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# Advance Authorization Scheme

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**Why is in news?** Directorate General of Foreign Trade (DGFT) simplifies Composition Fee for Export Obligation Extension under Advance Authorization Scheme

The Directorate General of Foreign Trade (DGFT) has notified the amended rules for **calculation of Composition Fee** for extending Export Obligation under Advance Authorization Scheme.

The simplification of calculations for Composition Fee helps in automation and faster service delivery by making the process more efficient and easier to understand.

The previous formula for Composition Fee was **convoluted and difficult to understand**, which made the process more tedious and strenuous for exporters. However, the revised Composition Fee formula, which is based on a specific rate for different levels of the '**CIF value of Authorisation**', is **more straightforward and easier** to calculate.

This will help automate the entire Export Obligation extension process with **minimal human intervention**, further eliminating the risk of errors and misconceptions.

Automation of the process will reduce the need for manual calculations and paperwork, which will ultimately **lead to faster service delivery**. This will be beneficial to exporters as it will reduce the time and effort required to complete the Export Obligation extension process.

Additionally, automation will also **reduce the risk of errors and misconceptions**, which will further improve the efficiency of the process. The process of automation is being taken up under the IT-revamp project of DGFT and shall be notified separately. Simplification of calculations also helps in the "Ease of Doing Business" objective by reducing the complexity and making the process more straightforward for exporters.

By simplifying the calculations for Composition Fee, the DGFT is working towards this objective by making the process more efficient and easier to understand for exporters. This will ultimately lead to trade facilitation and ease of doing business.

## **Advance Authorisation Scheme:**

Advance Authorisation Scheme **allows duty free import of inputs**, which are physically **incorporated in an export product**. In addition to any inputs, packaging material, fuel, oil, catalyst which is **consumed / utilized in the process of production of export product**, is also be allowed.

The quantity of inputs allowed for a given product is based on specific norms defined for that export product, which considers the wastage generated in the manufacturing process.

DGFT provides a sector-wise list of Standard Input-Output Norms (SION) under which the exporters may choose to apply.

Alternatively, exporters may apply for their own ad-hoc norms in cases where the SION does not suit the exporter.

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Advance Authorisation covers **manufacturer exporters or merchant exporters** tied to supporting manufacturer(s).

### **Directorate General of Foreign Trade:**

Directorate General of Foreign Trade (DGFT) organisation is an **attached office of the Ministry of Commerce and Industry** and is headed by Director General of Foreign Trade.

Right from its inception till 1991, when liberalization in the economic policies of the Government took place, this organization has been essentially involved in the **regulation and promotion of foreign trade** through regulation.

Keeping in line with liberalization and globalization and the overall objective of increasing of exports, DGFT has since been assigned the role of "facilitator".

The shift was from prohibition and control of imports/exports to promotion and facilitation of exports/imports, keeping in view the interests of the country.

This Directorate, with **headquarters at New Delhi**, is responsible for formulating and implementing the Foreign Trade Policy with the main objective of promoting India's exports.

The DGFT also issues scrips/authorization to exporters and monitors their corresponding obligations through a network of 24 regional offices.

All regional offices **provide facilitation to exporters in regard to developments in international trade**, i.e. WTO agreements, Rules of Origin and anti-dumping issues, etc. to help exporters in their import and export decisions in an internationally dynamic environment.