

CAROTAR 2020

An overview

January 2025

Background: CAROTAR, 2020

1

Over the last decade, the Government of India (GoI) has actively entered into several **free trade agreements** (FTAs).

2

Through Customs (Administration of Rules of Origin under Trade Agreement) Rules (**CAROTAR**) 2020, the origin determination of imports under FTAs has been regularised for importers for imports into India.

3

CAROTAR has been introduced to minimize the reported instances of rampant misuse of FTAs by importers in India or overseas manufacturer-exporters including instances like non-compliance with the value addition requirements, etc.

CAROTAR: Details and applicability

Legal provisions

New Chapter VAA (Section 28DA) inserted in Indian Customs Act

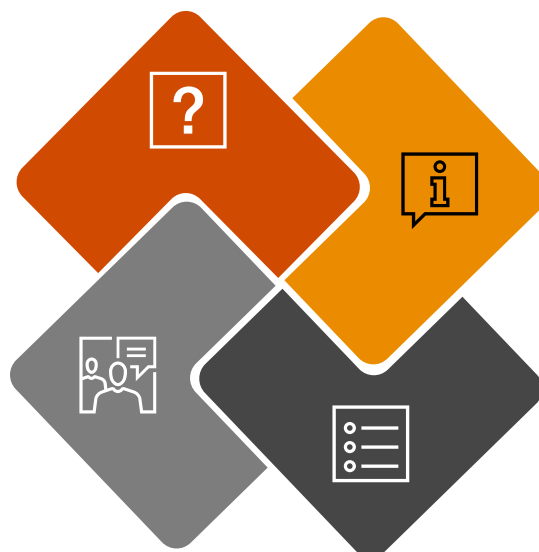
The Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020 (CAROTAR, 2020)* came into effect from 21 September 2020.

What is CAROTAR about?

CAROTAR provides the minimum basic information that an importer needs to know before importing goods into India.

When is CAROTAR applicable?

It is applicable on the import of goods into India where the importer intends to make a preferential duty claim in accordance with the **rules of origin** criteria and commitments under India's trade agreements.



What does CAROTAR do?

It supplements the operational certification procedures related to implementation of the rules of origin as prescribed under respective trade agreements.

Who needs to comply with it?

Indian importer who avails concessional duty benefit under any trade agreement needs to comply with CAROTAR and maintain the origin-related information in the prescribed format as per CAROTAR.

