

State of Israel

Israel Tax Authority



Customs procedures (foreign trade)

Chapter 60 – Authorized Economic Operator (AEO)

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Chapter 60 – Authorized Economic Operator (AEO)

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Appendix B - Notice with regard to the extension of the hours of the submission and the authorization of import declaration.

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Appendix D - Security criteria

Part 60.1 - General Instructions

1. General

The program of the "Authorized Economic Operator" (AEO) is a voluntary participation program to simplify trade processes and to secure the global supply chain. The program is based on the SAFE framework document of the World Customs Organization that was adopted by Israel Customs and established standards for the security and safeness of the international supply chain.

The program is designed to simplify the trade processes and improve the response to the smuggling capabilities of the commercial medium and its exploitation by terroristic elements and use it to carry out attacks around the world.

The program is intended for active companies that are registered in the tax systems, partaking part in the activities of the global supply chain and assess that they can meet the required criteria (such as: exporters, customs brokers, international forwarders, warehouses, air cargo terminals, sea cargo terminals and air carriers).

In order to facilitate foreign trade processes, secure the global supply chain and strengthen the security measures in these processes, within the framework of section 238a of the Customs Ordinance, the head of the customs directorate is authorized to grant to the operators whom he or she will approve benefits in the procedures of the import in accordance with the Customs Ordinance, and that the head of the customs directorate will order about the types of such benefits to be granted and the conditions under which the benefits will be granted.

2. The objectives of the procedure

- a. The definition of the conditions and the stages of the handling of the request to join the program.

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- b. The definition of the conditions and the stages of the handling after a successfully completed evaluation
- c. The definition of the conditions and the stages of the handling after an evaluation that had been unsuccessfully concluded.
- d. The definition of the conditions and the stages of the handling for the renewal of an authorization.
- e. The definition of the conditions and the stages of the handling for the denial of the status of an Authorized Economic Operator.

3. The legal references

The legal references used to carry out the aforementioned in this chapter, among others, are:

- a. The Customs Ordinance.
- b. The Customs regulations.
- c. The Import and Export Ordinance [new version], 5739 - 1979
- d. The Purchase Tax (Goods and Services) Law 5712 - 1952
- e. The Value Added Tax Law, 5736 - 1975
- f. Income Tax Ordinance [new version], 5721 – 1961
- g. Law of Customs Brokers, 5725 - 1964
- h. Customs brokers Regulations, 5725 - 1965
- i. Prohibition on Money Laundering Law, 5760 - 2000
- j. Dangerous Drugs Ordinance [New Version], 5733 - 1973
- k. Combating Criminal Organizations Law, 5763 - 2003
- l. Prohibition of Financing of Terrorism Law, 5765 - 2005
- m. The SAFE framework document (Frame of standards to secure and facilitate global trade by the world customs organization)

4. Definitions

"Security Evaluation"	-	The review of the compliance of the applicant with the criteria of the security
"Customs Evaluation"	-	The review of the compliance of an applicant with the criteria of the customs

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"Authorization"	-	An authorization that was given to the applicant after he or she has passed the reviews of the customs and the security, which is indicating the link in the supply chain to which he or she belongs and the period of the authorization, indicating that the applicant is entitled to receive the benefits that are defined in the program.
"The unit"	-	The unit of the "Authorized economic Operator" in the customs directorate
"The appointed person in charge of the unit"	-	The appointed person in charge of the unit of the Authorized Economic Operator
"The head of the customs directorate"	-	The Head of the Customs Directorate
"benefits"	-	The benefits which were given by the head of the customs directorate to an Authorized Economic Operator with accordance to the unit to which he or she belongs
"Arrangement for mutual recognition"	-	An annex to a trade agreement with a foreign country which is detailing the agreed upon criteria between the "Authorized Economic Operator" (AEO) programs and the corresponding programs of the two countries
"The program"	-	The program of the "Authorized economic Operator"
"The applicant"	-	A party which is requesting to join the program or is requesting to renew the authorization of the participation
"The manager of the unit"	-	The manager of the unit of the Authorized Economic Operator (AEO)
"The security officer"	-	A security officer in the unit of the customs security who reviews and approves the criteria of the security of the program
"Criteria of security"	-	Criteria for the review of an application for the authorization or the renewal of the authorization of an Authorized Economic Operator listed in Appendix D
"Criteria of customs"	-	Financial, regulatory, legal and additional conditions as they were approved by the head of the customs directorate, for the review of an application for the authorization or the renewal of the authorization of an Authorized Economic Operator in accordance with the link in the global supply chain.

