

## Changes ushered in by Mid Term Review of the Foreign Trade Policy...

### Key changes in Policy:

- Self Ratification Scheme is introduced vide new Para 4.07A of the Foreign Trade Policy 2015 - 20 ('FTP') wherein instead of getting a ratification of the Norms Committee for inputs to be used for manufacture of Export products (where no SION/valid Ad Hoc Norms exist or where SION is notified but exporter intends to use additional inputs), the exporters to self-certify the requirement of duty-free raw material/inputs. Following are the key points of the scheme:
  - a. This scheme is only applicable to Authorised Economic Operators.
  - b. Applicable to sectors such as pharmaceuticals, chemicals, engineering and high technology
  - c. Not be applicable on SCOMET items, precious metals and food products on the output front. On the input front, this scheme is not applicable to animal products, food products, all items with Basic Customs Duty ('BCD') more than 30%, waste/scrap, etc.
- Holders of advanced authorisation can continue to procure inputs from indigenous suppliers / State Trading Enterprise ('STE')/ EOU/ EHTP/ BTP/ STP in lieu of direct import. Such procurement is now conditional on Advance Release Order (ARO) or Invalidation Letter.
- Imports including capital goods for physical exports shall now be exempt from the whole of Integrated Goods and Services Tax ('IGST') and Compensation Cess up to 31.03.2018 for EPCG and Advanced Authorisation scheme.
- 'Actual User' condition for capital goods under EPCG is now applicable till Export Obligation Discharge Certificate is granted.



- By virtue of Para 6.01(d)(ii) of the FTP, EOU /EHTP / STP / BTP may now make procurement from bonded warehouse in Domestic Tariff Area ('DTA') or from international exhibition held in India without payment IGST or Compensation Cess till 31.03.2018 and without Customs Duty.
  - The limit on sale made by EOU to DTA has now been removed (except new EOUs for their first year). Additionally, the restriction on sale of certain items, such as motor vehicles has been relaxed, with only pepper and pepper products, marble and other such items as may be notified not being permitted.
  - There has been certain procedural change for inter-unit transfers of manufactured goods from one EOU/ EHTP/STP/BTP unit to another EOU / EHTP/ STP/ BTP unit. The same is allowed on payment of applicable GST and compensation cess with prior intimation to concerned Development Commissioners of the transferor and transferee units. The Customs duty amount (exemption claimed on inputs) needs to only be endorsed on the Tax Invoice by the Supplier Unit. The Recipient Unit would become liable to pay such Customs duty if the Recipient Unit subsequently sells the goods in the DTA besides his own liability of Customs Duty on inputs used.
  - Import of goods made in advance pending the receipt of Advance Authorization can now be warehoused against Bill of Entry for Warehousing and then cleared for home consumption against the authorization issued subsequently.
  - Para 2.50A of FTP has been newly inserted wherein Imported goods found defective after Customs clearance, or not found as per specifications or requirements may be re-exported back as per Customs Act, 1962.
- Key changes in Procedure:**
- The procedure for export obligation (EO) period extension under EPCG scheme has been modified vide 5.17(d) of Handbook of Procedures ('HBP') now permitting one-year extension of EO period up to two times on payment of composition fee of 5% and 10%, respectively (subject to minimum of INR 10,000) or enhancement of Export Obligation to 10% and 20%, respectively at the choice of Exporter. The request for extension in EO period may now be submitted within 90 days of the expiry (earlier the same was 75 days) with option to apply within 180 days on payment of additional fee.
  - Additionally, Para 5.27 of the HBP now permits clubbing of EPCG authorizations in respect of those authorizations where EO period has expired.
  - The re-export of goods which were imported but found defective is now permissible under Advance Authorisation under Para 4.43A of the HBP but the authorisation holder has to inform the Regional Authority.
  - Additionally, European Union has introduced a self-certifying scheme for Certification of Origin of Goods known as the 'European Union Generalised System of Preferences' (EU-GSP), of the European Union (EU), where the



Exporters registered under the Registered Exporter System (REX) are eligible to self-certify their Country of Origin).

- The power of the RA to condone a shortfall of up to 5% of the specific export obligation has been taken away.
- The existing Regional Authority has the power to accept an application for change in jurisdiction of any IEC holder due to change in Head Office, Branch or Regional Office. (Para 2.14A of the HBP)

### **MEIS / SEIS Changes:**

- Duty Credit Scrip issued on or after 01.01.2016 under chapter 3 shall be valid for a period of 24 months from the date of issue – earlier the same was valid for 18 months.
- Vide Public Notice No 44/2015-20, rates for MEIS have been revised upwards by 2% on certain products, such as Glass products have seen a revision from 3% to 5% and other products such as electrical semi-conductors have seen an increase from 2% to 4%. This revision of rates shall be applicable on certain exports made between 01.11.2017 to 30.06.2018.
- The list of ineligible categories/ sectors such as EOU/ STP, etc for availing Duty Credit Scrips has been shifted from Chapter 3 of the FTP to Public Notice. But the renewed negative list under MEIS does not include supplies made from DTA to SEZ/FTWZ, deemed exports and DTA as merchant exporter of SEZ/ EOU therefore the same will be

now be eligible for availing Duty Credit Scrips of MEIS.

- Vide Public Notice No 45/2015-20, the Services Exports from India Scheme (SEIS) is extended up to 31.03.2018. Additionally, there has been an upward revision of rates at 2% for SEIS, such as legal, engineering and accounting have been revised from 5% to 7% and advertising and management consultant from 3% to 5%.
- Public Notice No 46/2015-20, Annexure 3E has been expanded to include Ground Handling Services where the payment is in INR but is deemed to be received in foreign exchange and thus shall be eligible for SEIS.

### **Miscellaneous Changes:**

- Export Data Processing and Monitoring System ('EDPMS') is an IT-based system which has been developed by RBI for monitoring of export of goods and software and facilitating AD banks to report various returns through a single platform
- MOU has been signed by the DGFT with GSTN for sharing foreign exchange and realization and IEC data. Additionally, to facilitate sharing of e-BRC (Electronic Bank Realization Certificate) data with exporters, MOU has been signed with 14 state governments, GSTN and other authorities.
- 24/7 Customs Clearance facility has now been extended to all Bills of Entry (not limited to only facilitated Bills of Entry) at 19 sea port and 17 Air Cargo Complexes. No Merchant Overtime



('MOT') charges in respect of services provided by the Customs officers at 24/7 Customs Ports and Airports.

- CBEC has done away with routine print-outs of several documents. However, hard copy of EP copy of shipping Bill/ Bill of Entry may be provided on request.
- Contact@DGFT Service has been activated on DGFT website for resolving issues.
- Email notification services have been initiated by CBEC to provide information to importers at all important stages of import clearances.
- The importers certified under AEO Programme (Tier-two) and (Tier-Three) have been notified for the facility of deferred payment of customs duty under Deferred Payment of Import Duty Rules, 2016. The same have come into effect from 16.11.2016.
- Post implementation of GST, IEC will be equal to PAN and will be separately issued by DGFT on the basis of an application.
- Deemed exports benefits contained in FTP 2015-20 shall be available for supplies effected till 30.06.2017. In respect of supply made after 30.06.2017 i.e., post implementation of GST, benefits of GST under GST law shall apply.
- Now vide Para 2.59, a request for Personal hearing may be made if any importer or exporter is aggrieved by the decision taken by Policy Relaxation Committee (PRC), to the DGFT who may consider the request for relaxation after consulting concerned Norms Committee, EPCG Committee or PRC and the decision conveyed in pursuance to the personal hearing shall be final and binding.



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