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# CUSTOM ALERT

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## Eligibility criteria and procedure for availment of deferred duty payment facility for EMIs

# Eligibility criteria and procedure for availment of deferred duty payment facility for EMIs

**The Central Board of Indirect Taxes and Customs ('CBIC') has introduced the Eligible Manufacturer Importer ('EMI') category under Notification No. 12/2026-Customs (N.T.), pursuant to the Union Budget 2026. The scheme enables manufacturing importers to avail deferred payment of import duty, under Section 47(1) of the Customs Act, 1962, which will be operational from 1 April 2026 to 31 March 2028.**

**Circular No. 08/2026-Customs lays down the eligibility criteria, application framework and procedural requirements for the scheme.**

**Eligibility conditions**

An applicant must satisfy the following:

- Be an importer engaged in manufacturing, or an importer sending inputs/capital goods to job workers under the provisions of GST law
- Where the applicant is not a manufacturer but sends inputs or capital goods, without payment of tax for job work, the applicant's relevant active GSTIN must have filed the last two half-yearly GSTR ITC-04 returns
- Hold a valid Importer Exporter Code ('IEC') and have at least one active GST registration
- Have filed at least 25 Bills of Entry/Shipping Bills (10 in case of MSMEs) in the preceding financial year
- Have an annual aggregate turnover of all GSTINs under the same PAN exceeding INR 5 crore in the preceding financial year
- Have a minimum of two years of business operations
- Have declared manufacturing activity as "factory/manufacturing" in at least one active GST registration
- Have filed all GST returns and have no instances of tax collected but not deposited under GST, Central Excise, or Service Tax laws
- Be financially solvent during the preceding two financial years, supported by a Chartered Accountant's certificate
- Have no pending prosecution or conviction proceedings under Customs, GST, or allied laws
- Have no past rejection or suspension of EMI status on account of false declarations or forged documents.

**Application process:**

- Application form along with the prescribed documents for seeking EMI approval, are set out in Appendices I, II, and III to the Circular.
- Applications can be filed electronically at www.aeoindia.gov.in, from 1 March 2026 onwards.
- Approval to be granted by the Directorate of International Customs (DIC), CBIC.
- Upon approval, the deferred payment facility will be enabled in the Customs Automated system.

**Procedure to avail deferred duty payment benefit:**

- The importer must select flag “D” in the Payment Method column in the Bill of Entry (‘BoE’).
- A designated nodal person (with an ICEGATE login) must authenticate the BoE flagged “D” via OTP for clearance.
- Deferred customs duty must be paid by the 1st day of the succeeding month in which the BoE are returned for payment (in case of March imports, payment must be made by 31st March).

**Monitoring and compliance:**

- Jurisdictional Commissioners will monitor usage through the Indian Customs EDI System (‘ICES’) dashboards.
- Non-payment within prescribed timelines may result in suspension or revocation of EMI approval.
- A dedicated EMI helpdesk has been established by DIC for assistance.

# DHRUVA INSIGHT

Union Budget 2026 laid down the proposals for enhancing the coverage of the duty deferral scheme. The scheme enables approved entities to benefit from deferred duty payment. From a commercial standpoint, the deferred duty mechanism can materially improve working capital cycles and cash-flow management, particularly for high-volume manufacturing importers.

The scheme marks a facilitative policy shift, extending the deferred duty payment benefit beyond Authorized Economic Operator ('AEO') entities to a wider set of eligible manufacturers. Notably, the prescribed turnover thresholds are relatively modest, indicating the Government's intent to broaden access and encourage greater industry participation. However, the scheme is not available to pure traders who do not qualify as manufacturers or as importers sending inputs/capital goods to job workers.

The scheme appears designed not only to ease cash-flow constraints but also to nudge compliant manufacturers towards higher governance standards and eventual AEO accreditation.

Accordingly, manufacturers who are not presently certified as AEO Tier 2 or Tier 3 should evaluate their eligibility under the scheme, assess their compliance preparedness, and consider leveraging this opportunity for enhanced trade facilitation benefits.

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