"The period of authorization"	-	A period that will be determined according to the summary of the review and its findings
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Part 60.2 - Orders for the execution

1. The process of the submission and the handling of the request to join the program

- A. A party that meets the following preliminary conditions may submit an application for an authorization for an "Authorized Economic Operator" -
 1. A licensed dealer, a non-profit or a financial institution as defined in the Value Added Tax Law 5736 - 1975
 2. An active link in the global supply chain.
 3. Assesses that he or she can meet the criteria of the customs and of the security.
- B. The submission of the application to join the program will be done through an online application form and a digital signature while using a smart card on the website of the Israel Tax Authority.
- C. Within 7 working days from the date of receipt of the completed form, the unit will inform the applicant of the receipt of the form, the identity of the entity which is handling the application and the initial completions which are required, if necessary.
- D. The appointed person in charge will make sure that the opening of the application has been updated in the computer system of the customs and will perform the checks below:
 1. The form is filled out properly and contains the required information.
 2. The applicant has been active for at least 3 (three) consecutive years with the link to the global supply chain in relation to which the application was submitted.

The appointed person in charge may, if necessary, request additional documents to complete the review. In this case, the applicant will be required to produce the documents within 21 (twenty one) working days.

2. The process of the inspection of the applicant

- A. Upon completion of the review of the criteria of the customs, the appointed person in charge will inform the applicant with regard to the results and the further processing of the application.

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- B. If the application has been approved in terms of the criteria of the customs, The application will be forwarded to the Foreign Trade Security Division for the purpose of carrying out the security inspection..
- C. If the application is not approved in terms of the criteria of the customs, the manager of the unit will inform the applicant about it in a reasoned letter which is detailing:
1. The reasons why the application was not approved in terms of criteria of the customs.
 2. A list of improvements that the applicant must make in order to meet the criteria of the customs and / or the period of time which is required to submit a renewed application.
- D. At the authority of the head of the customs directorate and according to his or her discretion, after supplementary reviews have been performed and / or after the applicant has improved the criteria of the customs that were not approved in the initial review, in order to continue the review process and to transfer it to the Foreign Trade Security Division for the purpose of performing a security evaluation.
- E. The manager of the unit is responsible for forwarding the request to the Foreign Trade Security Division for a security evaluation.
- The manager of the unit will not refuse to approve a request with regard to the criteria of the customs except after the applicant for the authorization or its renewal has been given an opportunity to voice his or her claims as detailed in part 4 (hearing procedures).

3. The process of carrying out the security evaluation

- A. After a request to perform a security assessment has been forwarded to the Foreign Trade Security Division, it is the responsibility of the security officer to coordinate a kick-off meeting at the offices of the applicant. The meeting will be attended by the security officer or someone on his or her behalf, the manager of the unit or someone on his or her behalf, the representatives of the applicant and the main contact person as it is defined in the application for the joining of the program Authorized Economic Operator.
- B. In preparation for the meeting, the security officer will send the applicant a questionnaire for the security evaluation.
- C. At the meeting, the unit manager of the unit and the security officer will present the main points of the program and the security requirements that the applicant must meet with accordance to the link to which he or she

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belongs in the supply chain while referring to the filling out of the questionnaire for the security evaluation.

- D. After the kick-off meeting, in order to continue the process of the security inspection, the applicant will respond to the questionnaire of the security inspection within 45 (forty five) days.
- E. In accordance with the discretion of the security officer and with the consent of the manager of the unit, it will be possible to extend the time for the response to the questionnaire by an additional period of 30 (thirty) days.
- F. After receiving the response to the questionnaire, the security officer will check the response of the applicant and forward to the applicant a request for clarifications or ant completions as necessary.
- G. After completing the questionnaire to the satisfaction of the security officer, the security officer will coordinate an audit of the security evaluation at the offices of the applicant with the participation of the security officer or someone on his or her behalf, the main contact person and the company representatives according to the request of the security officer.
- H. During the meeting, the participants will go over the security questionnaire and the responses of the company, and its clarifications, completions and documents will be provided at the request of the security officer.
- I. Following the aforementioned meeting and after that the security officer has received clarifications, completions and documents to his or her satisfaction, the security officer will perform a physical audit on the site or sites of the applicant.
- J. The scope of the audit and the subjects to be reviewed will be in accordance with the link to which the applicant belongs in the global supply chain and at the discretion of the security officer according to the security considerations and the circumstances of the matter.
- K. At the end of the audit and after checking all the data, the Foreign Trade Security Division will determine whether the applicant has passed the criteria which is required for the security for the link to which the applicant belongs in the supply chain.

The duration of time for the completion of the security evaluation is 40 (forty) days from the day of receiving the response to the questionnaire. According to the discretion of the security officer and with the agreement

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of the manager of the unit, the duration can be extended by an additional period of 30 (thirty) days.