*Notification No. 81/2020 – Customs (N.T.) dated 21 August 2020

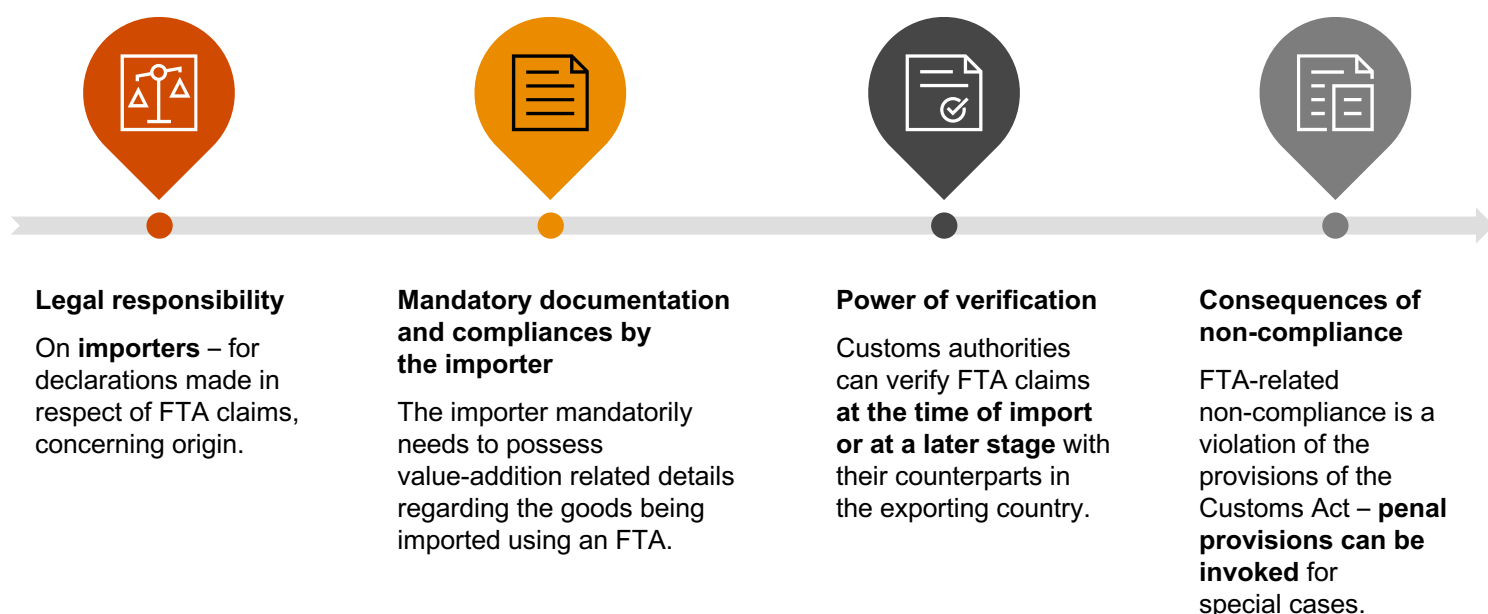
CAROTAR: Global precedence

CAROTAR – Is it a globally recognised practice?

- This is an India-specific requirement.
- It is a domestically legislated requirement for Indian importers to maintain origin-related information.
- CAROTAR compliances are in addition to the compliances under applicable trade agreements. In case of conflict, provisions of respective trade agreements prevail over CAROTAR provisions.
- Acts as two-factor authentication for trade agreements to ensure that the preferential benefit is availed in genuine cases only.
- CAROTAR has been effectuated to scrutinise importers employing unauthentic certificates, non-disclosures and other methods to claim FTA benefits, which are impermissible.

CAROTAR overview – curbing misuse of FTAs

CAROTAR, 2020* has been in effect since 21 September 2020.

