

# Tax Hotline

February 04, 2002

## ADVANCE RULING MECHANISM INTRODUCED IN THE CUSTOMS AND EXCISE LAWS OF INDIA

The Government of India ("GOI") has finally constituted the Authority of Advance Ruling (AAR) under the Customs and Central Excise Act. After a delay of nearly three years the GOI, in a bid to accelerate inflows of foreign direct investment (FDI) in to the country, has started the process of appointing three members who will form the AAR for the Customs and Excise laws purposes.

AAR will offer foreign investors clarity and certainty on excise and customs obligations before they commence operations in the country. AAR will give its decision on three main issues pertaining to classification, applicability of exemption notifications and the principles to be adopted for valuation of goods. The AAR for customs and excise is largely being formulated on the lines of the AAR for income tax.

Source: *The Times of India*, February 4, 2002

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