure generally causes delays as personal hearings are required.
- (c) The Customs regulations require filing of IGM in advance prior to vessel's arrival/berthing at port for discharge of cargo. However, in case of Lighterage operations, the B/L quantity of the mother / daughter vessel is known only after completion of the operation. It is, therefore, suggested that the ship owner / Agent be allowed to amend the IGM after the correct B/L quantity is known after completion of

lighterage operation, and such amendments allowed without adjudication and imposition of penalty.

2. Electronic Data Interchange (EDI):

- (a) The EDI facility for filing of Import General Manifest and Export General Manifest at the Customs should be extended on all holidays to facilitate easy transaction of trade. Customs may extend the facility by drawing staff on all Sundays/holidays on 24 hours basis.
- (b) Customs at most of the ICDs are not geared to accept manifest through EDI. The Customs should expedite implementation of EDI facility at all ICDs / CFSs and Ports through a time bound programme.

3. Sub Manifest Transshipment Permit (SMTP)

The IGM filed by the ship operator / agents at the port contains all details of containers meant to be discharged at gateway port and for onward transmission to other ICDs. Section 54 of Indian Customs Act prescribes that any cargo being discharged at a Custom Station for being transported to any Indian port / CFS needs to be approved by a specific competent authority. This is done through Sub Manifest Transshipment Permit. It is suggested that the insistence on SMTP may be simplified and dispensed with wherever possible for imported containers.

4. Customs Guarantee / Bond

Shipping Lines are presently required to execute a Bond with Customs at each Port, undertaking to re-export the Containers brought into the country within 6 months or such extended period allowed by Customs. In each Port location, Customs follows a different practice. This procedure may be dispensed with.

5. Conversion of vessel

Whenever any vessel is converted from foreign going to coastal, Customs require a notice of three days. Such conversions are quite frequent in the tanker industry. Sometimes due to exigency of operation, a coastal vessel is required to be converted to foreign going for loading at foreign ports, when the vessel is waiting at the anchorage outside the port limits in India. In such cases, Customs require the vessel to be brought inside the port at berth for carrying out conversion formalities. This procedure should be discontinued.

6. Auction:-

- (a) Trade has several Containers lying at various ports/ locations within the country, which have been detained for investigation. The shipping lines have to continue paying container rentals and also the ground rent at the port.
- (b) The process of auction of seized/confiscated cargo by the Customs takes time and, during this period the storage yards, godowns of the port remain occupied

resulting in sub-optimal use of the space. Delayed auction leads to reduction in valuation of goods and legitimate dues of Customs, Port and the Lines, far exceed the auction proceeds realised.

- (c) It will be useful to take note of the total area occupied by such undeclared cargo at various ports. Taking into account 12 major ports, the space occupied by such cargo is about 6.5% of the total area.

7. Waiver of Bank Guarantee:-

Present policy of waiver of Bank Guarantee in respect of transshipment to ICDs/CFSs, by shipping lines that were handling 5000 TEU's per annum needs to be reviewed and relaxed.

8. Other issues:-

Issues relating to specific ports, such as provision for a separate Customs office at Haldia dock complex and custodianship of certain goods at Kandla were also raised.

(B) Issues raised by the Department of Commerce:

Apart from the common issues like SMTP procedure, amendment procedure to IGM, waiver of Bank Guarantee early commissioning of EDI system, as listed above, the Department of Commerce also have raised certain other issues for consideration of IMG:-

- (a) Containers loaded with less than Container Load (LCL) cargo from one CFS may be

allowed to move to another CFS for full load stuffing as this would help in optimum utilization of space in a truck.

- (b) There should be single bond for custodianship and transshipment of cargo, if the agency is same in both cases. This should be implemented electronically.

(C) Issues raised by Advisor to Dy. Chairman, Planning Commission:

The Advisor suggested that the IMG could consider the international standards and good practices which could form as a bench mark for comparison of the performance.

He further suggested that in line with international practice, the system of checking samples out of each consignments should be substituted by checking a few sample consignments while allowing the bulk of consignments (say 80%) to move out without physical verification.

Issues raised by the Trade

Meeting of the Inter-Ministerial Group in Mumbai:

1. Secretary (Revenue) along with Secretary (Commerce), Secretary (Shipping) and Member (Customs) visited Mumbai on 22nd and 23rd July, 2005. The group had meetings with the Chairperson, Mumbai Port Trust; Chairman, JNPT, Chief Commissioners and Commissioners of Customs and Central Excise, other Officers of Customs of Mumbai Zone, at New Custom House, Ballard Estate, Mumbai. The Commissioner of Customs (Import), made a presentation explaining the status of EDI in Mumbai Custom House. It covered the aspects of Dwell Time Study of Import and Export Cargo at Mumbai Port, Message Exchanges between Customs, Banks and Mumbai Port Trust & the volume and extent of coverage of EDI. From the presentation, it transpired that out of the total Dwell time of 381.6 hours in Mumbai Custom House, the Customs procedures comprising of submission to assessment and goods registration to out of charge from the custom account for 43.10 hours which works out to 11.31% as far as imports are concerned. As far as EDI coverage is concerned, the import documents processed by the EDI system till June, 2005 during the current financial year is 99.59%. On the export side, the percentage is 90%. The Commissioner of Customs (Import), Nhava Sheva, also made a Power-Point presentation on similar issues in relation to JNPT.
2. A presentation on the progress of implementation of the Risk Management System (RMS), was made by the ADG (Systems), which included the Accredited

Clients Programme (ACP) in Indian Customs. The trial runs of RMS were already on at Air Cargo Complex, Mumbai, and once the trial runs are successful, the Module will be ready for roll-out by October, 2005. It was noted that with the proposed criteria for ACP coupled with the self-assessment and examination waiver, on the basis of risk evaluation by the RMS, over 70% of the clearances would be without assessment and examination by the Customs Officers, once the RMS is fully operational. This would result in a steep reduction in the Customs component of Dwell Time.

3. It was pointed out that as per the Dwell Time Study of both Mumbai and JNPT Customs, the time taken by Customs was approximately 11% of the total Dwell Time. The remaining time was taken by the importers either in filing their Bills of Entry or in payment of duty or in presenting the goods for examination. RMS would therefore impact only this 11% time attributable to Customs. The Government still needs to work on the other components of Dwell Time attributable to importers or other agencies.

4. Some suggestions made during the post-presentation discussions were to consider e-payment, encourage importers to file prior Bills of Entry and electronic transfer of licences from DGFT.

5. In the Open House presentations by MANSAA (Mumbai and Nhava Sheva Ship-Agents Association), BCHAA (Bombay Custom House Agents Association) and AMTOI (Association of Multi-Modal Transport

Operators of India), the points raised by them mostly related to procedural problems with Customs at local level which were addressed by the jurisdictional Chief Commissioner of Customs. The issue of amendment to Import General Manifest, Sub-Manifest Transshipment Permit were also raised.

6. IMG has considered various issues raised during the presentations and open house while finalizing its recommendations.

Findings of the IMG on various issues

The IMG held detailed discussions on the various issues raised by the Ministry of Shipping, Ministry of Commerce & Industry and Planning Commission as detailed in previous pages. Further the visit of senior officials to Mumbai enabled it to study the problems faced in major ports. The discussions held with the trade, Port and Customs authorities also provided feedback on the problems being experienced by them. After due deliberations, IMG identified the following areas for taking follow up action and possible solutions:-

1. Introduction of revamped Green channel customs clearance scheme coupled with internationally accepted modern methods

Findings: The internationally accepted method of assessing the 'Risk' involved in various types of cargo and prescribing commensurate Customs clearance procedure is considered the best practice for devising efficient Customs clearance. The Risk Management System (RMS) would provide for selective screening of high risk cargo while expediting clearance of low risk cargo. It would give a scientific basis for a systematic approach to the entire gamut of risk management and put in place a mechanism assisted by information technology to identify and manage risks associated with the business of cargo clearance. The International Convention on Simplification and Harmonization of Customs Procedures, popularly known as Revised Kyoto Convention, Standard 3.32, provides special customs clearance procedure for authorized persons who meet criteria specified by the Customs,

including having an appropriate record of compliance with Customs requirements and a satisfactory system for managing their commercial records. Accordingly, the group found that the RMS should also include assured facilitation to importers who meet specified criteria in terms of amount of duty paid, volume of imports and a clean compliance record.

2. Introduction of fast track clearance of imported cargo by providing faster delivery from Ports for select accredited importers

Findings: Presently, all cargo arriving at various ports have to be first discharged in the port premises and moved to the Container Freight Stations for necessary examination and clearance. This enables the containers to be kept at the port only for the minimum requested time and avoids congestion in port area. But, for the importers with good track record and reliable accounting and automated documentation systems who can file Customs declarations in advance to enable immediate payment of duty and clearance, this procedure does not provide any relief. These importers have to go through the normal method of movement of cargo till it reaches the CFS. However, from CFS they are able to clear the cargo immediately through customs green channel procedure. To enable such accredited importers to clear goods without delay, the Group observed that earmarking a separate area in the Port premises would be beneficial for faster delivery of their cargo.

3. DGFT Licence to be monitored under EDI environment

Findings: Presently the Bill of Entry and Shipping Bill where goods are imported or exported under any export promotion scheme requiring licence from DGFT are not processed in the electronic format. This is because the description of goods is not mentioned in the Bill of Entry and Shipping Bill and, instead, a list of products is attached as per description in the licence. The Customs EDI is not able to recognize the entries in the present abstract and descriptive form, unless they are mentioned completely in a manner amenable to automation in the above required documents. Hence there is a need to make the licence issued by DGFT, in electronic form and the same should be such that it can be monitored in Customs EDI.

In this regard, DGFT had started the process of issue of licences in electronic form on a trial basis in respect of DEPB licences with effect from 01.09.2005. These licences are issued on the basis of EDI Shipping Bill data transmitted by Customs Ports on line to DGFT, with a digital signature.

4. Simplified Import General Manifest filing and amendment procedure:

Findings: The entire process of cargo clearance in major ports was examined in detail by the Inter Ministerial Group during its visit to Mumbai Port. Further the time taken in clearance of cargo in various ports was also reviewed. The dwell time study conducted reveals that Customs processing in clearance

of cargo at major ports of Mumbai, Chennai, Delhi takes 13% of the total time.

Amongst the various reasons identified for time taken in clearance of cargo, it was identified that timely filing of Import General Manifest (IGM)/ import report at the first stage is essential to enable the importers to file customs clearance document (Bill of Entry) for clearance of goods. The IMG also noted that in the past some shipping lines/ steamer lines filed manifest comprising of only a few lines declaring the particulars at the master level. This resulted in the importers not being able to file the bills of entry leading to delay in clearance of cargo. Subsequently, the shipping lines sought to supplement the manifest with complete details by resorting to amendment procedure. The Group felt that with a view to ensure that all concerned agencies file a complete and accurate Import General Manifest within the prescribed time and that amendments, wherever justified, are allowed without causing delay, it is necessary to modify the present circular of the Central Board of Excise and Customs (CBEC) No. 13/2005-cus. dated 11.3.2005.

Accordingly instructions for correct and complete filing of import manifest have been prescribed, providing the flexibility of amendment in deserving cases and at the same time imposition of penalty only in cases where there was fraudulent intention as spelt out in section 30(3) of the Customs Act or where there were serious revenue implications. This would provide seamless transfer of import data on cargo for enabling expeditious clearance of cargo by Customs and other authorities.

