



CAROTAR, 2020

For Prelims: Free Trade Agreement (FTA), Rules of Origin, CBIC.

For Mains: Provisions of CAROTAR, 2020.

Why in News?

Recently, The [Central Board of Indirect Taxes and Customs \(CBIC\)](#) issued a circular, stating that custom officers should be sensitive in applying **CAROTAR (Customs Administration of Rules of Origin under Trade Agreements) Rules, 2020** and maintain consistency with the provisions of relevant trade agreements or its Rules of Origin.

- Exemptions specified in a [Free Trade Agreement \(FTA\)](#) with regard to country of origin will prevail **in case of conflict between revenue department and importer.**

What are the CAROTAR Rules?

▪ About:

- CAROTAR, 2020 set guidelines for enforcement of the 'rules of origin' for allowing preferential rate on imports under Free Trade Agreements.
- They supplement the existing operational certification procedures prescribed under different trade agreements.
- They were notified in August, 2020 by the Ministry of Finance.

▪ Provisions:

- An importer is required **to do due diligence before importing the goods** to ensure that they meet the prescribed originating criteria.
- An importer **will have to enter certain origin related information** in the Bill of Entry, as available in the Certificate of Origin.
- Importers will have to ensure that imported goods meet the prescribed '**rules of origin provisions**' for availing concessional rate of customs duty under [Free Trade Agreements \(FTAs\)](#).
 - Importers have to prove that imported products have undergone value addition of at least 35% in the countries of origin.
 - Earlier, merely a [country of origin certificate](#), issued by a notified agency in the country of export was sufficient to avail the benefits of FTAs.
 - This was exploited in many cases, i.e., the FTA partner countries have been claiming to have produced the goods in question without having the necessary technological capacity for the required value addition.

▪ Implications:

- They will make the **importer to correctly ascertain the country of origin, properly claim the concessional duty** and assist customs authorities in smooth clearance of legitimate imports under FTAs.
- The domestic **industry will be protected** from misuse of FTAs.
- Under these rules, a **country that has inked an FTA with India cannot dump goods**

from some third country in the Indian market by just putting a label on it.

What is a Free Trade Agreement?

▪ About:

- It is an **arrangement between two or more countries or trading blocs that primarily agree to reduce or eliminate customs tariff** and non tariff barriers on substantial trade between them.
- It covers **trade in goods** (such as agricultural or industrial products) or trade in services (such as banking, construction, trading etc.).
 - It also covers **other areas such as intellectual property rights (IPRs), investment, government procurement and competition policy** etc.
- India has inked FTAs with several countries, including **UAE, Mauritius**, Japan, South Korea, Singapore, and ASEAN members.

▪ Benefit:

- By eliminating tariffs and some non-tariff barriers, **FTA partners get easier market access** into one another's countries.
- Exporters **prefer FTAs to multilateral trade liberalization** because they get preferential treatment over non-FTA member country competitors.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Q. The term 'Regional Comprehensive Economic Partnership' often appears in the news in the context of the affairs of a group of countries known as (2016)

- (a) G20
- (b) ASEAN
- (c) SCO
- (d) SAARC

Ans: (b)

Exp:

- Regional Comprehensive Economic Partnership (RCEP) is a Free Trade Agreement (FTA) between the ten member states of the Association of Southeast Asian Nations (ASEAN) and the five countries (Australia, China, Japan, South Korea and New Zealand) with which ASEAN has existing FTAs.
- **Therefore, option (b) is the correct answer.**

Source: TH