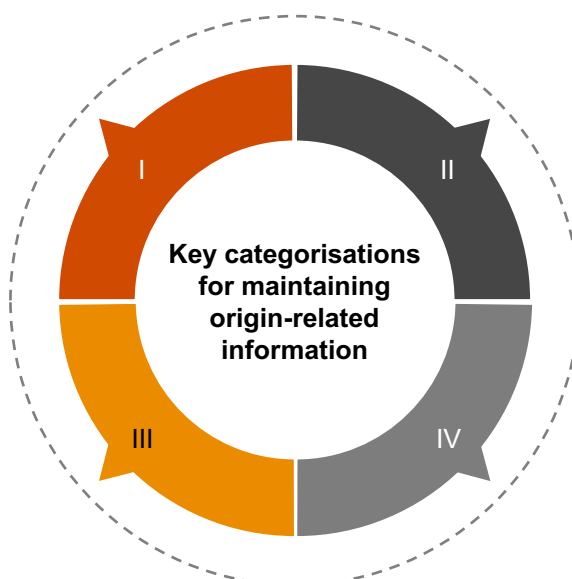


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CAROTAR – compliances

Value addition-related information

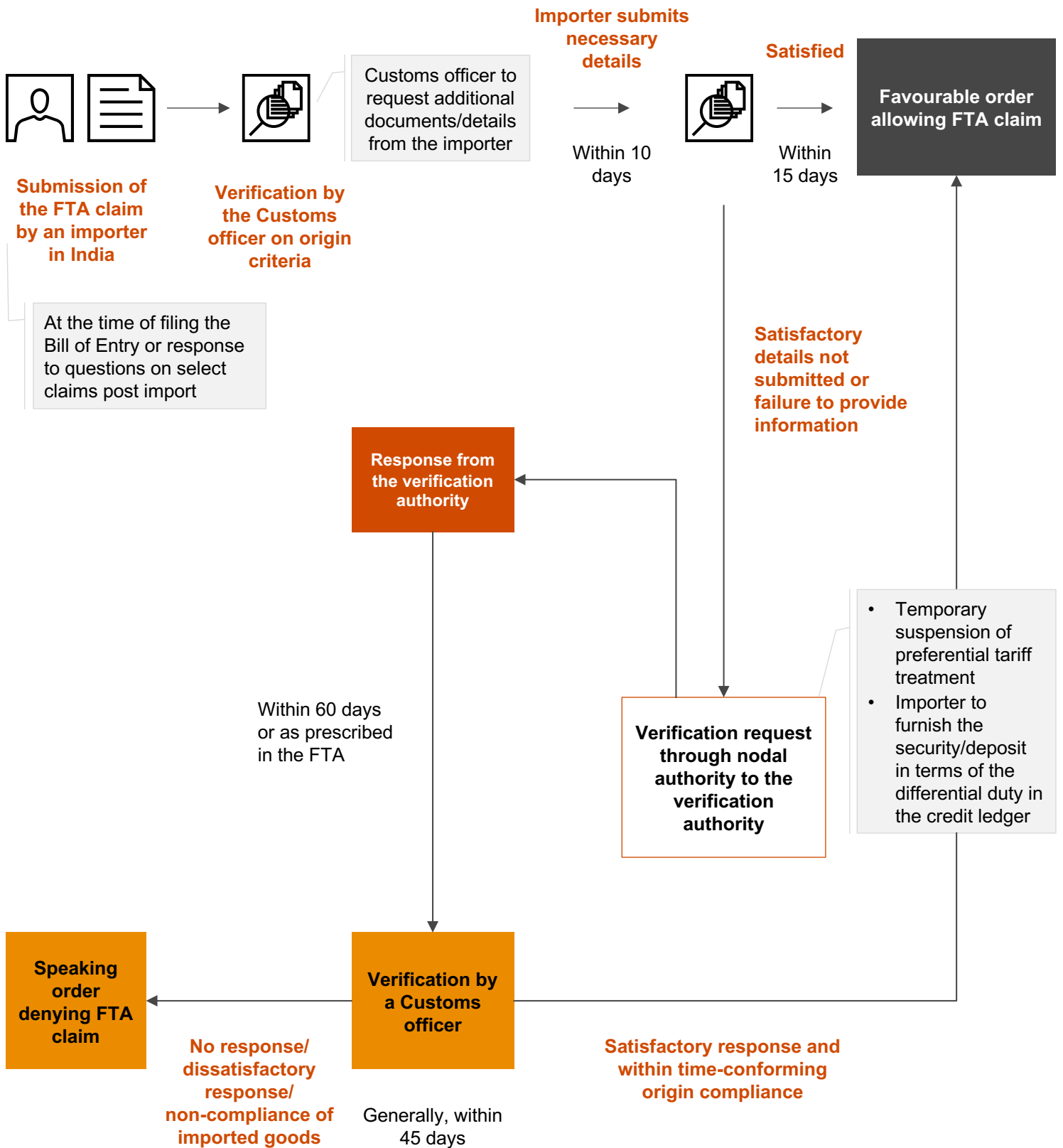
Change in tariff classification (CTC) related information



Sufficient processing-related information

Ancillary information to ensure that there is no breach of FTA provisions

Verification process



Consequences of non-compliance



FTA violations can attract severe consequences

1. **loss of reputation** and/or brand value
2. **cancellation of FTA benefit, authorised economic operator (AEO) status** or any other facilitation scheme
3. **temporary suspension** of benefit till completion of verification by the Customs authorities
4. goods can be released **on furnishing security amount equal to differential duty** during the verification.
5. greater scrutiny on ongoing import of goods by the company (especially concessional imports)
6. scrutiny of historical imports going back to a period of five years alleging fraud, etc.
7. **confiscation** of imported goods and **redemption fine**
8. high **penalty** – for the company as well against senior company personnel
9. risk of **criminal prosecution** – of company as well against senior company personnel
10. long-drawn **litigation** process.

CAROTAR – on-ground challenges

Proprietary and confidential information

Customs is holding shipments for want of detailed production process on the imported goods, which is kept as proprietary and confidential by the manufacturer.

Cost-related information

Customs is emphasising on production of cost related documents and value break-up of cost components. Such information is commercially sensitive and not to be provided to Customs (as also clarified by CBIC in its CAROTAR brochure).



In some cases, Customs is wanting information over and above what is prescribed in [Form I of CAROTAR](#).