5. Simplified customs procedure for transshipment permission between Gateway port and hinterland ports - ICD/CFS

Findings: The scheme of transshipment of goods from gateway ports to ICDs/ CFSs located in hinterland was studied by the Group. The need to safeguard the import duty liability on the goods that are being transshipped was also appreciated. Accordingly, the Group suggested that a simplified sub-manifest transshipment procedure in an automated format, dispensing with the need to file a separate application for transshipment should be adopted in cases where the port of discharge is indicated as hinter land ICD/CFS. The Shipping lines may give one time application to Customs mentioning that wherever IGMs contain the destination as hinterland ICD/CFS the same should be treated as sub-manifest transshipment permission (SMTP) application. The Shipping line would also mention in the one time application to abide by transshipment regulations. Under such circumstances, there would not be any requirement of separate application for SMTP for each IGM and shipping lines can directly carry the transshipment cargo to destination ICD/CFS. This would also seek to provide for automatic debit of bond for the transshipment of cargo. Directorate of Systems would examine and devise a suitable module for on-line generation of sub-manifest transshipment document, electronic exchange of messages for landing certificate at destination ICD/CFS for monitoring the transshipment movement, automatic debit of bond for the transshipment of cargo.

6. Waiver of bank guarantee for imported containers to shipping lines carrying more than 5000 TEUs

Findings: Presently waiver of bank guarantee is provided to shipping lines having an annual turnover of 5000 TEUs. The Central Government/ State Government undertakings, PSUs such as CONCOR, are exempt from furnishing bank guarantee for transshipment of cargo. Further, under foreign trade policy (para 2.27.1), exporters with a turnover of at least Rs.5 crores in a year and with good track record of three years are exempted from furnishing bank guarantee and instead need to furnish an undertaking. Similarly Star trading Houses, Manufacturer Exporters registered with Central Excise and having export turnover of Rs. 1 crore per annum in the previous two years or paying Central Excise duty of more than Rs. 1 crore are also exempted from furnishing bank guarantee for export obligation purpose. As the carriers are not normally involved themselves in imports and exports, it was found that a benchmark for exemption from bank guarantee could be considered for them as a category. Accordingly, a limit of 1000 TEUs import containers per year was considered to be a reasonable criterion. However, there could be some carriers with an annual turnover of TEUs below this limit but may have good track record, requesting for considering exemption from BG on merits. Such cases may be decided by the jurisdictional Commissioners of Customs on merits.

7. Revision of customs procedure for conversion of foreign going vessel to coastal run vessel.

Findings: The existing procedure and practice adopted in different Custom Houses do not require any advance notice for conversion of such foreign run into coastal run vessels. Further, the procedure and formalities in respect of duty liability on domestic run is assessed provisionally and finalised later without affecting the movement of vessels. However, in order to allay the apprehensions of the industry on the procedures to be followed, the existing instructions may be reviewed and wherever necessary harmonized.

8. Movement of containers loaded with Less than Container Load (LCL) cargo from one CFS to another CFS

Findings: As per existing provisions consolidation and transshipment of cargo is permitted at CFSs near gateway port. The relaxation of movement may be given to truck/container carrying LCL cargo by the jurisdictional Commissioner subject to some safeguards in order to check diversion of cargo. This will facilitate effective utilization of available space in containers. Suitable instructions may have been issued by the CBEC in this regard.

9. To make simplified EDI based bond module operational covering both custodianship and transshipment

Findings: The Customs EDI system has a bond module. It was suggested that the bond module

available in EDI should be utilized by shipping lines who are also acting as custodians/transshippers. The Group felt that if the same entity is required to file two different bonds to a single Customs authority under different provisions of customs procedures, it would suffice if one single bond can incorporate all such requirements. The existing Bond module of the EDI should be utilized for all requirements of bond. The Group found that it would facilitate better monitoring and simplification of procedure.

10. Customs message exchange with community partners on EDI environment

Findings: IMG felt that Customs message exchange with ports, airports, CFSs, CONCOR, banks and DGFT should be implemented under environment and manual system should be discontinued in a time bound programme. It will result in faster exchange of information and expeditious clearance of goods.

11. E-Payment of Customs duty

Findings: In order to facilitate imports and enable importers to pay Customs duty and clear goods quickly, it was felt by the group that the facility of payment of Customs duty through e-banking by internet should be introduced. Modalities on revenue accounting and reconciliation in respect of duty collection through e-payment were finalized with the Principal Chief Controller of Accounts. Further detailed presentation has been made about the procedure to be adopted by customs on e-payment through the banks. The banks are

expected to come for a discussion on the issues in implementation of this e-payment procedure. E-payment facility is expected to be introduced by 31.03.2006.

12. Customs Staffing at identified major ports, ICDs on 24 X 7 basis with attendant facilities from other agencies Ports, Banks, PHO/Drug Controller

Findings: In view of increased volume of cargo, it was desired by the group to explore the possibility of round the clock Customs functioning at some identified ports. The Group felt that CBEC should identify number of posts at each level which would be required for 24X7 Customs operation. It is important that functional staff of other agencies like port, banking, security, customs house agents, shipping agents should also be made available for a successful 24X7 operation.

13. Valuation of uncleared/ unclaimed goods by Custodian in public sector to be accepted for customs purpose

Findings: The Group felt that there is pendency of uncleared/ unclaimed cargo at ports/ CFS. One of the reasons cited for delayed disposal was the valuation of cargo. It was requested to allow the custodians in the public sector to value the goods for Customs purposes to enable expeditious clearance of such cargo and to avoid congestion in port or CFS. A Task Force set up to examine and give recommendations on expeditious disposal of such cargo has examined the reasons for delay in disposal of unclaimed/ uncleared and confiscated cargo.

It has recommended measures that are required to be taken for speedier disposal of cargo.

The major recommendations of the task force consists of: (a) devising simple valuation procedure for seized and confiscated goods, time expired warehouses goods, (b) one time interim administrative measure to dispose off all confiscated cargo, uncleared and unclaimed cargo which have undergone minimum prescribed number of auctions, but still awaiting for disposal, (c) Special task force in each Custom House/ formation to conduct comprehensive review of consignments detained by investigation agencies to enable their clearance, (d) expeditious disposal of uncleared/ unclaimed goods lying with custodian, through independent government approved valuation and simplified procedure as a permanent mechanism. This would ensure that all cargo lying uncleared/ unclaimed with the custodian are periodically taken up for disposal through auction, (e) introduction of e-auction at all customs stations for simple, transparent, expeditious procedure in disposal of goods. The recommendations of the Task Force have been approved by the Board. These will be implemented in a time bound manner and are expected to facilitate speedy disposal of long pending goods at ports/ CFS.

14. Exemption from duty in respect of temporary importation of containers

Findings: Presently containers which are of durable nature and intended to be imported temporarily are exempt from the levy of Customs duties in terms of Notification No.

104/94-Customs, dated 16th March, 1994 subject to the condition of re-export within a period of six months from the date of importation and subject to other conditions specified in the notification. The importation is allowed on the basis of Bond furnished by shipping line or its representative and the same is not required to be supported by Bank Guarantee. Further, there is no need to file formal Bill of Entry. However the Group recommended that the matter of temporary importation of containers may be examined by the Department of Revenue for General Exemption to containers.

15. Duty exemption to sludge oil

Findings: Presently, the importers who want to clear the sludge oil available on the ship have to clear the same on payment of duty. Further, the sludge oil cannot be discharged by the ship in high sea because of environmental reasons and international convention. The sludge oil is allowed clearance only to those importers who have requisite permission from the Pollution Control Board for re-cycling. The Group recommend that the question of exempting duty on sludge oil may be examined by the Department of Revenue.

16. Duty exemption to bunkering for coastal vessels

Findings: Bunkers purchased by foreign going vessels are exempt from customs duty on the premise that they are akin to export of goods. Ministry of Shipping expressed that the exemption may be extended to the vessels with

regard to their journey on the coastal India before they depart to foreign destination. The Group recommend that the Department of Revenue may examine the issue.

17. Duty exemption to spares used in ship repairs for coastal vessels

Findings: Spares used in repairs of foreign going vessels are exempted from custom duty. Ministry of Shipping expressed that the exemption may also be extended for the vessels meant for coastal run. The Group recommends that the Department of Revenue may examine the issue.

18. Institutional mechanism to oversee the implementation of the measures suggested

Findings: An institutional mechanism consisting of the Commissioner of Customs and Chairman Port Trust at Customs Houses shall be made responsible for implementation of various recommendations of the IMG. This would be an ongoing exercise so that such machinery can also take care of the future problems that may arise and to the extent possible sort out these problems at their level.

19. Closer coordination between Customs and Custodian of Ports, Container Freight Stations

Findings: A separate working arrangement in each Port involving Customs Administration and head of the Port Authority along with custodians of CFS would be set up for periodically meeting to workout solutions

to various problems that may arise in the course of clearance of goods. The Central Board of Excise and Customs and Ministry of Shipping at the central level would review the performance of such groups at the central level.

20. Review mechanism

The IMG will continue to meet at least once a quarter to review progress. The IMG would review the implementation of various recommendations and the benefits yielded by such measures after a period of six months. This is to ensure that there are visible changes in the working of customs procedures to enable expeditious clearances of goods. The IMG will also interact with representatives of industry after six months in order to ascertain the status of field level implementation of recommendations.

Initiatives already taken by the Department of Revenue

1. The Inter Ministerial Group (IMG) noted that the Department of Revenue has already taken certain significant steps in the area of facilitation of the trade and simplification of procedures. There is a permanent Action Group on Trade Facilitation which recommends simplification of customs procedures leading to reduction of dwell time in cargo clearances. This group also provides inputs for Trade Facilitation Negotiations at the WTO.
 - (a) Holding of open house meetings separately for clearing agents and representatives of recognized Association/Chambers of Commerce by Commissioners in their jurisdiction to obtain feedback on the performance of the personnel at the cutting edge level and to address problem areas. Separate meetings to be held to address EDI issues.
 - (b) Supervisory checks prescribed in docks area to ensure proper examination of goods as determined by the EDI System. This ensures that the system based checks are followed and there is no arbitrariness in Customs examination of goods.
 - (c) Disputes in export valuation to be examined by a group of officers so as to sort out the issue expeditiously and to avoid subjectivity.
 - (d) Use of EDI System extensively for purposes of effective monitoring of time taken in Customs assessment and examination of goods.
 - (e) Development of software to implement standardized measurement of dwell time for import and export of goods for continuous evaluation.
 - (f) Ensuring that importers having accredited status pay duties and taxes within 8 working hours of assessment to reduce delay in clearance.
 - (g) Increasing the use of E-filing. Customs House Agents Importers Exporters filing more than 5 documents per working days at any place to file the documents only through ICE GATE and not through service centers. This is a progressive move towards automated on line filing of customs declarations.
 - (h) Direct clearance facility of containers from the ports, without the need for transshipping them to CFS/Customs areas provided to Importers availing Green Channel facility.
 - (i) Reducing procedural formalities at airports by dispensing with the permission required from Customs for palletization of cargo.
 - (j) Imposing penalty on incorrect and incomplete filing of import manifest/report with the objective of reducing dwell time of cargo.
 - (k) Informal interactive training sessions for staff engaged in Customs clearance work to ensure that the latest legal provisions are effectively put into practice.
2. The Action Group has since its inception, made the following recommendations on which the CBEC has already issued instructions with the overall objective of reduction in dwell time and simplification of procedures:-
 - (a) Holding of open house meetings separately for clearing agents and representatives of recognized Association/Chambers of Commerce by Commissioners in their jurisdiction to obtain feedback on the performance of the personnel at the cutting edge level and to address problem areas. Separate meetings to be held to address EDI issues.
 - (b) Supervisory checks prescribed in docks area to ensure proper examination of goods as determined by the EDI System. This ensures that the system based checks are followed and there is no arbitrariness in Customs examination of goods.
 - (c) Disputes in export valuation to be examined by a group of officers so as to sort out the issue expeditiously and to avoid subjectivity.
 - (d) Use of EDI System extensively for purposes of effective monitoring of time

Recommendations of the IMG with time frame for their implementation

Taking into account the efforts taken by the Department of Revenue and the issues identified by the associated ministries, the Inter Ministerial Group recommend the following action:

1. Introduce Risk Management System (RMS) as a measure of trade facilitation and for selective screening of only high risk cargo for customs examination. Such a system should provide for a special customs clearance procedure for authorized persons having good track record and who meet specified criteria identified by the Customs. This system should provide for an assured facilitation to importers for expeditious clearances through a simple procedure.

