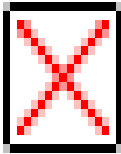


CAROTAR - Protecting the soul of Atmanirbhar Bharat

APRIL 19, 2021

By Debasish Bandyopadhyay



INDIAN

customs has undergone a sea-change in the recent past. While in one hand simplification of processes have been the key area of focus whereas on the other hand, plugging loopholes in protecting revenue and abuse of concessional provisions have also been taken care of. As part of such regulatory watch or preventive measure, Government has notified

[Customs \(Administration of Rules of Origin under Trade Agreements\) Rules, 2020 \(CAROTAR\)](#)

which came into effect on September 21, 2020 in order to check the undue claims of concessional duty benefit under free trade agreements and to put in place the requirement for stringent monitoring on imports of goods. Certain guidelines have been put in place for the enforcement of the 'Rules of Origin' for allowing preferential rate of duty on such imports.

CAROTA Rules and import controls

It is observed that the free trade agreements (FTA) or preferential tariff agreement (PTA) are being grossly misused by certain unscrupulous entities in order to claim the undue benefits of concessional rate of customs duty. The Finance Minister in her Union Budget-2020 speech had touched upon the said issue by voicing concern that such undue claims of FTA/PTA benefits had posed considerable threat to the domestic industry. Therefore, such imports required stringent checks. Accordingly, the Government of India has implemented the said Rules effective from September 21, 2020. In terms of the said rules, the importer is obligated to comply with regulatory compliances in addition to producing the Certificate of Origin (CoO) at the time of imports. It is very significant to highlight that the proper implementation of the said rule is utmost important for the trade since any mess up in implementation may harm the domestic industry profusely. It is also significant to understand that in these pandemic times, it seems that not only the compliance burden of the CAROTAR but also the availability of major raw materials for certain sectors such as pharmaceutical, footwear, electronics etc. may be at stake causing huge disruption in domestic production and looming disaster for the domestic as well as export sectors.

Protect exports to protect the growth momentum

It is pertinent to note that the protection of revenue is rightly prioritized by the Government, however, the impact on our weakened economy is also required to be assessed before putting any restrictive or harsh compliance obligation on the trade and industry in such pandemic times. Thus, **"Atmanirbhar Bharat"**

is no doubt a noble idea to turn India into a global manufacturing hub, however, a sense of danger is always circling around the edges of the economy in respect of damaging impact on the country's exports. Indian exports have consistently been declining from April, 2020 in terms of growth in comparison to the same period of last year. It is also required to be kept in mind while formulating restrictive policies in cross-border trade that production for exports should not be disrupted for want of raw materials due to such restrictive import policy. India needs to balance its EXIM policy in order to compete and outrun the over-growing influence of Bangladesh and Vietnam, even during such difficult economic times, they have registered robust growth in their exports as well as domestic economic parameters.

Adverse impact on trade facilitation

Whereas necessary arrangements have been made by the Government to ensure judicious application of CAROTAR, 2020, however, significant numbers of issues have been raised for delay in verification process leading to adverse impact on trade facilitation. In order to address the aforesaid issues, CBIC has issued [Instruction No. 20/2020-Customs](#)

dated 17th December, 2020 and deliberated upon the issue of ground for verification. It is instructed that proposals for verifications should be duly vetted to ensure valid ground for verification. The field formation is also instructed to ensure that enquiry on origin of imported goods is

initiated only where there are sufficient grounds to suspect origin of goods. It is also directed that unnecessary queries are not to be raised on account of goods origin as advised vide Circular No. [45/2020-Customs](#) 12.10.2020.

Reforms, restrain and reward

India owns one of the largest market and consumption base in the world. In order to become a self-reliant economy, the country not only needs to focus on domestic manufacturing but is also required to formulate strategies to remove the inefficiency in the import related regulatory and bureaucratic processes. Many a times, it has been observed that the regulatory and administrative arrogance resulted into defeat of the intent and purpose of the reform policies. The Government has implemented many reforms in the recent past in order to improve the business climate in the country. However, reforms without reasonable restrain may not reap the targeted reward from the market. As discussed supra, if not properly supervised, CAROTAR may turn out to be a counter-productive in the days to come. Alternatively, where digitization is fast catching up with the Indian tax administration, CBIC should emphasise on framing a mechanism to identify risk relating to sensitive import of goods through technology based process. Therefore, India needs to balance its reforming or restrictive policies to protect the soul of Atmanirbhar Bharat.

(The views expressed in the article are strictly personal.)

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