



# **FOREIGN TRADE POLICY**

**[1<sup>ST</sup> APRIL, 2015 - 31<sup>ST</sup> MARCH, 2020]**

## **MID-TERM REVIEW**

**UPDATED AS ON 5<sup>TH</sup> DECEMBER, 2017**

**GOVERNMENT OF INDIA  
MINISTRY OF COMMERCE AND INDUSTRY  
DEPARTMENT OF COMMERCE**

सुरेश प्रभु  
SURESH PRABHU



वाणिज्य एवं उद्योग मंत्री  
भारत सरकार, नई दिल्ली  
MINISTER OF COMMERCE & INDUSTRY  
GOVERNMENT OF INDIA, NEW DELHI



The mid-term review of the Foreign Trade Policy, 2015-20 provides an opportunity to make corrective changes as per the evolving global trade scenario and to align with the changes in the indirect taxes regime with the introduction of GST from 1<sup>st</sup> July 2017.

The FTP-2015-20 launched on April 1, 2015 introduced a slew of measures by providing a framework for increasing exports of goods and services, generation of employment and increasing value addition, in keeping with the 'Make in India' vision of our Hon'ble Prime Minister. The Policy was far reaching in nature, and incorporated various export friendly innovations and simplifications. These included simplification & merger of reward schemes, introducing new schemes for promotion of Merchandise and services exports, incentivising e-commerce exports, encouraging procurement of capital goods from indigenous manufacturers under the EPCG scheme etc.

While continuing broadly on the same principles, the introduction of GST would be the catalyst for spurring growth in the export sector. The lower duty on most items and reduction of cascading effect of various duties would lower the cost and make exports competitive. Uniform refund of erstwhile VAT across the States is a significant benefit for the exporters. The necessary adjustment in the FTP has been carried out to align it with the GST.

The global economic scenario including slowdown in developed economies, Brexit, volatility in commodity prices and general uncertainty has impacted business environment across the globe. This has impacted India's export sector as well. However, green shoots in exports growth are distinctly visible now with positive export growth in thirteen of the past fourteen months.

In light of these developments, the Government has undertaken a mid-term review exercise, which has included feedback sought from various stakeholders including exporters, industry associations, commodity boards, foreign missions, State Governments and various ministries of Government of India. In light of this evaluation, in addition to mainstreaming and incorporating the changes made in the recent years in this Policy, further changes have been introduced, which are aimed at promoting exports and facilitating exporters in improving their export performance. Government will focus on new markets in Africa, Latin America and the Caribbean regions and new products while increasing India's share in traditional markets and products. Government will also aim at increased participation of Indian industry in global and regional value chains.

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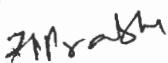
The MEIS Schedule has been constantly expanded and covers around 70% of tariff lines under ITS (HS) 2017. The MEIS rates have been further enhanced for Ready-made Garments, Agriculture products and select labour intensive and MSME products to provide a boost to exports and employment generation. To provide an impetus to the export of services, the SEIS rates have also been increased. The validity period of the Duty Credit Scrips has been changed from 18 months to 24 months to enhance their utility and attractiveness in the GST regime.

To enable Ease of Trading across Border, support and hand-holding of exporters and review and simplification of procedures will be undertaken. A new duty exemption scheme with Self Declaration and Self Ratification has been introduced to allow duty free inputs for export production. India has also signed "Trade Facilitation Agreement" under World Trade Organisation and an Action Plan has been launched and its implementation is being monitored by a high level inter-ministerial committee.

For faster rule-based processing, relaxed norms and delegation to Regional Authorities has been done for Export Obligation period extension, installation of machinery and block-wise extension under EPCG Scheme. Shifting of capital goods has been allowed from one unit of the IEC holder to the other. Clubbing of EPCG authorizations has been allowed in respect of those authorizations also where EO period has expired.

We have launched a single window contact point for exporters and importers called Contact@DGFT where any concerns/suggestions related to foreign trade can be raised, which are monitored at high level and the exporters can track the status and give feedback on the action taken. A new Logistics Division has been created to develop an Action Plan for the integrated development of the logistics sector, by way of policy changes, improvement in existing procedures, and identification of bottlenecks and introduction of technology in this sector in order to reduce comparatively high logistics costs in India. For data based policy action, a State-of-the-Art Trade Analytics division has been set up to process trade information and other national and international data bases in India's key export markets and provide action points for different markets and products.

In this dynamic year, when India has ushered into the biggest tax reform in its history, I am confident that the industry and the Government, working together, would ensure a smooth transition and ensure that the competitiveness of Indian exports increases even further and we are able to achieve higher export turnovers and contribute to Hon'ble Prime Minister's vision of 'Make in India'.

  
(Suresh Prabhu)

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Directorate General of Foreign Trade**

**Notification. /2015-2020**  
**New Delhi, 05<sup>th</sup> December 2017**

In exercise of powers conferred by Section 5 of the Foreign Trade (Development & Regulation) Act, 1992 (No.22 of 1992), as amended from time to time, the Central Government hereby notifies the revised Foreign Trade Policy, 2015-2020. This Foreign Trade Policy shall come into force w.e.f. 05.12.2017.

