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# Ease of Import cannot be achieved with procedural simplification alone, substantive changes needed

## Introduction

As a part of the China backlash, the Japanese Government, like many others, is paying millions of dollars to Companies to move their factories outside China for the diversification of supply chains. Invest India, a non-profit venture under the Ministry of Commerce and Industry, points out that such diversification and shifting of Japanese firms away from China is estimated to create a \$730 billion economic opportunity for developing geographies like ASEAN and India.

India is keen to seize the opportunity to become the factory of the world, for which easy availability of imported inputs is a sine qua non. Under its flagship 'Turant Customs' program, which can be roughly translated to 'Immediate Customs', aimed at providing a 'Faceless, Contactless and Paperless' Customs administration, India has recently introduced a number of initiatives that leverage technology for speedy clearances, and to reduce physical contact in the prevailing pandemic situation. However, despite the procedural simplification, significant obstacles to smooth importation remain.

## Recent Changes to Customs Procedures

The changes in procedures introduced over the last few years, such as SWIFT, e-Sanchit, DPD, AEO Program, have managed to cut down the time and cost of import transactions, and have contributed to India's success in improving its ranking from 77 to 63, among 190 nations figuring in the World Bank's ease of doing business rankings. The new initiatives include round the clock operations at ports, automated clearances of Bills of Entry and issuance of QR encrypted e-documents such as gate passes and let export orders. The Government has also set up a single window COVID helpdesk, personal hearings through videoconferencing and exemption from demurrage charges during lockdown. The objective being to do away with face to face interactions between the importers, their agents and Customs officials. The requirement for submission of original physical documents to the Customs has also been dispensed with.

Initially, the faceless scheme had the effect of slowing down cargo, but introduction of further changes to procedures have helped matters significantly.

## Substantive Issues not addressed

The South East Asian nations continue to be far ahead of India, in terms of speed and simplicity of procedure for cross border trade. Some areas of concern remain.

With the introduction of the Goods and Service Tax (GST) in 2017, apart from Basic Customs Duty, imports are also chargeable to Integrated Goods and Service Tax (IGST), on the rates specified in the Harmonized Commodity Description and System based tariff. Pre-GST administrations worked hard to rationalize the tariff, by fixing a single rate for each chapter under the Tariff. With the re-introduction of multiple rates for a single product category under GST, there is a sudden spurt in disputes as to the applicable rate of duty. A difference of opinion with the customs can result in delays in the clearance of cargo, due to re-assessment of goods. Importers are often compelled to pay higher duties to avoid demurrage, and other costs on account of delay. These disputes get resolved only through protracted litigation. A successful challenge to a departmental position can take years, creating pressure on importers to accept unfavorable decisions.

The recently introduced Customs Administration of Rules of Origin (CAROTAR) have made implementation of the Free Trade Agreements difficult. The Certificate of Origin is no longer conclusive on the issue of origin. The importers are being asked to gather information to re-establish the origin of the goods, leading to delays and disputes.

The situation is made worse by the fact that, Customs officials continue to see themselves as tax collectors and not as facilitators of cross-border trade. Although the Government's Citizen Charter promises a consultative and collaborative environment, the ground realities are different. Systemic changes are needed, such that facilitation is recognized and rewarded.

## Conclusion

With the economic downturn, there is an increasing clamor for protectionism. The Government is mulling the introduction of tariff and non-tariff barriers to curb imports to revive domestic production. There is, however, also a growing realization that a smooth flow of cross border trade is essential for any local industry to flourish and to attract foreign investment. India must demonstrate its earnestness to attract Japanese and other foreign investment, by showing its willingness to make systemic changes, for becoming a part of global supply chains. These changes will serve India well, in the long run, and yield benefits not only for foreign investors, but also for the domestic industry.

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