

New system to verify documents to eliminate FTA abuse on anvil

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already have the relevant country of origin certificate, and know [if a document is falsified],” said the person. The arrangement with South Korea under the Comprehensive Economic Partnership Agreement is for sharing of product origin information to boost preferential trade.

“We haven’t started the discussion with other FTA partner countries, but we proposed to do that,” added the person.

The government has noticed two ways of FTA abuse by merchants: The first is the use of falsified documents and the second, more serious, violation is the use of false information in such certificates.

CBIC has noticed several suspected cases of the latter type in the case of FTA with Asean and is investigating them. These were detected after a macro analysis showed that the extent of value addition claimed by importers does not



India has now entered into an agreement with South Korea for the digital exchange of key documents required for imports. **BLOOMBERG**

take place in the country of origin, as the basic raw materials for those products were imported. Use of such imports for manufacturing does not yield the required value addition in those products, the person quoted above said.

The government has noticed that in some cases, the country of origin certificate shows that the value addition norm has been met, but the cost elements that are used for determining value addition are highly exaggerated, said the second person cited above, who also spoke on

the condition of anonymity.

The customs authorities seek to check such wrongful claims by requiring the importer to produce the information needed to justify the value addition claims under the CAROTAR (Customs Administration of Rules of Origin under Trade Agreements) Rules which were introduced in 2020.

The second person also said that India would specify in new FTAs that imports may be subject to these rules when the need is felt.