**Effect of this Notification:** The revised and updated Foreign Trade Policy, 2015-2020, is hereby notified.

  
[Alok Vardhan Chaturvedi]  
Director ~~General~~ of Foreign Trade  
Email: [dgft@nic.in](mailto:dgft@nic.in)

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## CHAPTER 1

### LEGAL FRAMEWORK AND TRADE FACILITATION

#### A. LEGAL FRAMEWORK

##### **1.00 Legal Basis of Foreign Trade Policy (FTP)**

The Foreign Trade Policy, 2015-20, (as updated) w.e.f. 05.12.2017 is notified by Central Government, in exercise of powers conferred under Section 5 of the Foreign Trade (Development & Regulation) Act, 1992 (No. 22 of 1992) [FT (D&R) Act], as amended.

##### **1.01 Duration of FTP**

The Foreign Trade Policy (FTP), 2015-2020,(as updated) w.e.f. 05.12.2017 incorporating provisions relating to export and import of goods and services, shall come into force with effect from the date of notification and shall remain in force up to 31st March, 2020, unless otherwise specified. All exports and imports made upto the date of notification shall, accordingly, be governed by the relevant FTP, unless otherwise specified.

##### **1.02 Amendment to FTP**

Central Government, in exercise of powers conferred by Section 5 of FT (D&R) Act, 1992, as amended from time to time, reserves the right to make any amendment to the FTP, by means of notification, in public interest.

##### **1.03 Hand Book of Procedures (HBP) and Appendices & Aayat Niryat Forms (AANF)**

Director General of Foreign Trade (DGFT) may, by means of a Public Notice, notify Hand Book of Procedures, including Appendices and Aayat Niryat Forms or amendment thereto, if any, laying down the procedure to be followed by an exporter or importer or by any Licensing/Regional Authority or by any other authority for purposes of implementing provisions of FT (D&R) Act, the Rules and the Orders made there under and provisions of FTP.

##### **1.04 Specific provision to prevail over the general**

Where a specific provision is spelt out in the FTP/Hand Book of Procedures (HBP), the same shall prevail over the general provision.

## **1.05 Transitional Arrangements**

- (a) Any License / Authorisation / Certificate / Scrip / instrument bestowing financial or fiscal benefit issued before commencement of FTP, 2015-20 (as updated) w.e.f. 05.12.2017 shall continue to be valid for the purpose and duration for which it was issued, such License/Authorisation/ Certificate / Scrip / any instrument bestowing financial or fiscal benefit Authorisation was issued, unless otherwise stipulated.
- (b) In case an export or import that is permitted freely under FTP is subsequently subjected to any restriction or regulation, such export or import will ordinarily be permitted, notwithstanding such restriction or regulation, unless otherwise stipulated. This is subject to the condition that the shipment of export or import is made within the original validity period of an irrevocable commercial letter of credit, established before the date of imposition of such restriction and it shall be restricted to the balance value and quantity available and time period of such irrevocable letter of credit. For operationalising such irrevocable letter of credit, the applicant shall have to register the Letter of Credit with jurisdictional Regional Authority (RA) against computerized receipt, within 15 days of the imposition of any such restriction or regulation.

## **B. TRADE FACILITATION& EASE OF DOING BUSINESS**

### **1.06 Objective**

Trade facilitation is a priority of the Government for cutting down the transaction cost and time, thereby rendering Indian exports more competitive. The various provisions of FTP and measures taken by the Government in the direction of trade facilitation are consolidated under this chapter for the benefit of stakeholders of import and export trade.

### **1.07 DGFT as a facilitator of exports/imports**

DGFT has a commitment to function as a facilitator of exports and imports. Focus is on good governance, which depends on efficient, transparent and accountable delivery systems. In order to facilitate international trade, DGFT consults various Export Promotion Councils as well as Trade and Industry bodies from time to time.

## **1.08 Niryat Bandhu - Hand Holding Scheme for new export / import entrepreneurs**

- (a) DGFT is implementing the Niryat Bandhu Scheme for mentoring new and potential exporter on the intricacies of foreign trade through counselling, training and outreach programmes.
- (b) Considering the strategic significance of small and medium scale enterprises in the manufacturing sector and in employment generation, 'MSME clusters' have been identified, based on the export potential of the product and the density of industries in the cluster, for focussed interventions to boost exports.
- (c) Outreach activities shall be organized in a structured way with the help of Export Promotion Councils as 'industry partners' and other willing 'knowledge partners' in academia and research community to achieve the objective of Niryat Bandhu Scheme. Further, in order to ensure optimum utilization of resources, efforts would be made to associate all the stakeholders, including Customs, ECGC, Banks and concerned Ministries.

## **1.09 Citizen's Charter**

DGFT has in place a Citizen's Charter, giving time schedules for providing various services to clients. Time line for disposal of an Application is given in Para 9.10 of HBP.