The overall goal should be to release about 70% of the consignments on the basis of system appraisal and without examination of the cargo. This should be achieved within six months of the full implementation and should be monitored by the CBEC. Regular periodic monitoring should be done by CBEC for further enhancing the facilitation measures.

The two main customs components of dwell time of cargo are assessment and examination of goods. Implementation of RMS is expected to bring about significant reduction in these components. For the accredited clients under the Risk Management System, who will be accorded assured facilitation, the time taken for assessment and examination will be virtually eliminated.

The Customs department will monitor the dwell time attributable to Customs and indicate the improvement affected between December, 2005 to June, 2005. Thereafter, the department will also lay down suitable benchmarks and standards of efficiency for reduction of dwell time.

(Action: Central Board of Excise and Customs)
(Time frame: By 31.3.06)

2. Faster delivery system by creating separate area in the port premises clearly earmarked for immediate delivery of cargo to specified accredited importers.

The proposed arrangement would enable accredited importers to move out their containers without necessarily going through a C.F.S.

(Action: Ministry of Shipping)
(Time frame: By 31.12.05)

3. Licences issued by DGFT under various export schemes should be in electronic form at. These licences should have data in a format which is compatible with Customs EDI system and the Shipping bills should form the basis for generating such licences.

(Action: Ministry of Commerce)
(Time frame: 31.3.06)

4. Simplified procedure for amendment to Import General Manifest be provided.

(Action: Central Board of Excise and Customs)
(Time frame: By 30.11.05)

5. Simplified customs procedure for transshipment permission between Gateway port and hinterland ports - ICD/CFS be introduced

(Action: Central Board of Excise and Customs)
(Time frame: By 30.11.05)

6. Waiver of requirement of bank guarantee for shipping lines carrying more than 1000 TEUs should be introduced.

(Action: Central Board of Excise and Customs)
(Time frame: By 30.11.05)

7. To address the concerns of shipping lines for simplified procedure for conversion of foreign going vessel to coastal run and reiterate the instructions issued in this regard comprehensively to all customs field formations.

(Action: Central Board of Excise and Customs)
(Time frame: By 30.11.05)

8. Issue suitable instructions so that containers loaded with Less than Container Load (LCL) cargo are allowed movement from one CFS

to another CFS for stuffing as this would help in optimum utilization of space.

(Action: Central Board of Excise and Customs)
(Time frame: By 30.11.05)

9. Simplified EDI based bond module to be made operational for custodian, shipping lines covering both custodianship and transshipment.

(Action: Central Board of Excise and Customs)
(Time frame: By 30.11.05)

10. Customs message exchange with ports, airports, CFSs, CONCOR, banks and DGFT should be implemented as per agreed time schedule mentioned in Annexure-D.

(Action: Central Board of Excise and Customs)
(Time frame: Annexure-D)

11. Facility of payment of customs duty through e-banking by internet and through more banks should be provided.

(Action: Directorate General of Systems and Data Management)
(Time frame: 31.03.06)

12. Customs Staffing in identified major ports JNPT-Nhavasheva, Mumbai, Kolkata, Chennai, New Delhi-Tughlakabad, Dadri, Parpaganj (ICDs), Cochin, Kandla, Nagpur ICD, Ludhiana-ICD, Tuticorin Port and Haldia on 24 X 7 hours basis with attendant facilities

from other agencies Ports, Banks, PHO/Drug Controller. The model requirement of Customs staff is projected at Annexure-E.

(Action: Central Board of Excise and Customs)
(Time frame: 31.10.06)

13. Streamline the entire procedure for disposal of uncleared cargo, especially with reference to valuation of such cargo, to enable expeditious clearance of uncleared/unclaimed cargo and to avoid congestion in port or CFS.

(Action: Task Force on disposal of goods)
(Time frame: 30.11.05)

14. Following tax exemption proposals, suggested by Ministry of Shipping can be considered for examination as a part of budget exercise in the context of Budget 2006-07 by the Department of Revenue,-

- (a) General Exemption from customs duty in respect of temporary importation of containers needs to be examined.
- (b) General duty Exemption to sludge oil needs to be examined.
- (c) Duty Exemption to bunkering for coastal vessels needs to be examined.
- (d) Duty Exemption to spares used in ship repairs for coastal vessels needs to be examined.

(Action: Department of Revenue)

15. An institutional mechanism consisting of the senior officers of Customs Administration and Port authority shall be made responsible for

implementation of various recommendations of the IMG. This would be an ongoing exercise so that such machinery can also take care of the future problems. The IMG would review the progress on a quarterly basis till March, 2007. The first such review meeting will be held not later than April, 2006.

(Action: Central Board of Excise and Customs/Ministry of Shipping)
(Time frame: 31.12.05)

16. A separate working arrangement in each Port between Customs Administration and head of the Port Authority along with custodians of CFS would be set up for meeting atleast once a month to work out solutions to various problems that may arise in the course of clearance of goods. The Central Board of Excise and Customs and Ministry of Shipping at the central level would review the performance of such group at the central level.

(Action: Central Board of Excise and Customs/Ministry of Shipping)
(Time frame: 31.12.05)

Major benefits to Trade and Industry

1. The recommendations made by the Inter Ministerial Group (IMG) in the present report will bring about an efficient and facilitative environment for expeditious Customs clearance of cargo. The Report prepared by the Group covers all the issues that were discussed over a period of time by the IMG and the recommendations made in the report broadly cover issues related to reduction of dwell time, simplification of procedures and monitoring of implementation of recommendations.

2. Automated procedures under Customs EDI system would help in reducing the number of manual processing stages and make a progressive move towards e-mode implementation of various procedures. The facility for electronic transmission of import/ export declarations to Customs from importer/exporter offices through ICEGATE (Customs e-commerce portal), automatic permission for transshipment and re-crediting of bond would help in reduction of transaction costs. This would also ensure reduced direct human interface between the Department and trade and bring transparency in government functioning.

3. As far as dwell time is concerned, the introduction of Risk Management System (RMS) with the benefit of green channel being extended to a large number of accredited clients (ACP) would considerably reduce the time taken for clearance of imported cargo. Out of three main components of dwell time i.e. (a) Assessment to payment of duty, (b) Examination of goods, and (c) Registration of goods for issue of out of charge from

customs, no time will be taken for assessment and for the examination of goods under the RMS and ACP program. To this extent, there would be considerable reduction in the dwell time. The RMS would also benefit in terms of increased accountability, transparency, uniformity and expeditious clearance of goods on the basis of focused, consistent, structured and scientific risk analysis.

4. The e-banking facility has been recommended by the IMG to enable importers pay Customs duty through internet and clear goods quickly. This would enhance transparent functioning, expeditious payment of Customs duty and overall reduction of dwell time in clearance of imported goods.

5. IMG has also dealt with the simplification of procedure in the following areas which will benefit trade:

(a) Amendment of Import Manifest would be made easier as routine amendments would not be taken up for adjudication, which otherwise results in delay in clearance of goods.

(b) Transshipment of goods from the ports to the CFS/ICDs is being made simple by doing away with the requirement of separate application for transshipment of cargo.

(c) The need for production of bank guarantee for carriage of goods under transshipment by Shipping lines and carriers of containerized cargo of more than 1000

TEUs is being done away with. This would expedite cargo movement and avoid bottlenecks at ports.

- (d) The procedure for conversion of foreign-going vessels to coastal runs is being simplified.
- (e) Procedure for movement of containers loaded with LCL cargo has been simplified. This move would facilitate flexibility in the movement of cargo between various CFSs and reduce the time taken in consolidation of cargo.
- (f) EDI-based bond module is being extended for custodian and transshipper as a measure of simplification.
- (g) The procedure for disposal of confiscated and uncleared goods is being simplified. This would enable expeditious disposal of such cargo and reduce congestion at ports/ CFSs.
- (h) Proposal for additional staffing at major locations is being made a part of the recommendations to provide a 7X24 hours clearance facility to trade for speedy clearance of cargo.

The overall procedural simplification would help in simplified filing of documents, faster assessment and payment of duty, quicker clearance of goods even in hinterland ICDs and would streamline the movement of cargo.

6. The recommendations of IMG would enable customs to effectively utilize its resources in a systematic manner with the overall objective of trade facilitation and resource augmentation.

7. The overall implementation of the recommendations would be reviewed through an institutional mechanism and progress monitored periodically.

Annexure-A

Indian Customs EDI System (ICES)

1. IMG was also made aware that alongwith the simplification of procedures, implementation at the field level is also being addressed by the Department of Revenue. The implementation at the ground level is intended by efficient use of the network of Indian Customs EDI System (ICES).

2. Indian Customs EDI-System (ICES), an automated customs transaction processing system was started as a pilot in May, 1995 and presently operational at 35 sites covering all customs stations (Airports, Sea ports, Land Customs stations and ICDs)

3. Provisions of Customs laws, Exim Policies, Fiscal Policies and other allied laws in relation to imports and exports are implemented through ICES. Any change of laws and policies, improvement in procedures, could be effected through ICES uniformly and expeditiously.

4. ICES has been designed to process import/ export electronic declarations in a automated workflow environment. Some of the benefits of Customs Computerisation are as under:

To the Trade:

- (a) Extensive re-engineering of processes has been done thereby reducing the number of processing stages for imports from 18 to 6 and for exports from 15 to 5.
- (b) No requirement of filing separate drawback claims by exporters. The drawback amount

is automatically credited to the exporter's A/C in the bank.

- (c) The importers and exporters can electronically transmit declarations to ICES from their offices through ICEGATE (Customs e-commerce portal) and get the assessed declaration back in their offices.
- (d) Service Centres have been provided in the Custom Houses for entry of electronic declarations to facilitate persons who do not have facility for filing of declarations from their offices.
- (e) All shipping bills are System Appraised except those under Export Promotion Schemes which require scrutiny on the basis of licence etc.
- (f) Computation of value, customs duties, exempted duties etc. is done by system automatically.
- (g) Requirement of permission for aggregation of cargo in case of export by Air, has been dispensed with.
- (h) Electronic Transmission of Release Advices to enable licence based clearance from ports other than port of registration has been implemented.
- (i) Electronic transmission of IGM from gateway ports to inland ports is being implemented.

- (j) Document status information through use of Tele-enquiry system, Touch Screen Kiosks, SMS, display of Document status on TV monitors and on local web sites leading to greater transparency in the monitoring of shipments by trade.
- (k) Information dissemination through departmental Website: www.cbec.gov.in and www.icegate.gov.in.
- (l) Transparency has also been engendered through Document Tracking, Status Query and Help Desks for ICEGATE filing.
- (m) Processing of documents is done on first come first served basis.
- (n) Reliance on paper documents for assessment by Customs officers has been dispensed with.
- (o) Facility is provided for Systems Appraisal to selected Importers of repute and to select goods on the basis of exemption notification like gold, silver, aircraft parts, books, Defence goods etc.
- (p) Green Channel facility, waiving examination, is available to specified category of importers.
- (q) The facility of 'Self sealing' of export consignments by the assesses has been implemented.
- (r) Reduction in dwell time of cargo and in transaction costs

To the Department

- (s) Senior Officers can monitor performance of functional officers online.
- (t) Time stamping of all activities ensures accountability
- (u) Authenticated and validated transaction-leading to accurate reporting since with the use of EDI and Internet based filing system data is received directly from the trade instead of having to be entered.
- (v) Various kinds of Management Information System (MIS) reports get generated automatically.
- (w) About 2.5 lakhs importer and exporters are using the system for filing their declarations either themselves or through Custom House Agents.
- (x) About 45 lakh declarations are processed under ICES annually.

