

CAROTAR Rules, 2020

CAROTAR, 2020 stands for the Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020. It applies to the import of goods into India where the importer makes a claim of a preferential rate of duty in terms of a trade agreement.

Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020 was notified on August 21, 2020, and it came into force on September 21, 2020.

About CAROTAR Rules, 2020

- Under the terms of the CAROTAR, in order to claim a preferential rate of duty under a trade agreement, the importer is required to make a declaration in the bill of entry that the imported products qualify as originating goods for a preferential rate of duty under that agreement, in addition to producing the Certificate of Origin (CoO)
- It implements the commitment to protect the domestic industry from misuse of Free Trade Agreements (FTAs)
- As per the revised rules, the country importing goods will have to present evidence of the country of origin. This will support the importer to correctly ascertain the country of origin, properly claim the concessional duty and assist customs authorities in ensuring smooth clearance of legitimate imports
- Stricter rules have been laid down for timelines for initiating and expeditious conclusions of origin related verification
- Earlier, the cross border verification was done by the authorities of the concerned countries, which was a time taking procedure. With CAROTAR, if the customs have sufficient information about the importer, then the verification from the partner country will not be initiated and the matter can be concluded quickly

What are Rules of Origin?

'Rules of Origin' are principles, on the basis of which the source country of a product is established, based on which tariff concessions or applicable duties are determined. Their importance is derived from the fact that duties and restrictions in several cases depend upon the source of imports.

UPSC aspirants must also be aware of the [World Trade Organisation \(WTO\)](#), an International organisation dealing with the rules of trade between nations. To know more about WTO, visit the linked article.

CAROTAR 2020 - Key Points

- The extent of information expected to be possessed by an importer is defined
- The importer is required to keep origin related information specific to each BE for a minimum of five years from the date of filing B/E

- Mandates inclusion of specific origin related information in B/E
- Provides for scenario wherein verification from the exporting country can be initiated
- Sets timelines for receiving information from verifying authorities where the same is not provided in Trade Agreements
- Sets timelines for finalising decision-based on information received from importer/verifying authorities
- Action which may be taken on import of identical goods, when it is determined that goods do not meet originating criteria

(Source: <https://www.cbic.gov.in/>)

What was the need for CAROTAR Rules 2020?

- The new Rules will support the importer to correctly ascertain the country of origin, properly claim the concessional duty and assist customs authorities in the smooth clearance of legitimate imports under FTAs (free trade agreements)
- With the implementation of CAROTAR, 2020, submission of merely a Certificate of Origin (CoO) by an importer will no longer suffice for availing concessional benefits
- One of the main reasons for the stricter rules was that many countries were misusing the present Free Trade Agreements rules
- As per reports, it is also suggested that China has been held responsible to divert its supplies to India through ASEAN nations to illegally take advantage of duty-free market access under FTA

What is the expected impact of introducing CAROTAR 2020, rules?

After implementing the CAROTAR 2020 rules, the cross border verification which took months is expected to get completed in a shorter time duration if the rules of origin are followed by the concerned countries and importers. The domestic industry will also be saved from the misuse of Free Trade Agreements.

About Free Trade Agreements

- Trade Agreements are an extremely important part of a country's trade policy. It is an arrangement, wherein, two or more countries or trading blocks agree to reduce or eliminate custom tariff barriers on substantial trade between them
- So far, India has entered into 15 free trade agreements and one unilateral DFTP (Duty-Free Tariff Preference) Scheme. ASEAN-India FTA, Agreement on SAFTA, India-Japan CEPA and India-South Korea CEPA are among the most widely used trade agreements of India

The image given below shows the important Indian Trade Agreements:

India's Trade Agreements

Bilateral Agreements		Regional Agreements	
1. India-Sri Lanka FTA (2000)	6. India-Thailand EHS (2004)	1. India-ASEAN (2010) Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Thailand, Singapore, Vietnam	
2. India-Japan CEPA (2011)	7. India-Chile PTA (2007)		
3. India-Korea CEPA (2010)	8. India-Afghanistan (2013)		
4. India-Malaysia CECA (2011)	9. India-Singapore CECA (2005)		
5. India-Nepal Trade Treaty (1950)	10. India-Bhutan Agreement on Trade & Transit (2016)		
Unilateral DFTP Scheme (34 LDCs) (2008)		2. Asia Pacific Trade Agreement (APTA) (1975)	Thailand, Bangladesh, China, Republic of Korea, Sri Lanka
Afghanistan, Bangladesh, Benin, Burkina Faso, Burundi, Cambodia, Central African Republic, Chad, Comoros, Eritrea, Ethiopia, Gambia, Guinea, Guinea Bissau, Haiti, Lao PDR,		3. Agreement of South Asian Free Trade Area (SAFTA) (2006)	Bangladesh, Bhutan, Maldives, Nepal, Pakistan, Sri Lanka, Afghanistan
Lesotho, Liberia, Madagascar, Malawi, Mali, Mozambique, Myanmar, Niger, Rwanda, Senegal, Somalia, Sudan, Timor Leste, Togo, Uganda, Tanzania, Yemen, Zambia		4. India-MERCOSUR (2009)	Argentina, Brazil, Paraguay, Uruguay
		5. Global System of Trade Preference (1989)	47 Developing Countries

(As on Sept 2020)