## **1.10 Online Complaint Registration and Monitoring System**

An EDI Help Desk is available to assist the exporters in filing online applications on the DGFT portal and resolving other EDI related issues. For assistance an email may be sent at [dgftedi@nic.in](mailto:dgftedi@nic.in) or Toll Free number 1800111550 can be used. Help Desk facility is also operational at the 4 DGFT Zonal Offices (details at <http://dgft.gov.in>). An Online Complaint registration and monitoring system allows users to register complaint and receive status/ reply online (details are at <http://dgft.gov.in>).

## **1.11 Issue of e-IEC (Electronic-Importer Exporter Code)**

- (a) Importer Exporter Code (IEC) is mandatory for export/import from/to India as detailed in paragraph 2.05 of this Policy. DGFT

issues Importer Exporter Code in electronic form (e-IEC). For issuance of e-IEC an application can be made on DGFT (<http://dgft.gov.in>). Applicant can upload the documents and pay the requisite fee through Net banking. Applicant shall, however, submit the application duly signed digitally.

- (b) Processing of such applications by Regional Authority (RAs) of DGFT would be done online and a digitally signed e-IEC would normally be issued/ e-mailed to the applicant within 2 working days.
- (c) In case the application is incomplete or otherwise ineligible, the same shall be rejected and a Rejection letter/email (with reasons for rejection) would be sent to the applicant.
- (d) Application for issue of e-IEC can also be made from eBiz platform (<https://www.ebiz.gov.in>).

### **1.12 e-BRC**

- (a) One prominent initiative in recent times has been the e-BRC (Electronic Bank Realisation Certificate) project and its successful implementation by DGFT. It has enabled DGFT to capture details of realisation of export proceeds directly from the Banks through secured electronic mode. This has facilitated the implementation of various export promotion schemes without any physical interface with the stake holders.
- (b) RBI has also developed a comprehensive IT-based system called Export Data Processing and Monitoring System (EDPMS) for monitoring of export of goods and software and facilitating AD banks to report various returns through a single platform.

### **1.13 MoU with State Governments for sharing of e-BRC data**

MOU has been signed with 14 state governments for sharing of e-BRC data to facilitate refund of VAT/GST by the state government to exporters. MOU has also been signed with Enforcement Directorate, Agricultural Directorate, Agricultural Processed Food Products Export Development Authority and Goods & Services Tax Network (GSTN).

### **1.14 Exporter Importer Profile**

An electronic procedure has been created to upload various documents in exporter importer profile. Once uploaded, there will be no need to submit these documents / copies of these documents to Regional Authority repeatedly with each application. It intends to reduce the transaction cost and time and is a step towards paperless processing of different applications in DGFT.

### **1.15 Reduction in mandatory documents required for Export and Import**

The number of mandatory documents required for exports and imports of goods from/into India have been reduced to three each, as prescribed under paragraph 2.06 of FTP.

### **1.16 Facility of online filing of applications**

All the Regional Authorities (RA) of DGFT and extension counters have been networked with high speed internet. The applications are received and processed electronically. DGFT under the EDI initiatives has provided the facility of on line filing of applications to obtain Importer Exporter Code and various Authorisations /scrip's. DGFT is one of the first digital signature enabled organisation of the Government of India (GOI), which has introduced a higher level of Encrypted 2048bit digital signature. There is a web interface for online filing of application after accessing DGFT website (<http://dgft.gov.in>). The application can be filed by exporter/CHA sitting at home or office in 24X7 environments. Application fee can also be paid online from linked banks or by using debit/credit card. The applications are signed with a digital signature and submitted electronically to the concerned Regional Authority of DGFT, which are then processed on computer by the Regional Authority and Authorisations/ scrip's are issued. Online filing of Application has minimized the physical interface with RA.

### **1.17 Online Inter-ministerial consultation**

Presently, the exporters are required to file applications online on the website of DGFT under the Icon E-COM and are required to submit the duly signed and stamped printout of the online application along with all the necessary documents viz. technical specifications, literature etc. Now, a facility is being provided to upload copies of all the required documents including technical specifications, literature etc in PDF/JPG/JPEG/GIF format in the online filing system in respect of (a) Fixation of norms under Advance Authorisation by Norms Committees (b) Export of Restricted Items (c) Import of Restricted Items (d) SCOMET Items. The exporters

would not be required to submit the hard copy of application except architectural drawings, machine drawings etc which may be difficult to scan and upload. The processing of the applications will also be done online.

### **1.18 Facility to upload documents by CA/ CS / Cost Accountant**

In order to move towards paperless processing, an electronic procedure is being developed to upload digitally signed documents by Chartered Accountant / Company Secretary / Cost Accountant. To start with, this facility would be created for Export From India Schemes under Chapter 3. Such documents like Annexure Attached to ANF 3B, ANF 3C and ANF 3D, which are at present signed by these signatories, can be facilitated by this procedure. Exporter shall link digitally uploaded annexure with his online applications after creation of such facility. These facilities may be extended in phased manner to upload documents pertaining to other schemes like Advance Authorisation, DFIA and EPCG.