5. ICES has been made operational at the following 35 sites.

Air	Sea	ICDs/CFSs	Land
Delhi	JNPT	Tuglakabad	Patrapole
Mumbai	Chennai	Patparganj	Raxual
Kolkata	Cochin	Ahmedabad	
Chennai	Kandla	Ludhiana (2)	
Hyderabad	Goa	Jaipur	
Bangalore	Mumbai	Mulund	
Trivandrum	Vizag	Bangalore	
Ahemdabad	Tuticorin	Hyderabad	
	Mangalore	Pithampur	
	Mundra (Bhuj)	Ballabgarh	
	Kakinada	Tuticorin	
	Kolkata		
	Haldia Dock		

Annexure-B

Risk Management System

1. The IMG was also explained the importance of the Risk Management System (RMS) that is being developed by the CBEC. RMS would further increase the efficiency of ICES by selective screening of high risk cargo. RMS aims at providing a systematic approach to the entire gamut of risk management and to put in place a mechanism assisted by information technology to identify and manage risks associated with the business of cargo clearance.

2. The RMS aims to provide end-to-end solutions for issues spread across the entire compliance continuum - ranging from speedier clearance and facilitation on one end, to targeting and enforcement on the other. It seeks to achieve an optimal balance between the concerns of facilitation and enforcement. The design of the RMS incorporates the following main features:

- Accountability, Transparency, Uniformity, Speed
- Nationally focused, consistent, structured and scientific risk analysis
- Flexibility at both national (strategic) and local (tactical) level
- Scalability to cater to future requirements
- Efficient and effective control
- Resource optimization
- Compliance measurement to assist policy formulation

3. The basic approach of the RMS is “trust the accredited trade partners, promote and assist compliance, and provide a platform for effective enforcement”. The programme recognizes self

appraisal and uses minimal and appropriate intervention to address perceived risks.

Components of the RMS

4. The scheme of the RMS incorporates an Accredited Clients Programme which envisages assured facilitation to clients who meet specified criteria in terms of amount of duty paid, volume of imports and a clean compliance record. The criteria have been designed to assess the applicant’s capacity and commitment for compliance with the laws and regulations and his past compliance record. Under this programme, Customs will release most of accredited clients’ consignments without any intervention, thus drastically reducing clearance time and transaction costs. Their imports will be subject to a small percentage of system generated random checks in order to monitor their continuing compliance and to retain an element of surprise. Customs, of course, reserve the right to intervene when there is specific intelligence or any other valid ground to do so. The accreditation under the RMS is a national programme to be managed by the Risk Management Division (which is proposed to be set up in the Directorate of Systems), so that the accredited clients get the same facilitation no matter from which port, airport or ICD they import their goods. Thus the RMS will bring about a substantial reduction in the dwell time and transaction costs of accredited clients.

5. In respect of non-accredited clients’ imports, the RMS will determine the treatment to be given to individual transactions, based on an assessment of risks associated with such transactions. The purpose is to ensure that the

department's resources are focused on high risk areas so that the threats to revenue and restrictions / prohibitions on imports are effectively tackled. A large number of low risk bills of entry are likely to be cleared in the self appraisal mode, without any assessment and examination by officers. This will bring down the work load on officers on the one hand and reduce the dwell time of cargo on the other.

6. The RMS also incorporates the use of random selection techniques which will enable the Department to measure compliance, the effectiveness of the risk evaluation by the system and will add to the degree of unpredictability. In addition, it also provides tools to support intelligence based interdictions as well as compliance monitoring and enforcement.

7. The existing process of concurrent audit would be dispensed with and replaced by a risk assessment based Post-clearance audit. The goal of the Post-clearance audit programme is to reduce pre-clearance intervention on the one hand and to monitor compliance in post-clearance environment on the other.

8. The two main customs component of dwell time of cargo are assessment and examination of goods. Implementation of RMS is expected to bring about significant reduction in these components. For the accredited clients under the Risk Management System, who will be accorded assured facilitation, the time taken for assessment and examination will be virtually eliminated.

9. To implement and manage the Risk Management System on a national basis, a Risk Management Division is being established in the Directorate of Systems under CBEC.

Annexure-C

Dwell Time Study at Major Ports

MUMBAI CUSTOM HOUSE

Dwell Time for Imports (June 2005)

Sl. No	Stages	Time in hrs	Time in days	Percentage of total dwell time
1	IGM to Entry Inward	0*	0*	0
2	Entry Inwards to OOC (Out of Charge)	381.6 Hrs	15.9 days	100%
3	Entry Inwards to submission of Bill of Entry by Importer	187.44 Hrs	7.81 days	49.11%
4	Submission to Assessment	37.92 Hrs	1.58 days	9.93%
5	Assessment to Payment of Duty	83.76 Hrs	3.49 days	21.94%
6	Payment of Duty to Goods registration	67.2 Hrs	2.80 days	17.61%
7	Goods Registration to OOC	5.28 Hrs	0.22 days	1.38%

* Earlier IGM used to be filed after arrival of the vessel and only then B/E could be filed. This was adding to the dwell time. As per amendment to Section 30 in 2003 IGM is now required to be filed before the arrival of the vessel. Hence dwell time attributable to IGM filing has become nil.

The total time attributable to Customs is the sum of stages 4 & 7 which comes to 11.31% of the total dwell time.

Dwell Time for Exports (June 2005)

Goods Registration(arrival) to Let Export Order(LEO)	4.32 hrs	0.18 days
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NHAVA SHEVA CUSTOMS HOUSE

Average Dwell Time for Imports (June 2005)

Sl. No	Stages	Time taken in hrs	Time taken in days	Percentage of total dwell time
1	IGM to Entry inwards	0*	0*	0
2	Entry inwards to OOC	370.32	15.43	100%
3	Entry inwards to Filing of B/E	196.80	8.2	53.14%
4	Filing of B/E to Assessment	37.44	1.56	10.11%
5	Assessment to payment of duty	79.20	3.3	21.38%
6	Payment of duty to goods registration	53.20	2.23	14.45%
7	Goods registration to out of charge	3.36	0.14	0.90%

* Earlier IGM used to be filed after arrival of the vessel and only then B/E could be filed. This was adding to the dwell time. As per amendment to Section 30 in 2003 IGM is now required to be filed before the arrival of the vessel. Hence dwell time attributable to IGM filing has become nil.

The total time attributable to Customs is the sum of stages 4 & 7 which comes to 11.02% of the total dwell time.

Dwell Time for Exports (June 2005)

Registration to let Export order	1.68 hrs	0.07 days
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CHENNAI CUSTOM HOUSE

Average Dwell Time for Import (June 2005)

Sl. No	Stages	Time taken in hrs	Time taken in days	% of total dwell time
01	Entry inwards to out of charge	291	12.14	100%
02	Entry inwards to filing of bill of entry	145	6.06	50%
03	Filing of bill of entry to assesemnt	62	2.59	21%
04	Assessment to goods registration	61	2.55	21%
05	Goods registration to out of charge	23	0.94	8%

Note: The total time attributable to Customs is 29% of the total dwell time.
45% of the Bills of Entry were assessed the same day.

Dwell Time for Exports (June 2005)

Registration to let Export order	1.25 hrs	0.059 days
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**COMMISSIONERATE OF CUSTOMS (I&G)
AIR CARGO, NEW DELHI**

Activity Wise Dwell Time For the period January to June 2005

Activity	Activity by	No. of Hours
Manifest Filing	Carrier	0
Declaration	Importer	77
Assessment	Customs	22
Duty Payment	Importer	41
Examination	Customs	6
Total Dwell Time		146

Dwell time on account of Customs = 28 hrs (19.17 %)

Annexure-D

Time frame for dispensation of manual systems for Customs message exchange with community partners

Sl. No (1)	Action Point (2)	Status (3)	Time Frame (4)
1.	Customs message exchange with Ports: Mumbai, JNPT, Chennai, Kolkata, Vizag, Cochin, Tuticorin, New Mangalore, Marmugao	Export module: • Out of 19 messages 17 are operational • 2 messages are exchanged but to be integrated at Customs backend.	31.12.05
		Import module: • Out of 21 messages planned for implementation 14 are operational. • 2 messages exchanged but to be integrated at Customs backend (these would be integrated by 30.9.05) • 5 messages to be implemented.	31.12.05
2.	CFSs, JNPT, Chennai	• All 6 messages operational at JNPT • To be operationalised at Chennai.	completed
3.	Airports: Delhi, Chennai, Kolkata, Mumbai, Hyderabad, Traivandrum, Bangalore.	Delhi/Chennai/Kolkata:	
		Export module: • Out of 9 messages 6 are operational. • 3 messages to be implemented.	30.11.05
		Import module: • Airlines/agents are persuaded for advance IGM filing.	31.12.05
		Mumbai: • Procedural changes being discussed with trade.	
	Trivandrum, Bangalore, Hyderabad:		
	Export: • Backend integration at Customs end to be completed	completed	
	Import module: • Airlines/agents are persuaded for advance IGM filing.	31.12.05	
4.	CONCOR: Delhi, Ahmedabad.	Export module: • Out of 8 messages 3 are operational. • 3 messages exchanged but not integrated at Customs backend. • 2 messages yet to be implemented.	31.12.05
		Import module: • Out of 9 messages 2 are operational. • 1 message exchanged but to be integrated at Customs backend (it would be integrated by 30.9.05). • 6 messages to be implemented.	31.12.05

Sl. No (1)	Action Point (2)	Status (3)	Time Frame (4)
5.	Banks: 23 locations.	Export module: <ul style="list-style-type: none"> • Out of 14 messages 9 are operational. • 5 messages to be implemented. Import module: <ul style="list-style-type: none"> • All 9 messages are operational 	31.12.05
6.	DGFT: 33 locations.	<ul style="list-style-type: none"> • IEC data exchanged • Exchange of Shipping bills/licence is on trial. • Procedural changes being finalized. 	completed

Note:

The time frames given above are dependent on the completion of the Migration exercise of ICES from Oracle 7 to Oracle 10g. This migration is necessary to enable CBEC to extend ICES to additional locations. Currently migration of ICES Export is going on and the Import ICES migration will be completed by March 2006.

Annexure-E

Model Requirement of Customs Staff

Total requirement of Customs staff at identified 5 major ports (JNPT-Nhavasheva, Mumbai, Kolkata, Chennai and New Delhi-Tughlakabad) and 8 other important Customs locations (Dadri,

Parparganj (ICDs), Cochin, Kandla, Nagpur ICD and Ludhiana-ICD, Tuticorin port and Haldia) is as follows:-

Sl. No.	Description	Average per location		Total staff requirement
		Major ports	Other Customs locations	
(A)	(B)	(C)	(D)	(E)= CX5+DX8
	Supervisory level:			
	Addl./Joint Commr.	1	0	5
	Operational level:			
	Asst./Dy commr.	3	1	23
	Appraiser	6	2	46
	Superintendent	9	4	77
	Inspector/Examiner	15	9	147
	Supporting staff:			
	Ministerial	6	2	46
	Data entry/computer operators	6	2	46
	Group 'D'	9	5	85
	Total	55	25	475

Annexure-F

Letter by Secretary (Shipping) to Secretary (Revenue)



सत्यमेव जयते

डी. टी. जोसेफ

सचिव

D. T. JOSEPH
SECRETARY

Tel. : 23714938

Fax : 23716656

भारत सरकार
Government of India
पोत परिवहन, सड़क परिवहन और राजमार्ग मंत्रालय
Ministry Of Shipping, Road Transport & Highways
पोत परिवहन विभाग
Department of Shipping
परिवहन भवन/Transport Bhawan
१, संसद मार्ग/1, Parliament Street
नई दिल्ली/New Delhi

RS - on leave

RS (Cus)

D.O.No. PT-11033/46/2005-PT

November 3, 2005

Dear

Shri Chandrasekhar

A-12654/RS/05
8/11

Please refer to your D.O. No.450/66/2005-Cus.IV dated October 31, 2005 and the meeting held on 25th October, 2005. The Draft Report addresses numerous issues raised by the Trade and the Ministry of Commerce and Department of Shipping. While the discussion in the IMG was in progress, I received a few suggestions from the Trade which in my opinion pertains to the issues undertaken by this IMG. I am enclosing herewith a Note containing my comments on some of the issues addressed in the Draft Report as well as certain other issues brought to my notice by the Trade.

