# ADVANCE AUTHORISATION SCHEME

*Advance Authorization*

An Advance Authorization is issued to allow duty free import of inputs, which are physically incorporated in export product (making normal allowance for wastage). In addition, fuel, oil, energy, catalysts which are consumed / utilized to obtain export product, may also be allowed. DGFT, by means of Public Notice, may exclude any product(s) from purview of Advance Authorization. Duty free import of mandatory spares up to 10% of CIF value of Authorization which are required to be exported / supplied with resultant product are allowed under Advance Authorization. Advance Authorizations are issued for inputs and export items given under SION. These can also be issued on the basis of Adhoc norms or self declared norms as per para 4.7 of HBP v1.

Advance Authorization can be issued either to a manufacturer exporter or merchant exporter tied to supporting manufacturer(s) for:

i) Physical exports (including exports to SEZ); and / or
ii) Intermediate supplies; and /or
iii) supply of 'stores' on board of foreign going vessel / aircraft subject to condition that there is specific SION in respect of item(s) supplied.

In addition, in respect of supply of goods to specified projects mentioned below in FTP, an Advance Authorization can also be availed by sub-contractor to such project provided name of sub contractor(s) appears in main contract. Such Authorization can also be issued for supplies made to United Nations Organizations or under Aid Programme of the United Nations or other multilateral agencies and which are paid for in free foreign exchange.

Advance Authorizations are exempted from payment of basic customs duty, additional customs duty, education, anti dumping duty and safeguard duty, if any. However, imports for supplies covered under paragraph 8.2 (h) & (i) will not be exempted from payment of applicable anti-dumping and safeguard duty, if any.

Advance Authorization and / or materials imported there under will be with actual user condition. It will not be transferable even after completion of export obligation. However, Authorization holder will have option to dispose off product manufactured out of duty free inputs once export obligation is completed.

Advance Authorizations necessitate exports with a positive value addition. Exports to SEZ Units / supplies to Developers / Co developers, irrespective of currency of realization, would also be covered. For physical exports for which payments are not received in freely convertible currency, same shall be subject to value addition as specified in Appendix-11 of HBP v1. In case of Authorization for import of Tea, minimum value addition under Advance Authorization shall be 100%. Similarly, in case of spices {covered by Chapter 9 of ITC(HS)}, duty free import of spices shall be permitted only for value addition purposes, like crushing / grinding / sterilization, or for manufacture of oils and oleoresins, and not for simple cleaning, grading, repacking etc. and minimum value addition shall be 15%.

Advance Authorization shall be issued in accordance with Policy and procedure in force on Authorization issue date. Validity period of Advance Authorization for import shall be as prescribed in HBP v1.

***Free of Cost Supply by Foreign Buyer***

Facility of Advance Authorization shall also be available where some or all inputs are supplied free of cost to exporter by foreign buyer. In such cases, for calculation of value addition, notional value of free of cost inputs along with value of other duty-free inputs shall be taken into consideration. However, if all inputs are supplied free of cost, exporter shall also have option to follow provision prescribed by DoR.

***Export Obligation***

Period for fulfillment of export obligation under Advance Authorization shall be as prescribed in hand book of procedure HBP v1.

***Provision for BIFR units***

Any firm / company registered with BIFR or any firm / company acquiring a unit, which is under BIFR shall be allowed Export Obligation Period (EOP) extension as per rehabilitation package prepared, subject to approval of BIFR, or 5 years if not specified, without payment of composition fee. Above provisions apply also to SSI units as per rehabilitation scheme of concerned State government.

***Advance Authorization for Annual Requirement***

Advance Authorization can also be issued for annual requirement. Status Certificate holder and all other categories of exporters having past export performance (in preceding two years) shall be entitled for Advance Authorization for annual requirement.

Entitlement in terms of CIF value of imports shall be up to 300% of the FOB value of physical export and / or FOR value of deemed export in preceding licensing year or Rs 1 crore, whichever is higher.

*Advance Orders (ARO) and Invalidation Letter*

Holder of Advance Authorization, Advance Authorization for annual requirement, Diamond Imp rest Authorization and Duty Free Import Authorization intending to source inputs from indigenous sources / State Trading Enterprises in lieu of direct import, has option to source them either against Advance Release Order (ARO) or Invalidation letter denominated in free foreign exchange / Indian rupees. However, supplies may be obtained against Authorisation from EOU / EHTP/ BTP / STP / SEZ units, without conversion into ARO or Invalidation letter.

Transferee of DFIA shall also be eligible for ARO / Invalidation letter facility. Validity period of ARO shall be as prescribed in HBP v1.

*Back-to-Back Inland Letter of Credit*

Holder of Advance Authorization, Advance Authorization for annual requirement, DFIA and Diamond Imp rest Authorization may, instead of applying for an ARO or Invalidation letter, avail of the facility of Back-to-Back Inland Letter of Credit in accordance with procedure specified in HBP v1.

*Prohibited Items*

Prohibited items of imports mentioned in ITC (HS) shall not be imported under Advance Authorization / DFIA. Further items reserved for imports by STEs cannot be imported against Advance Authorization / DFIA. However those items can be procured from STEs against ARO or Invalidation letter.

STEs are also allowed to sell goods on High Sea Sale basis to holders of Advance Authorization / DFIA holder. In addition, STEs are permitted to issue "No Objection Certificate (NOC)" for import by Advance Authorization / DFIA holder. Authorization Holder would be required to file Quarterly Returns of imports effected against such NOC to concerned STE and STE would submit half-yearly import figures of such imports to concerned administrative Department for monitoring with a copy endorsed to DGFT.

Similarly prohibited items of exports mentioned in ITC(HS) shall not be exported under Advance Authorization / DFIA scheme. Export of restricted items shall be subject to all conditionalities or requirements of export Authorization or permission, as may be required, under Schedule II of ITC (HS).

*Admissibility of Drawback*

In case of an Advance Authorization, drawback shall be available for any duty paid material, whether imported or indigenous, used in goods exported, as per drawback rate fixed by DoR, Ministry of Finance (Directorate of Drawback). Drawback allowed shall be mentioned in Authorization.