### **1.19 Electronic Data Interchange (EDI)**

DGFT has put in place a robust EDI system for the purpose of export facilitation and good governance. DGFT has set up a secured EDI message exchange system for various documentation related activities including import and export Authorisations established with other administrative departments, namely, Customs, Banks and EPCs. This has reduced the physical interface of exporters and importers with the Government Departments and is a significant measure in the direction of reduction of transaction cost. The endeavour of DGFT has been to enlarge the scope of EDI to achieve higher level of integration with partner departments.

### **1.20 Message Exchange with Community partners**

Customs, Banks, Export Promotion Councils (EPCs) are major community partners of DGFT for message exchange. An effective message exchange system is in place with various community partners which is as follows:

- (a) Message Exchange with Customs
  - (i) Importer Exporter Code Number.
  - (ii) Authorisations/Scrips for DFIA, AA, EPCG.
  - (iii) Shipping Bills for Duty Free Import Authorisation (DFIA), Advance Authorisation (AA), Export Promotion Capital Goods (EPCG), Reward Scrips.

- (b) Message Exchange with eBiz (<https://www.ebiz.gov.in>): Application for e-IEC.
- (c) Message Exchange with Banks
  - (i) Application Fee
  - (ii) electronic Bank Realisation Certificate (e-BRC) data
- (d) Message Exchange with EPCs
  - Registration cum Membership Certificate (RCMC) data.
- (e) Message exchange with GSTN and RBI.

### **1.21 Encouraging development of Third Party API**

DGFT will encourage development of third party software for integration with its system to offer users multiple options for interfacing with the DGFT.

### **1.22 Forthcoming e-Governance Initiatives**

DGFT is currently working on the following EDI initiatives:

- (i) Message exchange for transmission of Bills of Entry (import details) from Customs to DGFT.
- (ii) Online issuance of Export Obligation Discharge Certificate (EODC).
- (iii) Message exchange with Ministry of Corporate Affairs for CIN & DIN Information.
- (iv) Message exchange with CBDT for PAN.
- (v) Open API for submission of e-IEC Application.
- (vi) Mobile Applications for FTP.

### **1.23 Free passage of Export consignment**

Consignments of items meant for exports shall not be withheld/ delayed for any reason by any agency of Central/ State Government. In case of any doubt, authorities concerned may ask for an undertaking from exporter and release such consignment.

#### **1.24 No seizure of export related Stock**

No seizure shall be made by any agency so as to disrupt manufacturing activity and delivery schedule of exports. In exceptional cases, concerned agency may seize the stock on the basis of *prima facie* evidence of serious irregularity. However, such seizure should be lifted within 7 days unless the irregularities are substantiated.

#### **1.25 24 X 7 Customs clearance**

CBEC introduced the facility of 24 X 7 customs clearance in the year 2012 for facilitated Bills of Entry and factory stuffed container and goods exported under free Shipping Bills. At present, this facility is available at 19 sea port and 17 air cargo complexes. The 24 X 7 Customs clearance facility has now been extended to all Bills of Entry (not only facilitated Bills of Entry) at 19 sea port and 17 Air Cargo Complexes. Further, no MOT charges are required to be collected in respect of the services provided by the Customs officers at 24 X 7 Customs Ports and Airports.

#### **1.26 Single Window in Customs**

Indian Customs has introduced SWIFT (Single Window Interface for Facilitating trade) w.e.f. 01.04.2016 for ensuring ease of doing business. Under SWIFT, the Importers electronically lodge Integrated Declaration at a single point only with Customs. The required permission, if any, from other regulatory agencies (such as Animal quarantine, Plant quarantine, Drug Controller, Textile Committee etc.) is obtained online without the importer/exporter having to separately approach these agencies. Benefits of Single Window Scheme include:

- a. Reduced Cost of doing business;
- b. Enhanced transparency;
- c. Reduced duplicity and cost of compliance;
- d. Optimal utilization of man power.

## **1.27 Self-Assessment of Customs Duty**

- (a) Self-Assessment of Customs duty by importers or exporters was introduced vide Finance Act, 2011. The system is trust based. The objective is to expedite release of imported / export goods. The system operates on an electronic Risk Management System (RMS)
- (b) The Finance Act, 2017 has amended Section 47 of the Customs Act, 1962 to Authorize an importer to pay duty/tax/cess on the date of presentation of self-assessed Bill of Entry.