Kindly consider these issues before finalizing the report for submission.

With regards,

Yours sincerely,

(D.T. Joseph)

Encls.: as above

Shri K.M. Chandrasekhar,
Revenue Secretary,
Ministry of Finance,
North Block,
New Delhi-110001.

Note on trade related customs issues

1. Faster delivery system by creating separate area in the port premises clearly earmarked for immediate delivery of cargo to specified accredited importers.

Ministry welcomes the step and is keen to provide necessary space clearly earmarked for immediate delivery of cargo. The request could be further processed after receipt of specific requests with regard to port.

2. Simplified procedure for amendment to Import General Manifest will be a welcome step and addresses one major concern raised by this ministry. In addition to the proposed modification to the circular of the Central Board of Excise and Customs (CBEC) No. 13/2005-cus. dated 11.3.2006 I bring the following to your attention:-

(i) The existing IGM filing procedure requires the Agent in charge of the Vessel carrying the cargo [the VOA] to file the Import Manifest - Cargo Declaration in a co-ordinated manner i.e. by collecting the Import Manifests from all the other Main Line Operators [MLO] loading on the same vessel. Thus the speed of filing the Import Manifest is dependent on the speed of the slowest MLO. The Import Manifest - Cargo Declaration has 3 parts: Vessel details, Cargo details and Container details.

(ii) The Customs software be modified to allow:

- (a) VOA to “initiate” the Vessel details in the Customs system in advance, identifying the codes of the MLOs who are loading on the same vessel- say 15 days in advance.
- (b) Those MLOs who have their cargo details ready well in time can file independently their Import Manifest - Cargo Declaration as soon as they have it ready. Thus the completion of the whole vessel manifest does not have to await the slowest MLO. Importers can file their Bills of Entry based on this manifest filing. This will enhance speed of import clearance.
- (iii) It- appears that even under the present system, the VOA can “initiate” the manifest with whatever details they have and the MLOs can then update as “amendments” to this manifest. But it raises some issues to be addressed. Firstly, such amendments will again be governed by CBEC Circular 13/2005 or its update. Secondly, these amendments cannot be filed through ICEGATE but only through diskettes in the Customs Processing Centre.

It would therefore be necessary to bring out these amendments outside the purview of the circular 13/2005 governing amendments to the IGMs. The entire process may be streamlined so that it can be conveniently regularized by operations through the ICEGATE

3. Waiver of requirement of bank guarantee for shipping lines carrying more than 1000 TEUs should be introduced.

The Public Notice No.02/2005 dated 01-02-2005 for waiver was only for the cargo moved by Road and **not by Sea.**

Later Public Notice No.1 05/2005 dated 24-05-2005 was issued by JNPT Customs House which allowed waiver of Bank Guarantee for transshipment of import and export cargo kOn1 JNPT to Feeder Ports/ ICDs/ CFSs and **vice versa by sea also.**

This facility of waiver of Bank Guarantee may be extended for all the Indian Ports and not restricted only to JNPT.

4. Simplified EDI based bond module to be made operational for custodian, shipping lines covering both custodianship and transshipment.

The bond is required from the persons/ companies actually transshipping the cargo. In the case of Inland Container Depots [ICDs], this is invariably Concor, CWC or similar undertakings. The shipping lines only rarely operate in this capacity as carriers to ICDs. There is a need to make some changes in the language of the existing bond. The bond as it stands, is not a replenishable bond. Once the value in the bond is exhausted, another bond has to be executed. Thus bond numbers keep changing periodically. As the Import Manifests filed by Lines/ Ship Agents have to record the Bond number, this results in unnecessary amendments to the IGM and loss of time.

The language of the bond needs to be amended to make it replenishable. Once the confirmation of cargo arrival at ICD is recorded in the

Customs system, the debit created in the bond value is to be automatically reversed i.e. on replenishing it. This will obviate the need for repeated filings of bonds by Concor, CWC and other inland carriers to ICDs. The same format procedure could be followed for shipping lines/ agents transshipping cargo from one Indian to another Indian port.

5. Exemption from duty in respect of temporary importation of containers:

We have received representations for automation of that the existing manual process of recording incoming containers [from the IGM] and the outgoing containers [from the EGM]. Both Customs and Ship Agents are devoting considerable manpower, badly needed for other activities, to this exercise. The Customs software may be amended to automatically capture the identity of the incoming-outgoing containers from the IGM and EGM respectively and reconcile. There would have to be sub processes to reconcile [a] the relatively small percentage of containers entering through one port and exiting from another [b] the relatively small percentage of containers entering under the IGM of one Line/ Ship Agent, being offleased to the Container Lessor, leased to another Line/ Ship Agent and going out under the EGM of another Line/ Ship Agent.

6. Coastal Transport

Transportation of Coastal goods from Kandla Port to other ports of India

The operators who serve in the route Kandla-

Cochin-Colombo-JNPTKandla are carrying the domestic containers alongwith other foreign containers from JNPT and Kandla to Cochin in terms of circular No.34 of 2000 which permits carriage of coastal from one Indian port to another Indian port in a foreign going vessel. As per the above circular, all domestic containers are required to be painted “FOR COASTAL CARRIAGE ONLY” on all four corners. This has created a number of difficulties to the service providers.

- (a) The painting has to be done each time the box changes its operation from coastal to foreign export and vice versa.
- (b) The use of imported containers on cabotage use as per your circular No. F.No. 450/69/2000-CUS-IV dated 30th October 2001 it is not possible as the lines are not willing to allow the painting of "FOR COASTAL CARRIAGE ONLY" on their containers.
- (c) Since the movement of cargo is only in one direction the empty containers have to be repositioned back which is uneconomical to use all container only under domestic use.
- (d) The trade is not able to get sufficient containers as per their requirement due to such restrictions.

To overcome the above problem the representatives have requested to permit us to use stickers “FOR COASTAL CARRIAGE ONLY” on all four corners instead of painting the same. It is further represented that the

domestic containers are sealed and being moved out only after inspection and verification by the Customs Officials as per the bills of Coastal Goods which specifies the container number.

7. Transportation of Goods from Kandla Port to other ports of India on East Coast through Colombo.

The representation received on the subject is reproduced as under for consideration:

“We receive several enquires from the trade to move the Domestic containerized cargo from JNPT/Kandla port to other Indian Ports like Chennai, Haldia and Calcutta on the East Coast of India and vice versa which we are unable to cater to as we do not have a direct service to these ports from Kandla/JNPT. Further, the volume of cargo moving between these location is not large enough to sustain an independent service directly from West Coast India to the East Coast of India. Our above mentioned service returns back from Colombo and we have another service from Colombo to other Indian ports like Chennai, Haldia and Calcutta on the East Coast. We propose to carry domestic containers from Kandla/ JNPT destined for ports on the East Coast of India on our existing service as mentioned above and transship these containers at Colombo on to our another service operating between ports on the East Coast of India and Colombo. thus servicing to the requirement of domestic trade from Kandla/ JNPT to the ports on the East coast of India.

It is therefore important and necessary to permit transshipment of containers containing

indigenous cargo at a foreign port. This will involve landing of a container at a foreign port and connecting the same on another vessel for final discharge at another Indian port.

To ensure safe transit of the container, the container shall be sealed and the seal number will be entered in the BCG filed at the load port. The container seal can be verified at the discharge port by the Port Authority to ensure that there is no tampering of the cargo carried.

This will help provide the sea linkage between the ports on West Coast and East Coast of India and enhance the coastal shipping which will help the trade to use the option of sea mode to move their cargo across the country.

A letter to this effect was already forwarded to the Director, CBEC on 20/06/2005 which was copied to your office.

We will be pleased and grateful to you for permitting us and for providing us the procedure for such transportation."

8. EGM

The need to file EGM has lost its utility as all the information in the EGM is already there with customs through shipping bills filed by the shippers. All that is required in addition is the statement of shipping bill and containers loaded on the vessel. This may please be looked into.

9. Transshipment of Foreign containers

The existing regulations do not permit transshipment of foreign containers from most of the Indian ports. It appears that a separate notification has been issued by Chief Commissioner Customs, Mumbai to permit transshipment from Nhava Sheva alone. As a result, main line vessels prefer calling neighboring ports such as Dubai, Colombo, Salala, etc. instead of the Indian ports. Mundra port has been specifically requesting for notification permitting transshipment of foreign containers.

Annexure-G

Comments of Department of Revenue on the issues raised by Ministry of Shipping

As the IMG has made a recommendation that Inter Ministerial consultations may continue to ensure tangible and substantial progress, these issues may be examined and discussed at subsequent meetings.

Annexure-H

Comments on the additional issues raised by Shipping

Sl.No.	Comments of Ministry of Shipping	Remarks of DOR
1.	Faster delivery system by creating separate area in the port premises clearly earmarked for immediate delivery of cargo to specified accredited importers. The request to provide necessary space could be further processed after receipt of specific requests with regard to port.	No comments as Ministry of Shipping (MoS) has welcomed the recommendation.
2.	<ul style="list-style-type: none"> • Simplified procedure for amendment to Import General Manifest is welcome step and addresses one major concern raised by this Ministry. • Ministry of Shipping has raised the issue that speed of filing the Import Manifests is dependent on the speed of the slowest main Line Operator providing the manifest details. • Customs software may be modified to allow,- <ol style="list-style-type: none"> (a) Agent in Charge of the Vessel (VOA) to initiate vessel details in the Customs System in advance, identifying the codes of the MLOs who are loading on the same vessel-say 15 days in advance (b) MLOs who have their cargo details ready can independently file their Import Manifest. Importers can file their Bill of Entry based on this manifest filing. (c) It appears that even under the present system, the VOA can initiate the manifest with whatever details they have and the MLOs can then update as “amendments” to this manifest but it raises some issues to be addressed. Such amendment would be governed by the CBEC circular and the amendment cannot be done through ICEGATE. <p>These amendments may be brought outside the purview of the Circular No. 13/2005 relating to IGM amendment. The process of making IGM amendment should be regularized through ICEGATE.</p>	IMG has already considered a simplified procedure to carry out IGM amendment. The present suggestion needs clarity of expression and also suggests infrastructure improvement of ICEGATE. It is understood that the House manifest details are requested to be outside the scope of Circular 13/2005 which emphasizes correct and timely filing of IGM and penalty for delayed filing. The necessary clarification can be tendered to stakeholders after a meeting with them. However the issue has not be included in final IMG report.
3.	Waiver of requirement of bank guarantee for shipping lines carrying more than 1000 TEUs should be introduced at all ports and movement by sea should also be covered.	IMG has already addressed the issue. (Circular No. 45/2005)
4.	Simplified EDI based bond module to be made operational for custodian, shipping lines covering both custodianship and transshipment, should be a replenish able bond to obviate the need for repeated filing of bonds by CONCOR, CWC and other Inland carriers to ICD.	IMG has already addressed the issue. (Circular No. 47/2005)
5.	Representations for automation of the existing manual process of recording incoming containers (from the IGM) and the outgoing containers (from the EGM). The Customs software may be amended to automatically capture the identity of the incoming-outgoing containers from the IGM and EGM respectively and reconcile.	Matching of container numbers under automated environment requires (i) all Customs locations to be under EDI and (ii) information of container number as additional field in existing IGM/EGM format. Systems Directorate would be able to consider the same after up gradation of existing EDI network.