There is some difficulty in procurement of detailed information from exporters, especially non-related entities.



Clearance of shipments is being delayed on account of procedural deviations.



Initiating investigations when importers fail to submit the form along with the certificate of origin

How PwC can help



End-to-end handholding

Advising on product coverage and duty saving available under FTAs

Explaining specific eligibility requirements for using FTA under consideration

Review of onsite manufacturing facility/overall business activity to evaluate manufacturing activity from an FTA standpoint

Review of costing information of the company such as production costs, overheads, expense allocation principles, procurement pattern, etc.

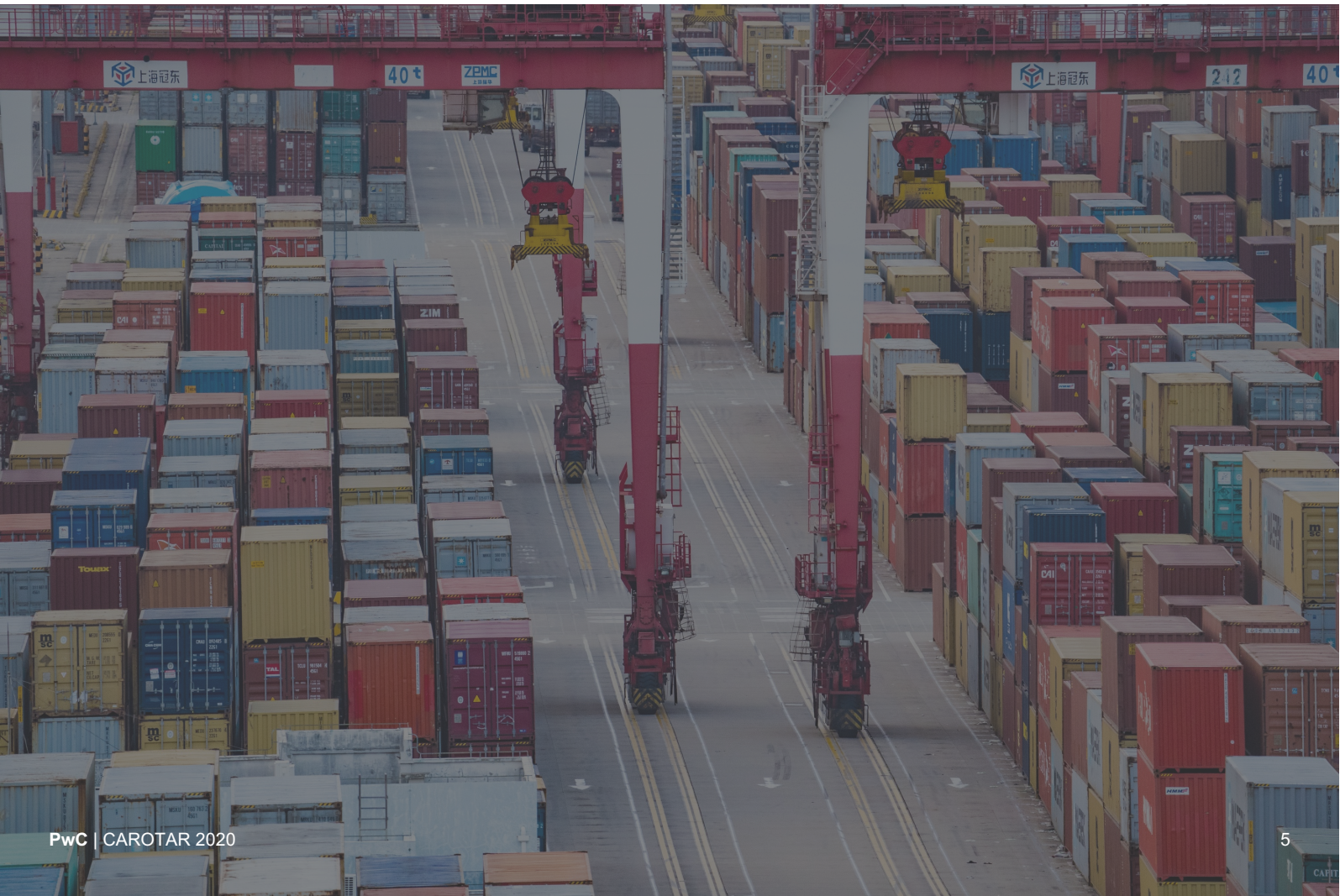


Assistance in undertaking compliances such as filing of declaration or maintaining data in Form I