## **1.28 Authorised Economic Operator (AEO) Programme**

- (a) Based upon WCO's SAFE Framework of Standards (FoS), 'Authorised Economic Operator (AEO) programme' has been developed by Indian Customs to enable business involved in the international trade to reap the following benefits:
  - (i) Secure supply chain from point of export to import;
  - (ii) Ability to demonstrate compliance with security standards when contracting to supply overseas importers / exporters;
  - (iii) Enhanced border clearance privileges in Mutual Recognition Agreement (MRA) partner countries;
  - (iv) Minimal disruption to flow of cargo after a security related disruption;
  - (v) Reduction in dwell time and related costs; and
  - (vi) Customs advice / assistance if trade faces unexpected issues with Customs of countries with which India have MRA.
- (b) The AEO programmes have been implemented by other Customs administrations that give AEO status holders preferential Customs treatment in terms of reduced examination, faster clearances and other benefits. Thus, the AEO programme is expected to result in Mutual Recognition Agreements (MRA) with these Customs administrations. MRAs would ensure export goods get due Customs facilitation at the point of entry in the foreign country. Apart from securing supply chain, the benefits include reduction in dwell time and consequent cost of doing business. Indian Customs has signed MRA with Hong Kong Customs to recognise respective AEO Programmes to enable trade to get benefits on reciprocal basis.

Indian Customs is also engaged in finalising MRA with other countries such as South Korea, Taiwan, USA etc.

- (c) As a step further towards trust based compliance, Indian Customs has introduced the new/revamped Authorised Economic Operator (AEO) Programme wherein extensive benefits, including greater facilitation and self-certification, have been provided to those entities who have demonstrated internal strong control system and compliance with CBEC.

### **1.29 Prior filing facility for Shipping Bills**

To facilitate processing of shipping bills before actual shipment, prior online filing facility for shipping bills has been provided by the Customs - 7 days for air shipments & ICDs and 14 days for shipments by sea.

### **1.30 Cutting down delay in filing of Export General Manifest (EGM) for duty drawback**

To facilitate quicker filing of EGMs and quicker rectification of EGM errors, there is a mechanism of monthly monitoring of EGMs by Chief Commissioners of Customs to ensure that facilitation does not lag on this account (Instruction No. 603/01/2011-DBK dated 31.07.2013).

### **1.31 Facility of Common Bond / LUT against Authorisations issued under different EP Schemes**

CBEC Circular 11(A)/2011-Cus dated 25.02.2011 has provided the financial year-wise facility of executing common Bond/LUT against Advance Authorisation (AA)/Export Promotion Capital Goods (EPCG) Authorisation which is usable across all EDI ports/locations.

### **1.32 Exemption from Service Tax on Services received abroad**

(Deleted)

### **1.33 Export of perishable agricultural Products**

To reduce transaction and handling costs, a single window system to facilitate export of perishable agricultural produce has been introduced. The system will involve creation of multi-functional nodal agencies to be accredited by Agricultural and Processed Food Products Export Development Authority (APEDA), New Delhi. The detailed procedure has been notified at Appendix 1C to Appendices & ANFs.

### **1.34 Time Release Study (TRS)**

Customs Authority has decided to undertake 'Time Release Study' (TRS) as per WCO guidelines at major Customs locations on six monthly basis. WCO Time Release Study (TRS) is a unique tool and method for measuring the actual performance of Customs. The underlying objectives of Time Release Study are:

- (i) Identifying bottlenecks in the international supply chain / or constraints affecting Customs release.
- (ii) Establishing baseline trade facilitation performance measurement.

### **1.35 Towns of Export Excellence (TEE)**

- (a) **Objective:** Development and growth of export production centres. A number of towns have emerged as dynamic industrial clusters contributing handsomely to India's exports. It is necessary to grant recognition to these industrial clusters with a view to maximize their potential and enable them to move up the value chain and also to tap new markets.
- (b) Selected towns producing goods of Rs. 750 Crore or more may be notified as TEE based on potential for growth in exports. However, for TEE in Handloom, Handicraft, Agriculture and Fisheries sector, threshold limit would be Rs.150 Crore. The following facilities will be provided to such TEE's:
  - (i) Recognized associations of units will be provided financial assistance under MAI scheme, on priority basis, for export promotion projects for marketing, capacity building and technological services.
  - (ii) Common Service Providers in these areas shall be entitled for Authorisation under EPCG scheme.
- (c) Notified Towns (TEEs) are listed in Appendix 1 B of Appendices & ANFs.

### **1.36 DGCI&S, Kolkata as the provider of trade data**

Director General of Commercial Intelligence and Statistics(DGCI&S) is an ISO certified organization under the administrative control of DGFT . It is the provider of trade data which is a source of guidance and direction for export & import trade and which help the exporters and importers formulate their trade strategy. Foreign trade data is disseminated by DGCI&S through (i) Monthly & Quarterly publications in CD form and (ii) Generation of data from the Foreign Trade database as per user's request. The DGCI&S has a Priced Information System (PIS) for disseminating data except for purely Central and State Governments and United Nations bodies. DGCI&S has put in place a Data Suppression Policy. The aim of this policy is to maintain confidentiality of importer's and exporter's commercially sensitive business data. Transaction level data would not be made publicly available to protect privacy. DGCI&S trade data shall be made available at aggregate level with a minimum possible time lag on commercial criteria. DGCI&S can be visited at <http://dgci.kol.nic.in>.