4. The stages of the handling after the security evaluation has been successfully completed

- A. If the applicant has met the conditions of the security inspection, the Foreign Trade Security Division will send a security inspection report to the manager of the unit confirming the continuation of the process from a security point of view.
- B. The manager of the unit will carry out a supplementary review to make sure that there have been no changes in the aspects of the final reviews over the time since the handling was transferred to the security review.
- C. If, according to the results of the review, it is found that the applicant still meets the final requirements, the manager of the unit may approve the applicant.
- D. If the applicant is authorized as stated, the manager of the unit will update the authorization in the Global Gate System (Shaar Olami) and the relevant parties in the customs directorate and the customs houses with regard to it the authorization.
- E. If the applicant is authorized as stated, the manager of the unit will send the following documents to the applicant -
 - 1. Authorization letters in Hebrew and English signed by the manager of the unit that include the link to which the authorized applicant belongs in the global supply chain, the name of the authorized operator, the number of the authorized operator, the address of the authorized operator and the start and end dates of the authorization.
 - 2. A letter from the manager of the unit in Hebrew and English confirming the benefits to which the applicant is entitled in accordance with the authorization.
 - 3. A summary of the security evaluation report.
 - 4. A consent form for publication on the website of the Israel Tax Authority and in the countries with which Israel has signed an Authorized Economic Operator agreement.
 - 5. An authorization signed by the head of the customs directorate reflecting in Hebrew and English the authorization according to the authorization letters.

5. The stages of the handling after the security evaluation has been completed with comments

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- A. A letter in which the summary of the report of the security inspection will be attached detailing the comments in light of which the applicant did not meet the conditions of the security inspection.
- B. In the letter, the manager of the unit will clarify to the applicant that he or she is given the option to perform actions to improve the results of the security evaluation in accordance with the summary of the report of the security evaluation and in coordination with the security officer.
- C. In the letter, the manager of the unit, after coordinating with the security officer, will define the length of time for the actions for the improvement and will inform the applicant that if they are not completed, the security evaluation will be stopped.
- D. If the applicant did not perform the required actions on the aforementioned date, the manager of the unit will order the security evaluation to be stopped.
- E. The manager of the unit will not refuse to approve a request in terms of the criteria of the security unless the applicant for the authorization or the renewal has been given an opportunity to voice his or her claims as detailed in part 4 (hearing procedures).

6. Suspension, limitation of benefits, determination of suspensive conditions or cancellation of the authorization of the "Authorized Economic Operator" (AEO) "

- A. Authorization of an Authorized Economic Operator is granted on the condition that that operator continues to meet the customs and security reviews that formed the basis of the authorization throughout the authorization period.
- B. If one of the aforementioned conditions is violated, the suspension of the authorization, the limitation of the benefits for the authorization, the establishment of dependent conditions for the continuation of the authorization, or its cancellation will be considered.
- C. For the purpose of such a review, among other things, all the criteria of the customs and the criteria of the security as they are applied to an applicant in the same link in the global supply chain at the time of the review will be reviewed.
- D. The manager of the unit will not refuse to grant authorization, set dependent conditions, limit benefits, suspend or revoke certification unless the applicant for the authorization or the renewal has been given an opportunity to voice his or her claims as detailed in part 60.4 (hearing procedures).

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- E. In the letter to the applicant, the reasons with regard to the decision will be detailed and it will be noted that he or she is given the right to appeal within 30 (thirty) days from the date of receipt of the letter.

7. The process of the renewal of the authorization

- A. One year after the first authorization date and at the end of each authorization period, the process of the renewal of the authorization will begin.
- B. Depending on the extent to which the holder of the authorization passes the required criteria (tax and security), the manager of the unit will decide whether to renew the authorization for 1 (one), 2 (two) or 3 (three) years.
- C. 30 (thirty) days before the expiration of the authorization, the appointed person in charge in the unit will inform the authorization holders under his or her responsibility that the authorization is about to expire and that a process has begun to examine the renewal of the authorization.
- D. A customs review questionnaire will be attached to the aforementioned notice for the purpose of examining the aforementioned renewal.
- E. The continuation of the process will be in accordance with the "applicant inspection process" as it is detailed in section 2.2
- F. At the same time, 30 (thirty) days before the expiry of the authorization, the Foreign Trade Security Division will inform the authorization holders under its responsibility that the authorization is about to expire and that a process has begun to examine the renewal of the authorization.
- G. A review questionnaire for the criteria for the security will be attached to the aforementioned notification for the purpose of examining the renewal of the authorization.
- H. The continuation of the process will be in accordance with the "process of performing a security evaluation" as it is detailed in section 2.4
- I. The summary of the security evaluation will be forwarded by the security officer to the manager of the unit.
- J. The continuation of the process will be in accordance with the processes of the applicant for the authorization.