Advising on do's and don'ts for FTA usage and setting up SOPs for FTA claims

Valuation related disclosures for FTA availment in the country of export and implications in the importing country

Assistance in outbound and in-bound (through network firms) certificate of origin application



Annexure

CAROTAR format prescribed for mandatory documentation by the importer

Format of Form I – Part I

Section II (To be filled after filing of Bill of Entry)		
(a) Name of the importer:		
(b) Bill of Entry (B/E) No. and Date:		
(c) Customs Station where B/E was filed:		
(d) Goods on which preferential rate of duty has been claimed:		
Sl.no.	Description	Classification (8 digit)

Section III (This information should be possessed before import of goods)	
Part A: 1. Briefly describe the production process undertaken in country of origin with respect to production of the imported good. Also, state which of the originating criteria prescribed in the Rules of Origin has been claimed. For example, WO, RVC + CTH/CTSH or CTH or CC or RVC, etc. [WO: Wholly Obtained; RVC: Regional Value Content; CTH: Change in Tariff Head; CTSH: Change in Tariff Sub-Head; CC: Change in Chapter] Note 1: Where the good is claimed to be "Wholly Obtained", mention the process through which it is claimed to fall under this category. Each trade agreement lists out such processes under a specific rule and may vary from agreement to agreement. Examples: • goods obtained by hunting or trapping within the land territory, or fishing or aquaculture conducted within the internal waters or within the territorial sea of the Party; • goods produced on board factory ships from the goods referred to in preceeding paragraph, provided that such factory ships are registered or recorded with a Party and fly its flag.	

Note 2: If the goods are not wholly obtained, the manufacturing/processing undertaken in country of origin must be ascertained.			
Description of Goods	Production process	Originating Criterion	
1.			
2.			
Part B: (To be filled if originating criteria is NOT wholly obtained, for each of such good under import, on separate sheets) 1. State the following information for each originating material or component used in production of good subject to this request. If no originating material/components were used, same should be indicated as "None". Description of good under import and its classification (8 digit):			
Description of the originating Materials or Component	Whether manufactured by producer of final good	Whether procured by producer locally from a third party	In case procured from third party, did producer of final good seek conformation and documentary proof of origin of these component?
	(Yes/No)	(Yes/No)	(Yes/No)
1.			
2.			

Note: If origin of any of the components used in manufacture of final good cannot be ascertained, same should be treated as non-originating.	
a. Is the de minimis provision used to determine whether the good subject to this request qualifies as an originating good?	o Yes o No If yes, describe such material and the percentage value or quantity as applicable.

Format of Form I – Part II

b.	Is the accumulation/cumulation provision applied to determine whether the good subject to this request qualifies as an originating good?	☐ Yes ☐ No If yes, describe the manner and extent of cumulation.
c.	Has any other additional criteria such as indirect/neutral materials, packing materials, etc. used in ascertaining whether the good qualifies as an originating good.	☐ Yes ☐ No If yes, provide the criteria used: Describe the material concerned:
d.	Is the originating criteria based on value content?	☐ Yes ☐ No If yes, provide the following: (i) percentage of local value content: (ii) components which constitute value addition (e.g. material, profit, labour, overhead cost, etc.):
e.	Has CTC rule been applied for meeting originating criteria?	☐ Yes ☐ No If yes, provide HS of non-originating material/components used in production of good:
f.	Has process rule been applied in ascertaining origin of good subject to this request?	☐ Yes ☐ No If yes, provide the rule applied:
g.	Has the CoO been issued retrospectively?	☐ Yes ☐ No If yes, provide reasons for same:
h.	Has the consignment in question been directly shipped from country of origin?	☐ Yes ☐ No If not, then has it been ascertained that same is as per provisions of the concerned agreement? How has it been ascertained that goods have met the prescribed conditions of Direct Shipment?

Data Classification: DC2 (Confidential)

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