### **1.37 Reducing/eliminating printout in Customs Clearance**

With the aim of ease of doing business and promoting paperless clearance, CBEC has done away with routine print-outs of several documents including GAR 7 Forms/TR6 Challans, TP copy, Exchange Control copy of Bill of Entry and Shipping Bills and Export Promotion copy of Shipping Bill.

However, hard copy of EP copy of shipping Bill/ Bill of Entry may be provided on request only.

### **1.38 National Committee on Trade Facilitation (NCTF)**

Consequent to India's ratification of the WTO Agreement on Trade Facilitation (TFA) in April 2016, the National Committee on Trade Facilitation (NCTF) has been constituted. The establishment of the Committee is part of mandatory, institutional arrangement of the TFA. This inter-ministerial body on trade facilitation will be chaired by the Cabinet Secretary. Its Secretariat will be housed within the Central Board of Excise and Customs (CBEC), in the Directorate General of Export Promotion, New Delhi. The defined objective behind setting up the NCTF is to have national level body that will facilitate domestic co-ordination and implementation of TFA provisions. It will play the lead role in developing the Pan-India road map for trade facilitation. It will be instrumental in synergizing the various

trade facilitation perspectives across the country and will also focus on an outreach programmes for sensitization of all stakeholders about TFA.

### **1.39 e-mail initiatives**

CBEC has initiated e-mail notification service to importers for information related to all important stages of import clearances.

### **1.40 Facility of deferred payment**

As a trade facilitation measure, CBEC has introduced facility of deferred payment of customs duty. Further, Deferred Payment of Import Duty Rules, 2016 have been notified and the same have come into effect from 16.11.2016. The importers certified under AEO Programme (Tier-two) and (Tier-Three) have been notified for availing the benefit of these Rules.



## CHAPTER 2

### GENERAL PROVISIONS REGARDING IMPORTS AND EXPORTS

#### 2.00 Objective

The general provisions governing import and export of goods and services are dealt with in this chapter.

#### 2.01 Exports and Imports – ‘Free’, unless regulated

- (a) Exports and Imports shall be ‘Free’ except when regulated by way of ‘prohibition’, ‘restriction’ or ‘exclusive trading through State Trading Enterprises (STEs)’ as laid down in Indian Trade Classification (Harmonized System) [ITC (HS)] of Exports and Imports. The list of ‘Prohibited’, ‘Restricted’, and STE items can be viewed by clicking on ‘Downloads’ at <http://dgft.gov.in>
- (b) Further, there are some items which are ‘free’ for import/export, but subject to conditions stipulated in other Acts or in law for the time being in force.

#### 2.02 Indian Trade Classification (Harmonised System) [ITC (HS)] of Exports and Imports.

- (a) ITC (HS) is a compilation of codes for all merchandise / goods for export/ import. Goods are classified based on their group or sub-group at 2/4/6/8 digits.
- (b) ITC (HS) is aligned at 6 digit level with international Harmonized System goods nomenclature maintained by World Customs Organization (<http://www.wcoomd.org>). However, India maintains national Harmonized System of goods at 8 digit level which may be viewed by clicking on ‘Downloads’ at <http://dgft.gov.in>

- (c) The import/export policies for all goods are indicated against each item in ITC (HS). Schedule 1 of ITC (HS) lays down the Import Policy regime while Schedule 2 of ITC (HS) details the Export Policy regime.
- (d) Except where it is clearly specified, Schedule 1 of ITC (HS), Import Policy is for new goods and not for the Second Hand goods. For Second Hand goods, the Import Policy regime is given in Para 2.31 in this FTP.

### **2.03 Compliance of Imports with Domestic Laws**

- (a) Domestic Laws/ Rules/ Orders/ Regulations/ technical specifications/ environmental/safety and health norms applicable to domestically produced goods shall apply, mutatis mutandis, to imports, unless specifically exempted.
- (b) However, Goods to be utilized/ consumed in manufacture of export products, as notified by DGFT, may be exempted from domestic standards/ quality specifications.

### **2.04 Authority to specify Procedures**

DGFT may, specify Procedures to be followed by an exporter or importer or by any licensing/Regional Authority (RA) or by any other authority for purposes of implementing provisions of FT (D&R) Act, the Rules and the Orders made there under and FTP. Such procedures, or amendments if any, shall be published by means of a Public Notice.