Sl.No.	Comments of Ministry of Shipping	Remarks of DOR
6.	<p>The operators who serve in the route Kandla-Cochin-Colombo-JNPT-Kandla are carrying the domestic containers alongwith other foreign containers from JNPT and Kandla to Cochin in terms of circular No. 34 of 2000 which permits carriage of coastal from one Indian Port to another Indian Port in a foreign going vessel. All domestic containers are required to be painted "For Coastal Carriage Only" on all four corners. This is to be done each time box changes its operation from coastal to foreign. Further foreign lines are not willing to allow painting as above. The trade is not getting sufficient containers due to such restriction. The movement of coastal cargo is one directional and empty containers have to be repositioned back which makes the use of all container for domestic use uneconomical. Accordingly they have requested to permit the use of stickers instead of painted. Also domestic containers are sealed and moved out only after inspection and verification by the Customs Officials.</p>	<p>The request is to consider the amendment in the circular no. 34/2000. This issue has not been included in present IMG report. However this can be examined separately.</p>
7.	<p>Transportation of goods from Kandla port to other ports of India on East Coast through Colombo- transshipment of containers containing indigenous cargo at a foreign port.</p>	<p>This issue has not been included in present IMG report. However this can be examined separately.</p>
8.	<p>The need to file EGM has lost its utility as all the information in the EGM is already there with Customs through Shipping Bills filed by the Shippers.</p>	<p>EGM is required to be filed by carrier which is responsible for transportation of cargo. Shipping Bill is the documents filed by exporter or his agent and it imposes responsibility only in respect of goods on exporter and not on carrier. The issue has not been included in IMG report. Further, the proposal is not procedural simplification but suggestion to amend the Act and the same needs to be examined separately.</p>
9.	<p>The existing regulations do not permit transshipment of foreign containers from most of the Indian ports. Mundra port has been specifically requesting for notification permitting transshipment of foreign containers.</p>	<p>The issue of transshipment of foreign containers at Mundra has been addressed.</p>

**Circulars / Instructions
issued by CBEC**

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

New Delhi, November 24th, 2005

To,

All Chief Commissioner of Customs,
All Chief Commissioner of Central Excise,
All Chief Commissioner of Customs & Central Excise,
Director General, Directorate of Revenue Intelligence,
webmaster@cbec.gov.in

Sir,

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 Appraisal 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 assesseees, 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 through 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.

16. Hindi version will follow.

Yours faithfully

Sd-

(Anupam Prakash)

Under Secretary to the Government of India

Phone No.23094182

Copy to:

1. PS to Chairman (E&C),
2. All Members, CBEC
3. CDR,CESTAT
4. All Directorates, CBEC
5. All Commissioners, CBEC
6. All Joint Secretaries/Directors/Deputy Secretaries, CBEC
7. All Under Secretaries/STOs/TOs,CBEC
8. Guard file.

Sd-
(Anupam Prakash)
Under Secretary to the Government of India

Annexure-1

Application form for Accredited Clients Programme:

(Please refer to Para 7 of the Circular)

S.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, IE Code, Central Excise Registration Number, with all details including address, telephone number, fax no, Email Address.
9	Do you possess any Quality Accreditations such as ISO? If yes, please specify the particulars.

S.No.	
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, Telephone, Fax, E-Mail.
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 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.

S.No.	
<p>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)</p>	
<p>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:</p>	
<p>18 List of Custom House Agents employed at each port, with date(s) of appointment of the CHA. CHA Name: Port: CHA address: Phone: Email address:</p>	
<p>19 Customs Special Valuation Branch [SVB] Registration Number, if any, with details including that of last review by the Custom House</p>	
<p>20 Central Excise registration No(s) Date of Issue Commissionerate Division Range</p>	

S.No.

- 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.
- 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 and/or any other enactments implemented by the Customs department, in the previous 3 financial years?
If Yes, Details of the connected Show cause notice (s), adjudication order(s) etc. may be furnished, along with the present position of the cases, if pending in Appellate or Judicial forums.
- 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.

S.No.	
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 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)

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**

Circular No. 43/2005-Cus

F.No.450/66/2004-CUS-IV
Government of India
Ministry of Finance
Department of Revenue
Central Board of Excise & Customs

New Delhi, November 24th, 2005

To,

All Chief Commissioner of Customs,
All Chief Commissioner of Central Excise,
All Chief Commissioner of Customs & Central Excise,
Director General, Directorate of Revenue Intelligence,
webmaster@cbec.gov.in

Sir,

Subject: Introduction of Risk Management System (RMS) in Imports- regarding-

Attention is invited to the 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 Circular No. 42/2005-Cus dated 24.11.05 on Accredited Clients Program. An Inter Ministerial Group (IMG) headed by Secretary (Revenue) consisting of representatives from Ministry of Shipping, Ministry of Commerce, Planning Commission besides CBEC, 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. The Board has decided to introduce the 'Risk Management System' (RMS) in major Customs locations where the Indian Customs EDI System (ICES) is operational. The implementation of the RMS is one of the most significant steps in the ongoing Business Process Re-engineering initiatives of the Customs and Central Excise Department.
3. The ever increasing volumes and complexity of international trade and the deteriorating global security scenario present formidable challenges to Customs. The exponential growth in trade volumes means that the traditional approach of scrutinizing every document and examining every consignment

will simply not work, as it would neither be desirable nor possible to constantly increase the resources with the increasing workload. Also, there is a need to reduce the dwell-time of cargo at the ports and airports and to reduce the transaction costs in order to enhance the competitiveness of Indian businesses, by expediting release of cargo where compliance is high. This necessitates that the department should be selective in its approach to deployment of its resources. The advances in Information Technology offer an opportunity to address these challenges faced by the department by putting in place an effective risk management system. The primary objective of the Risk Management System, therefore, is to strike an optimal balance between facilitation and enforcement and to promote a culture of compliance. It is intended to improve the management of the resources of the department to enhance the efficiency and effectiveness in meeting stakeholder expectations and to bring the Customs processes at par with the best international practices.

4. With the introduction of the RMS, the present practice of routine assessment, concurrent audit and examination of almost all Bills of Entry will be discontinued and the focus will be on quality assessment, examination and Post Clearance Audit of Bills of Entry selected by the Risk Management System.

5. Bills of Entry and IGMs filed electronically into ICES through the Service Centre or the ICEGATE will be transmitted by ICES to the RMS. The RMS will process the data through a series of steps and produce an electronic output for the ICES. This output will determine whether the Bill of Entry will be taken-up for action (appraisal or examination or both) or be cleared after payment of duty and Out of Charge directly, without any assessment and examination. Also where necessary, RMS will provide instructions for Appraising Officer, Examining Officer or the Out-of-Charge Officer. It needs to be noted that the decisions communicated by the RMS on the need for assessment and/or examination and the appraising and examination instructions communicated by the RMS have to be followed by the field formations. It is possible that in a few cases, the field formations might decide to apply a particular treatment to the BE which is at variance with the decision received from the RMS owing to risks which are not factored in the RMS. Such a course of action shall however be taken only with the prior approval of the jurisdictional Commissioner of Customs or an officer authorized by him for this purpose, who shall not be below the rank of Addl./Joint Commissioner of Customs, and after recording the reasons for the same. A brief remark on the reasons and the particulars of Commissioner's authorization should be made by the officer examining the goods in the departmental comments in the EDI system.

6. The existing system of concurrent audit shall be abolished and replaced by a Post-Clearance Compliance Verification (Audit) function. The objective of the Post Clearance Verification Programme is to monitor, maintain and enhance compliance levels, while reducing the dwell time of cargo. The RMS will select the bills of entry for audit, after clearance of the goods, and these

selected bills of entry will be directed to the audit officers for scrutiny by the EDI system. In case any possible short levies are noticed, the officers will issue a Consultative Letter setting out the grounds for their view to the Importers/CHAs. This is intended to give the importers an opportunity to voluntarily comply and pay the duty difference if they agree with the department's point of view. In case there is no agreement, the formal processes of demand notices, adjudication etc. would follow. It may also be noted that the auditors are specifically being instructed to scrutinize declarations with reference to data quality and advise the importers/CHAs suitably where the quality of their declarations is found deficient. Such advice is expected to be followed and will be monitored by the local risk managers. It hardly needs emphasis that compliance in all its dimensions is in the mutual interest of the Government and the Trade and Industry and it will enable the government to give increasing levels of facilitation. The Importers/CHAs are urged to co-operate in the department's efforts in this direction.

- 7.** The national management of the Risk Management System shall be the responsibility of the Risk Management Division, being established under the Directorate General of Systems. There will be a local Risk Management System catering to the needs of the Custom Houses. The local Risk Management System will carry out the live processing of the Bills of Entry and Import General Manifests etc. The Commissioners of Customs are required to appoint the administrator for the 'Local Risk Management System' at the level of the Joint/Additional Commissioner for assigning user privileges on the Local Risk Management System.
- 8.** The implementation of RMS will necessitate reorganization of staff. Custom Houses are required to undertake a comprehensive re-organization of the officers deployed for processing Bills of Entry. The present appraising facilities should be right-sized in tune with the reduced quantum of Bills of entry coming for assessment. Such staff should be diverted to the Post Clearance Audit. The strength of the staff for examination of cargo would also be required to be readjusted.
- 9.** The existing facilitation schemes viz., the Self-assessment scheme, Fast track / green channel scheme, Accelerated customs clearance schemes etc., would be phased out with the implementation of the RMS and the Accredited Clients Programme. As the deployment of the RMS is likely to take place in phased manner across the ICES locations, the existing facilitation schemes will continue to be operative in each Customs station until the operationalisation of the RMS at that station.
- 10.** NACEN will support the RMD in conducting the necessary training of the officers for running and managing the RMS at the ICES locations.
- 11.** Detailed draft Public Notices, Standing Orders and Instruction Manuals will be forwarded by the DG (Systems) separately.

12. Receipt of this circular may please be acknowledged.

13. Hindi version will follow.

Yours faithfully

Sd-

(Anupam Prakash)

Under Secretary to the Government of India

Phone No.23094182

Copy to:

1. PS to Chairman (E&C),
2. All Members, CBEC
3. CDR,CESTAT
4. All Directorates, CBEC
5. All Commissioners, CBEC
6. All Joint Secretaries/Directors/Deputy Secretaries, CBEC
7. All Under Secretaries/STOs/TOs,CBEC
8. Guard file.

Sd-

(Anupam Prakash)

Under Secretary to the Government of India

Circular No. 44/2005-Cus

F.No.450/66/2004-CUS-IV
Government of India
Ministry of Finance
Department of Revenue
Central Board of Excise & Customs

New Delhi, November 24th, 2005

To,

All Chief Commissioner of Customs,
All Chief Commissioner of Central Excise,
All Chief Commissioner of Customs & Central Excise,
Director General, Directorate of Revenue Intelligence,
Director General of Systems and Data Management,
webmaster@cbec.gov.in

Sir,

Subject: Delayed, incomplete or incorrect filing of Import Manifest or Import Report- Reg.

I am directed to invite your attention to Board's Circular No. 13/2005-Cus, dated 11.03.2005. The intention of the prevailing Circulars/instructions is to ensure correct filing of Import General Manifest/report, complete in all respects, so as to reduce overall dwell time of cargo. Further, the nature of amendments were also classified in two broad categories 'major' and 'minor' to enable for immediate approval.