Part 60.3 - benefits in the program of the Authorized Economic Operator

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In order to facilitate the processes of foreign trade, secure the global supply chain and to strengthen the security measures in these processes, the head of the customs directorate may give to the parties who will meet the criteria of the customs and the security, benefits in foreign trade processes, subject to the conditions in this procedure, according to the types of benefits, all or some of them, as follows:

The benefits are all subject to the discretion of customs and may change from time to time

- A. Contact person in the customs directorate.
- B. Authorization to be included in the "advance notification" service for sea, air and land import declaration (the process requires the inclusion of an authorized customs broker in the "Authorized Economic Operator" program)
- C. Possibility to receive an "import declaration permission message" (sea and air) even after the hours of operation of the customs house (the process requires the inclusion of an authorized customs broker in the "Authorized Economic Operator" program)
- D. Authorization for the customs broker to submit attachments to an import declaration by digital means, without the signature of the importer on the attachments as follows -
 - 1. In air import - for all the customers of the customs broker
 - 2. In marine imports - for customers who have been authorized as an Authorized Importer or as an Authorized Economic Operator.
- E. Exemption from the obligation to submit an "importer's manifest".
- F. Exemption from the obligation to add an additional customs seal to the transport vessel carrying goods that were imported by sea prior to their clearance from supervision of the customs for the purpose of transferring them to a licensed warehouse, in accordance with and subject to the instructions of the customs, including the instructions with regard to the "obligation to report the existence of a customs seal when transferring to a licensed warehouse" which is attached herewith)
- G. Improving the key performance indicators of the company in the risk assessment process while submitting import and export declaration to customs.
- H. The transfer of the details of the company to countries where the Israel Tax Authority has mutual recognition agreements for the purpose of improving the key performance indicators of the company in the risk

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assessment process for the purpose of facilitating the process of the clearing of shipments in these countries.

- I. Customs authorization for the addition of the "Authorized Economic Operator" program logo in the documents of the company.

Part 60.4 - Hearing procedures

- A. The manager of the unit will not refuse to approve a request with regard to the criteria of the customs or of the security, except after the applicant for the authorization or its renewal has been given an opportunity to voice his or her claims.
- B. The manager of the unit will not refuse to grant authorization, establish dependent conditions, limit benefits, suspend or cancel certification only after the applicant for the authorization or for its renewal, or the violator of the conditions of the authorization, has been given an opportunity to voice his or her claims.
- C. The manager of the unit had reasonable grounds to assume that an holder of the authorization, applicant for the authorization or its renewal, or violates the conditions of the authorization, as the case may be, or does not meet the criteria of the customs or of the security (hereinafter - the applicant or the violator of the conditions of the authorization) and intends to consider to not approve an application or the setting of dependent conditions, limiting benefits, to suspend authorization or to cancel it, will deliver to the applicant or the violator of the terms of the authorization, as the case may be, a notice of said intention (hereinafter - notice of intention).
- D. In the notification of the said intention, the manager of the unit will indicate, among other things, the following:
 1. The circumstances, the act or the omission (hereinafter - the act) which are constituting the non-compliance with the conditions.
 2. The right of the applicant or the violator of the conditions of the authorization, to assert his or her claims before the manager of the unit.
- E. An applicant or a violator of the conditions of the authorization to whom a notice of intent has been given may assert his or her claims, in writing, before the manager of the unit, for this matter, within 30 (thirty) days from the date of delivery of the notice, and the manager of the unit may extend the said period for an additional period which will not to exceed 30 (thirty) days.

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- F. The director of the unit will decide, after considering the allegations made, whether the applicant or the violator of the conditions of authorization meets the criteria of the customs or of the security, and he or she is entitled not to approve an application or to set dependent conditions, limit benefits, suspend authorization or cancel it.
- G. Has the manager of the unit decided, he or she will give a written notice about it.
- H. In the aforementioned notice, the manager of the unit will specify the reasons for his or her decision.
- I. If the applicant or the violator of the conditions of the authorization did not assert his or her claims within the said period, the notice of intent, at the end of that period, as the case may be, shall be considered as a notice according to which the application was not approved, dependent conditions were set, benefits were limited, authorization was suspended or canceled, as the case may be.
- J. A final decision of the manager of the unit can be appealed to the head of the customs directorate; Such an appeal shall be filed within 30 (thirty) days from the day on which the violator was notified of the decision.
- K. Filing an appeal does not delay the implementation of the decision, unless the manager of the unit agreed to it or if the head of the customs directorate had ordered it.

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