### **Importer-Exporter Code/e-IEC**

### **2.05 Importer-Exporter Code (IEC)**

- (I) An IEC is a 10-character alpha-numeric number allotted to a person that is mandatory for undertaking any export/import activities. With a view to maintain the unique identity of an entity (firm/company/LLP etc.), consequent upon introduction / implementation of GST, IEC will be equal to PAN and will be separately issued by DGFT based on an application.
  - (a) Application for obtaining IEC may be filed online in ANF 2A with applicable fees and submitted with digital signature.
  - (b) When an e-IEC is approved by the competent authority, applicant is informed through e-mail that a computer generated e-IEC is available on the DGFT website. By clicking on "Application Status" after having filled and submitted the requisite details in "Online IEC Application" webpage, applicant can view and print his e-IEC.
  - (c) The applicant may submit online application with the following details /documents (scanned copies to be submitted/ uploaded) along with the IEC application:
    - (i) Digital photograph of the signatory applicant;
    - (ii) Copy of the PAN card of the business entity in whose name Import/Export would be done (Applicant individual in case of Proprietorship firms);
    - (iii) Cancelled cheque bearing entity's pre-printed name or Bank certificate in prescribed format ANF-2A(I)
  - (d) For modification in IEC, applicants may submit online application through digital signature (Class-II or Class-III), by paying applicable fees and uploading requisite documents, corresponding to the changes sought.
  - (e) Detailed guidelines for applying for e-IEC is available at [http://dgft.gov.in/exim/2000/iec\\_anf/iecanf.htm](http://dgft.gov.in/exim/2000/iec_anf/iecanf.htm)
- (II) No Export/Import without IEC:
  - (i) No export or import shall be made by any person without obtaining an IEC number unless specifically exempted.

(ii) Exempt categories and corresponding permanent IEC numbers are given in Para 2.07 of Handbook of Procedures.

## **2.06 Mandatory documents for export/import of goods from/into India:**

(a) Mandatory documents required for export of goods from India:

1. Bill of Lading/ Airway Bill/ Lorry Receipt/ Railway Receipt/Postal Receipt
2. Commercial Invoice cum Packing List\*
3. Shipping Bill/Bill of Export/ Postal Bill of Export

(b) Mandatory documents required for import of goods into India

1. Bill of Lading/Airway Bill/Lorry Receipt/ Railway Receipt/Postal Receipt in form CN-22 or CN 23 as the case may be.
2. Commercial Invoice cum Packing List\*
3. Bill of Entry

[Note: \*(i) As per CBEC Circulars issued under the Customs Act, 1962

(ii) Separate Commercial Invoice and Packing List would also be accepted.]

(c) For export or import of specific goods or category of goods, which are subject to any restrictions/policy conditions or require NOC or product specific compliances under any statute, the regulatory authority concerned may notify additional documents for purposes of export or import.

(d) In specific cases of export or import, the regulatory authority concerned may electronically or in writing seek additional documents or information, as deemed necessary to ensure legal compliance.

- (e) The above stipulations are effective from 1<sup>st</sup> April, 2015.

## **2.07 Principles of Restrictions**

DGFT may, through a Notification, impose restrictions on export and import, necessary for: -

- (a) Protection of public morals;
- (b) Protection of human, animal or plant life or health;
- (c) Protection of patents, trademarks and copyrights, and the prevention of deceptive practices;
- (d) Prevention of use of prison labour;
- (e) Protection of national treasures of artistic, historic or archaeological value;
- (f) Conservation of exhaustible natural resources;
- (g) Protection of trade of fissionable material or material from which they are derived;
- (h) Prevention of traffic in arms, ammunition and implements of war
- (i) Relating to the importation or exportation of gold or silver.

## **2.08 Export/Import of Restricted Goods/Services**

Any goods /service, the export or import of which is 'Restricted' may be exported or imported only in accordance with an Authorisation / Permission or in accordance with the Procedures prescribed in a Notification / Public Notice issued in this regard.

## **2.09 Export of SCOMET Items**

Export of Special Chemicals, Organisms, Materials, Equipment and Technologies (SCOMET), as indicated in Appendix-3 of Schedule 2 of ITC(HS) Classification of Export & Import Items, shall be governed by the specific provisions of (i) Chapter IV A of the FT(D&R) Act, 1992 as amended from

time to time (ii) Sl. No. 4 & 5 of Table A and Appendix-3 of Schedule 2 of ITC(HS) Classification of Export & Import Items (iii) Para 2.16, Para 2.17, Para 2.18 of FTP and (iv) Para 2.73 -2.82 of Hand Book of Procedures, in addition to the other provisions of FTP and Handbook of Procedures governing export Authorisations.

## **2.10 Actual User Condition**

Goods which are importable freely without any 'Restriction' may be imported by any person. However, if such imports require an Authorisation, actual user alone may import such good(s) unless actual user condition is specifically dispensed with by DGFT.

## **2.11 Terms and Conditions of an Authorisation**

Every Authorisation shall, inter alia, include either all or some of the following terms and conditions (as applicable in terms of the para under which the Authorisation has been issued), in addition to such other conditions as may be specified:

- (a) Description, quantity and value of goods;
- (b) Actual User condition (as defined in Chapter 9);
- (c) Export Obligation;
- (d) Minimum Value addition to be achieved;
- (e) Minimum export/import price;
- (f) Bank guarantee/ Legal undertaking / Bond with Customs Authority/RA (as in para 2.35 of FTP).
- (g) Validity period of import/export as specified in Handbook of Procedures.

## **2.12 Application Fee**

Application for IEC/ Authorisation / License / Scrips must be accompanied by application fees as indicated in the **Appendix 2K** of Appendices and Aayat

Niryat Forms. Fees must be paid online through electronic fund transfer (EFT) mechanism or through Credit/Debit Cards, unless provided otherwise.