2. It has been brought to the knowledge of Board that all cases requiring "major amendments" in import manifest are being put up to proper officer for adjudication. The process of adjudication entails delay in the clearance of goods as a proper hearing has to be given and a speaking order has to be issued after taking into account full facts of the case and submissions made by the concerned agencies. Ministry of Shipping and various Industry Associations have represented on this issue. It has been suggested that major amendments which do not affect the Customs revenue **substantially**, should be permitted by the proper officer according to the merits of the case.

3. The matter was re-examined. It has been decided by the Board that all amendments to the Import General Manifest (IGM) may be considered on the basis of the provisions contained in section 30(3) of the Customs Act, 1962. The said section (sub-section 3) provides that if the proper officer is

satisfied that the import manifest or import report is in any way incorrect or incomplete, and that there was no fraudulent intention, he may permit it to be amended or supplemented. Hence the need for adjudication will arise only in cases where there are major amendments involving fraudulent intention or substantial revenue implication arising from the amendments. Further it is possible that in certain special situations such as mother/daughter vessel operation for lighterage on account shortage of draft, congestion of port, natural calamity, the final quantity of goods covered by the IGM would be known only after completion of such lighterage operation, requiring amendment in quantity originally declared at the time of filing IGM. These exceptional situations need to be taken care so that penal action is not initiated mechanically in such situations.

4. The Board's Circular No. 13/2005-Cus, dated 11.03.2005 should be read as amended to the above extent. The above instructions may be brought to the notice of the Trade immediately through appropriate Public Notice.
5. Receipt of this Circular may kindly be acknowledged.
6. Hindi version will follow.

Yours faithfully

Sd-
(Anupam Prakash)
Under Secretary to the Government of India
Phone No.23094182

Copy to:

1. PS to Chairman (E&C),
2. All Members, CBEC
3. CDR,CESTAT
4. All Directorates, CBEC
5. All Commissioners, CBEC
6. All Joint Secretaries/Directors/Deputy Secretaries, CBEC
7. All Under Secretaries/STOs/TOs,CBEC
8. Guard file.

Sd-
(Anupam Prakash)
Under Secretary to the Government of India

Circular No. 45/2005-Cus

F.No.450/66/2004-CUS-IV
Government of India
Ministry of Finance
Department of Revenue
Central Board of Excise & Customs

New Delhi, November 24th, 2005

To,

All Chief Commissioner of Customs,
All Chief Commissioner of Central Excise,
All Chief Commissioner of Customs & Central Excise,
Director General, Directorate of Revenue Intelligence,
Director General, Director General of Systems and Data Management,
webmaster@cbec.gov.in

Sir,

Subject: Transshipment of import and export cargo - waiver of bank guarantee - Reg.

I am directed to invite your attention to Board's Circular No. 78/2001-Customs, dated 7.12.2001. The above circular prescribes the bond and amount of bank guarantee to be taken in case of transshipment of cargo from the gateway port to feeder ports/ICDs/CFSSs and vice versa. It also provides for the category of persons who are exempt from executing bank guarantee

2. It has been brought to the knowledge of Board that that the present exemption for bank guarantee should be reexamined and extended to all agencies-ICDs/CFSSs/carriers undertaking transshipment of cargo, so that cargo could be moved faster from ports and congestion avoided in ports.
3. The matter was re-examined. It has been decided by the Board to waive the requirement of execution of bank guarantee for the purpose of transshipment for all carriers of containerized cargo, who are handling more than 1000 TEUs as import containers in a financial year. This waiver would apply not only to shipping lines but also to ICDs/CFSSs/ other carriers and for carriage in all modes of transshipment, irrespective of their movement by road, coastal shipping or rail.
4. Further, there could be some carriers who may be having annual transshipment volume below the limit of 1000 TEUs, but may have good track record, requesting for considering exemption from BG

on merits. Such requests can be considered by the jurisdictional Commissioners of Customs in deserving cases for giving waiver of bank guarantee requirement for carriage of goods on transshipment.

5. The Board's Circular No. 52/2004-Cus, dated 7.10.2004 and No.78/2001-cus. dated 7.12.2001 would stand modified to the above extent. The above instructions may be brought to the notice of the Trade immediately through appropriate Public Notice.

6. Receipt of this Circular may kindly be acknowledged.

7. Hindi version will follow.

Yours faithfully

Sd-

(Anupam Prakash)

Under Secretary to the Government of India

Phone No.23094182

Copy to:

1. PS to Chairman (E&C),
2. All Members, CBEC
3. CDR,CESTAT
4. All Directorates, CBEC
5. All Commissioners, CBEC
6. All Joint Secretaries/Directors/Deputy Secretaries, CBEC
7. All Under Secretaries/STOs/TOs,CBEC
8. Guard file.

Sd-

(Anupam Prakash)

Under Secretary to the Government of India

Circular No. 46/2005-Cus

F.No.450/66/2004-CUS-IV
Government of India
Ministry of Finance
Department of Revenue
Central Board of Excise & Customs

New Delhi, November 24th, 2005

To,

All Chief Commissioner of Customs,
All Chief Commissioner of Central Excise,
All Chief Commissioner of Customs & Central Excise,
Director General, Directorate of Revenue Intelligence,
Director General, Director General of Systems and Data Management,
webmaster@cbec.gov.in

Sir,

Subject: Automation of movement of containerized cargo from Gateway Ports to hinterland ports – SMTP – regarding-

The undersigned is directed to state that during the deliberations of Inter Ministerial Group consisting of representatives of Ministry of Shipping, Ministry of Commerce and Planning Commission under the Chairmanship of Secretary (Revenue), one of the issues that came up was the requirement of filing Sub-Manifest Transshipment Permit (SMTP) application and consequent delay in clearance of goods meant for transshipment to hinterland ports/ ICDs/ CFSs.

2. The Board has now decided to automate the transshipment of containerized cargo from one Port to an Inland Port or ICD/CFS where the Indian Customs EDI System (ICES) is operational. This would involve exchange of messages for Transshipment of Cargo electronically among Customs, Port authorities, ICDs and Shipping Agents.. The implementation of this module is a significant step in the ongoing Business Process Re-engineering initiatives of the department. This will also reduce the congestion and dwell-time of cargo at the ports and will contribute to reduction in transaction costs of imports.

3. In the automated Transshipment Module, the requirement of an application by the carrier will be done away with and the SMTP (Sub manifest Transshipment Permit) portion of the IGM itself

will be treated as a request for transshipment. Carriers will not be required to separately file an application for this purpose. They will however be required to indicate the code of the transporter undertaking the transshipment (e.g. CONCOR) in the IGM. For this purpose, a field is being added in the IGM format to capture this information. The ICES system will allow transshipment of those containers against whom the port of destination is indicated as ports other than the port of discharge.

4. The transshipment permit information will be sent to the carrier, the transporter undertaking the transshipment, custodian of the gateway port, and the ICES system at the destination ICD. Transshipment permit can also be printed by the carrier in his office or in the custom house.
5. The transshipment permit transmitted to the recipient port/ ICD/ CFS will automatically be converted into an IGM and the Shipping Lines will not be required to file any fresh IGM in respect of such containers.
6. The transporter performing the transshipment activity will be required to electronically submit a container arrival report to the ICES system at the destination ICD/ CFS in a specified format. The container arrival report will be matched with transshipment message received from the Gateway Port and a 'landing certificate ' message will be generated by the inland port/ICD/CFS which will be transmitted to the Gateway port for closure of IGM Lines.
7. Instructions on debit of Bonds for transshipment are also being modified to enable the carrier to carry out debit and credit in the Bonds. Circular in this regard is being issued separately.
8. Presently the automated transshipment module is implemented between JNPT and ICD Tughlakabad. Detailed transshipment procedure is being worked out by the Directorate of Systems and will be circulated to all automated custom locations for informing the trade before implementation.
9. Receipt of this Circular may be acknowledged.
10. Hindi version will follow.

Yours faithfully

Sd-
(Anupam Prakash)
Under Secretary to the Government of India
Phone No.23094182

Circular No. 47/2005-Cus

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

New Delhi, November 24th, 2005

To,

All Chief Commissioner of Customs,
All Chief Commissioner of Central Excise,
All Chief Commissioner of Customs & Central Excise,
Director General, Directorate of Revenue Intelligence,
Director General, Director General of Systems and Data Management,
webmaster@cbec.gov.in

Sir,

Subject: Simplified bond module covering both custodianship and transshipment –multiplicity and multi-utilisation of bond- Reg.

I am directed to invite your attention to above subject and to say that an Inter Ministerial Group (IMG) headed by Secretary (Revenue) examined various issues relating to simplification of customs procedures. IMG felt that the issues relating to multiplicity of bond and multi-utilization of bond need to be addressed. The Group felt that if the same person is required to file two different bonds to a single Customs authority under different provisions of customs procedures, then one single bond can incorporate all such requirements and the existing Bond module of the EDI should be utilized for all requirements of bond. The Group felt that it would ensure better monitoring and simplification of procedure.

2. In this connection reference is invited to Board's Circular No. 78 /2001-Cus dated 7th December, 2001 wherein it is prescribed that the custodians of ICDs/CFSS operating as carriers of transshipment cargo between gateway ports and their ICDs/CFSS shall amend the terms and conditions of their bank guarantees executed with Customs for custodianship of ICDs/CFSS to cover safety and security of cargo being transhipped by them. The details of such bank guarantee shall be informed to the Commissioner of Customs having jurisdiction over the gateway port. The custodians of ICDs/CFSS shall be allowed to tranship the cargo against the said bank guarantee and they will not be required to execute a separate bank guarantee for transshipment.

3. Further Board's Circular No. 34/2000-Cus. dated 3rd May, 2000 provide for 'mother bond' in order to avoid multiplicity of bond for same purpose i.e. transshipment. As per the provisions, the carriers may execute Mother Bonds instead of individual bonds. Such bonds will be accepted and maintained by the Commissioners of Customs at the port of origin and these will be like running bonds. These will be credited on receipt of proof of safe landing of containers at the port of destination. The value of Mother Bond can be arrived on the basis of the average number of containers carried in the vessels, time taken for submission of proof of safe landing of containers at the destination ports, frequency of such transshipment as well as the average value for containers.
4. In view of existing circulars efforts should be made to reduce multiplicity of bond. Further EDI system of Customs has a 'bond module' which will be fully utilized once 'message exchange facility' is operationalised between two ports. The implementation of bond module for re-crediting is in conformity with the Regulation 4 of the Goods Imported (Condition of Transshipment) Regulation, 1995 which provides for discharge of the bond on production of certificate of transfer of goods at the destination. After such discharge of the bond amount covering a particular transaction; the value of mother bond will be credited to that extent. In an online environment, such re-credit to the extent of the bond amount which gets discharged as stated above, would be done automatically in the system on receipt of electronic message between Gateway port and destination port or between two customs stations. Directorate of Systems and Data Management would make efforts to implement the same in electronic environment in time bound manner.
5. The above instructions may be brought to the notice of all concerned for effective implementation.
6. Hindi version follows.

Yours faithfully

Sd-

(Anupam Prakash)

Under Secretary to the Government of India

Phone No.23094182

Circular No. 50/2005-Cus

F.No.442/12/2004-Cus.IV (Pt.II)
Government of India
Ministry of Finance
Department of Revenue
Central Board of Excise & Customs

New Delhi, dated December 01, 2005

To,

All Chief Commissioner of Customs,
All Chief Commissioner of Central Excise,
All Chief Commissioner of Customs & Central Excise,
All Commissioner of Customs,
All Commissioner of Central Excise,
All Commissioner of Customs & Central Excise,
Director General, Directorate of Revenue Intelligence,
Director General, Directorate of Systems and Data Management,
webmaster@cbec.gov.in

Sir,

Subject:- Procedure for disposal of unclaimed/ uncleared cargo under section 48 of the Customs Act, 1962, lying with the custodians – regarding

I am directed to invite your attention to the report of the Task Force which was constituted by the Central Board of Excise and Customs as a sequel to the observations of the C & AG, vide order F.No. 442/12/2004-Cus.IV (Pt) dated 27.6.2005 to examine the various issues arising out of the audit review, and to suggest effective measures to be put in place as a permanent mechanism for expeditious disposal of the backlog of accumulated, unclaimed, uncleared and confiscated cargo, and also to ensure that no delays in disposal take place in future. The Chief Commissioner of Customs, Delhi Zone was the Chairman of the Task Force.

2. Looking at the considerable success in expeditious disposal of Section 48 unclaimed cargo as a result of the interim special initiatives taken by government vide Circulars dated 17.10.1997, 13.01.2000, and 28.01.2004, the Task Force viewed that the procedure laid down in the Ministry's last Circular No. 7/2004 dated 28.01.2004 should be put in place as a permanent measure with some modifications.

3. The matter has been examined by the Board. In order to ensure expeditious disposal of unclaimed/ uncleared cargo, under section 48 of the Customs Act, 1962, and lying with custodians, whether in the private or public sector, the following procedure should be followed:-
- (i) The procedure shall be applicable only to unclaimed/uncleared cargo landed at least one year prior to the date on which the list of goods for customs “no objection” is prepared. In other words, this liberalized procedure would not apply to goods which have been lying uncleared for a period less than one year from the date of their import.
 - (ii) The custodian will furnish the list of items to be considered for disposal to customs. The list will contain complete particulars such as Bill of Lading/Airway Bill number, description of goods, weight, name of the consignee/consignor, etc. A notice shall simultaneously be issued by the custodian to the consignee at his known address and also displayed on the custodian’s notice board stating that if the goods are not cleared within 15 days they be sold by the custodian under Section 48 of the Customs Act, 1962.
 - (iii) Customs shall scrutinize the list with their own files/records and intimate the custodian a list of disputed or stayed consignments or consignments required to be retained for any investigation/adjudication/court proceedings, motor vehicles or negative list items as restrictions imposed under allied acts. If no such intimation is received from the Customs within 15 days, the custodian shall go ahead with the disposal of the goods.
 - (iv) The responsibility for the disposal shall exclusively be with the Custodian who shall fix a reserve price arrived at by a panel of Government approved valuers appointed by the Custodian [irrespective of any value arrived at by the Customs Appraisers earlier], which should include an expert on the product line.
 - (v) The customs will not insist on complete and detailed inventory of the contents of the consignments to be drawn in their presence. They shall, instead choose 10% consignments for which detailed inventory shall be made in their presence for sample check.
 - (vi) The disposal of the goods shall be made by public auction/ E-auction/tender. The date of the public auction/ E-auction/tender should be adequately publicized in advance through national newspapers (both in English and Hindi), departmental website as well as in at least one newspaper in the local language. The values assessed by the approved valuers appointed by the custodians shall form the “reserve price”. The maximum number of auctions/tenders to which a lot is subjected should be four, with the goods to be necessarily sold for the highest bid in the last auction/tender regardless of the reserve price fixed. Reserve price fixed would not be applicable in case of fourth auction/tender. In the event of the goods not being disposed of in the first auction, subsequent auctions/tender should be conducted in time bound manner.
 - (vii) Guidelines issued by the Central Vigilance Commission as available at CVC website <http://www.cvc.nic.in> particularly letter No.98/ORD/1 dated 18th December, 2003 should also be kept in view.
 - (viii) The bidding shall be on cum-duty price and duty shall be back-calculated from the sale price

[Local taxes like Sales Tax etc, will however have to be charged/recovered extra from the buyer].

- (ix) The custodian should fix a date for holding the auction/tender and communicate such date to the officer in charge of the customs station and the concerned Assistant Commissioner/Deputy Commissioner. The Assistant Commissioner/Deputy Commissioner would nominate, if necessary, an officer not below the rank of Superintendent /Appraiser to witness the auction/tender. Customs shall not withdraw any consignments at the last moment from the auction/tender except with the written approval of the Commissioner of Customs.
- (x) For each consignment which is sold, the custodian will file a consolidated Bill of Entry, buyer-wise, for assessment of the effective rate of duty by the Customs. Auctioned goods will be allowed out of charge only after the duty assessed is paid by the custodian [Refer Unclaimed Goods {Bill of Entry} Regulations, 1972].
- (xi) The sale proceeds shall be shared as per the provisions of section 150 of the Customs Act, 1962.

4. For uncleared/ unclaimed goods which are lying for a period less than one year, the custodian would get the reserve price fixed by a panel of Government approved valuers appointed by the Custodian. However, if these goods remain unsold and pass into the category of landed-more-than-one-year-prior, then the custodians can sell the same following the independent procedure without any reference to customs, and adjusting the number of auctions/tenders to which the lot was already subjected to against the prescribed number of four such auctions/ tender. It is re-iterated that for the valuation of goods landed at least one year prior to the date of seeking NOC, Customs should not associate with the valuation of the goods lying uncleared with the custodian, however, both reserve price and bids would be approved by the Customs. This is to ensure that the custodians do not cast the responsibility for unrealistic fixation of the reserve price on customs.

5. The above instructions may be brought to the notice of all concerned immediately through appropriate Public Notice.

6. Receipt of this Circular may kindly be acknowledged.

7. Hindi version will follow.

Yours faithfully

Sd-

(Anupam Prakash)

Under Secretary to the Government of India

Phone No.23094182

Circular No. 52/2005-Cus

F.No.442/12/2004-Cus.IV (Pt.II)
Government of India
Ministry of Finance
Department of Revenue
Central Board of Excise & Customs

New Delhi, dated December 09, 2005

To,

All Chief Commissioner of Customs,
All Chief Commissioner of Central Excise,
All Chief Commissioner of Customs & Central Excise,
All Commissioner of Customs,
All Commissioner of Central Excise,
All Commissioner of Customs & Central Excise,
Director General, Directorate of Revenue Intelligence,
Director General, Directorate of Systems and Data Management,
webmaster@cbec.gov.in

Sir,

Subject:- Procedure for disposal of unclaimed/ uncleared cargo under section 48 of the Customs Act, 1962, lying with the custodians – regarding

I am directed to invite your attention to the Board's Circular No. 50/2005-Cus dated 01.12.2005 on disposal of unclaimed/ uncleared cargo, under section 48 of the Customs Act, 1962. Para 3 of the said Circular deals with the disposal of unclaimed/uncleared cargo 'landed more than one year category' while para 4 of the Circular deals with the disposal of uncleared cargo landed 'less than one year category'. Field formations have raised doubt over the applicability of para 4 to disposal of cargo 'landed less than one year category'.

2. The matter has been examined by the Board. In order to clearly state the intention behind the para 4 of the Circular No. 50/2005-Cus dated 01.12.2005, it has been revised as follows,-

“4. For uncleared/ unclaimed goods which are lying for a period less than one year, the custodian would get the reserve price fixed by a panel of Government approved valuers appointed by the

Custodian. Customs shall not associate itself with the valuation of the such goods lying uncleared with the custodian. However, both reserve price and bids would be approved by the Customs. Further, if these goods remain unsold and pass into the category of landed-more-than-one-year-prior, then the custodians can sell the same following the independent procedure as detailed in para 3 without any reference to customs, and adjusting the number of auctions/tenders to which the lot was already subjected to against the prescribed number of four such auctions/ tender.”

3. Para 4 of the Circular No. 50/2005-Cus dated 01.12.2005 would be replaced with the text as mentioned above.
4. The above instructions may be brought to the notice of all concerned immediately through appropriate Public Notice.
5. Receipt of this Circular may kindly be acknowledged.
6. Hindi version will follow.

Yours faithfully

Sd-
(Anupam Prakash)
Under Secretary to the Government of India
Phone No.23094182

Instruction dt. 24.11.05

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

New Delhi, November 24th, 2005

To,

All Chief Commissioner of Customs,
All Commissioners of Customs,
webmaster@cbec.gov.in

Sir,

Subject: Conversion of foreign going vessels to coastal vessel- Customs duty collection of ship stores consumed during coastal run-reg.-

The undersigned is directed to bring your kind attention to Circular No. 58/97, dated 6-11-1997 issued vide F. No. 450/77/95-Cus. IV on the procedure for collection of duty on ship stores consumed during coastal run. During the deliberations of Inter Ministerial Group consisting of representatives of Ministry of Shipping, Ministry of Commerce and Planning Commission under the Chairmanship of Secretary (Revenue), one of the issues that came up was the delay being caused by Customs authorities for conversion of foreign going vessel to coastal vessel. It was also mentioned by the Ministry of Shipping that whenever any vessel is converted from foreign going to coastal, customs require a notice of three days. Such conversions are quite frequent in the tanker industry. Sometimes due to exigency of operation, a coastal vessel is required to be converted to foreign going for loading at foreign ports, when the vessel is waiting at the anchorage out side the port limits in India. In such cases, customs require the vessel to be brought inside the port at berth for carrying out conversion formalities.

2. It may be noted that as per the provisions of Circular No. 58/97, dated 6-11-1997 issued vide F. No. 450/77/95-Cus. IV, there is no requirement of advance notice of three days for converting foreign going vessel into coastal vessel. All field formations should scrupulously adhere to the provisions of Circular No. 58/97, dated 6-11-1997. Paragraph 3 of the above circular mentions about the option of payment of duty on the entire quantity of Bonded stores carried by the ship, or only on estimated quantity of the Bonded stores that may be utilized during coastal run when the vessel is converted

into coastal vessel. Similarly steamer agent is entitled to refund of duty in case of unutilized duty paid stores. The assessment in all such cases should be completed within prescribed time. However, it should be ensured that conversion of foreign going vessel to coastal vessels and vice versa should be expeditious and without any delay. Further, in case of exigencies, when the vessel is anchored outside the port limit, full cooperation should be extended to the master of the vessel/ steamer agent for getting the expeditious conversion of coastal vessel to foreign going vessel, if necessary by deployment of Customs staff to such vessel for completing the conversion process and to subject to safeguard of revenue.

3. All concerned may be directed to comply with above instructions.

Yours sincerely,

Sd-

(Anupam Prakash)

Under Secretary to the Government of India

Ph.-23094182

Instruction dt. 24.11.05

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

New Delhi, November 24th, 2005

To,

All Chief Commissioner of Customs,
All Commissioners of Customs,
webmaster@cbec.gov.in

Sir,

Subject: Movement of Less than Container Load (LCL) cargo from one CFS to another CFS -reg.-

The undersigned is directed to inform that during the deliberations of Inter Ministerial Group consisting of representatives of Ministry of Shipping, Ministry of Commerce and Planning Commission under the Chairmanship of Secretary (Revenue), one of the issues that came up was that the containers loaded with LCL cargo may be allowed to be moved from one CFS to another CFS for stuffing as this would help optimum utilization of space in a containers/ truck.

2. Board has issued several circulars on streamlining the procedure for transshipment and consolidation of cargo and movement of goods from gateway port to hinterland CFS/ ICD. The stuffing/ re-working of containers is being done at Gateway ports. The issue of permitting mobility to containers/ trucks to pick cargo from nearby CFS of the same port was discussed and it was felt that jurisdictional Commissioners may allow this.

3. Accordingly, it is decided by the Board that jurisdictional Commissioners by way of issue of suitable standing order should allow the movement of containers/ trucks loaded with LCL cargo from one CFS to another CFS under their jurisdiction so as to have optimum utilization of space in a containers/ truck. They should, however, ensure that the facility is not misused and revenue is safeguarded.

Yours sincerely,

Sd-

(Anupam Prakash)

Under Secretary to the Government of India

Ph.-23094182