### **2.13 Clearance of Goods from Customs against Authorisation**

Goods already imported / shipped / arrived, in advance, but not cleared from Customs may also be cleared against an Authorisation issued subsequently. However, such goods already imported/shipped/arrived, in advance are first warehoused against Bill of Entry for Warehousing and then cleared for home consumption against an Authorisation issued subsequently. This facility will however be not available to “restricted” items or items traded through STEs.

### **2.14 Authorisation - not a Right**

No person can claim an Authorisation as a right and DGFT or RA shall have power to refuse to grant or renew the same in accordance with provisions of FT (D&R) Act, Rules made there under and FTP.

### **2.15 Penal action and placing of an entity in Denied Entity List (DEL)**

- a) If an Authorisation holder violates any condition of such Authorisation or fails to fulfill export obligation, or fails to deposit the requisite amount within the period specified in demand notice issued by Department of Revenue and /or DGFT, he shall be liable for action in accordance with FT (D&R) Act, the Rules and Orders made there under, FTP and any other law for time being in force.
- b) With a view to raising ethical standards and for ease of doing business, DGFT has provided for self certification system under various schemes. In such cases, applicants shall undertake self certification with sufficient care and caution in filling up information/particulars. Any information/particulars subsequently found untrue/incorrect will be

liable for action under FTDR Act, 1992 and Rules therein in addition to penal action under any other Act/Order.

- c) A firm may be placed under Denied Entity List (DEL), by the concerned RA, under the provision of Rule 7 of Foreign Trade (Regulation) Rules, 1993. On issuance of such an order, for reasons to be recorded in writing, a firm may be refused grant or renewal of a license, certificate, scrip or any instrument bestowing financial or fiscal benefits. If a firm is placed under DEL all new licences, scrips, certificates, instruments etc will be blocked from printing/ issue/renewal.
- d) DEL orders may be placed in abeyance, for reasons to be recorded in writing by the concerned RA. DEL order can be placed in abeyance, for a period not more than 60 days at a time.
- e) A firm's name can be removed from DEL, by the concerned RA for reasons to be recorded in writing, if the firm completes Export Obligation/ pays penalty/ fulfils requirement of Demand Notice(s) issued by the RA/submits documents required by the RA.

**Prohibitions (Country, Organisations, Groups, Individuals etc. and Product Specific):**

**2.16 Prohibition on Import and Export of 'Arms and related material' from / to Iraq**

Notwithstanding the policy on Arms and related materials in Chapter 93 of ITC(HS), the import/export of Arms and related material from/to Iraq is 'Prohibited'. However, export of Arms and related material to Government of Iraq shall be permitted subject to 'No Objection Certificate' from the Department of Defence Production.

**2.16 A Prohibition on Trade with the Islamic State in Iraq and the Levant [ISIL, also known as Daesh], Al Nusrah Front [ANF]**

**and other individuals, groups, undertakings and entities associated with Al Qaida.**

In compliance with United Nations Security Council Resolution No. 2199 [2015] (full text of the Resolution is available at <http://www.un.org/press/en/2015/sc11775.doc.htm>), trade in oil and refined oil products, modular refineries and related materials, besides items of cultural (including antiquities), scientific and religious importance is prohibited with the Islamic State in Iraq and the Levant [ISIL], Al Nusrah Front [ANF] and other individuals, groups, undertakings and entities associated, directly or indirectly, with Al Qaida.

**2.17 Prohibition on direct or indirect import and export from/to DPRK**

Direct or Indirect export and import of items, whether or not originating in Democratic People's Republic of Korea (DPRK) to/from DPRK is detailed in Appendix – I of FTP.

**2.18 Direct or Indirect Export/Import to/from Iran**

- (a) Direct or indirect export to Iran or import from Iran of any item, material, equipment, goods and technology mentioned in the following documents would be permitted subject to the provisions contained in Annex-B to the United Nations Security Council Resolution 2231 (2015):
  - (i) Items listed in INFIRC/254/Rev.9/Part 1 and INFIRC /254/Rev.7 /Part 2 (IAEA Documents) as updated by the IAEA from time to time.
  - (ii) Items listed in S/2006/263 (UN Security Council document) as updated by the Security Council from time to time.
- (b) All the UN Security Council Resolutions/Documents and IAEA Documents referred to above are available on the UN Security Council website ([www.un.org/Docs/sc](http://www.un.org/Docs/sc)) and IAEA website ([www.iaea.org](http://www.iaea.org)).

## **2.19 Prohibition on Import of Charcoal from Somalia**

Direct or indirect import of charcoal is prohibited from Somalia, irrespective of whether or not such charcoal has originated in Somalia [United Nations Security Council Resolution 2036 (2012)]. Importers of Charcoal shall submit a declaration to Customs that the consignment has not originated in Somalia.

### **Import / Export through State Trading Enterprises:**

## **2.20 State Trading Enterprises (STEs)**

- (a) State Trading Enterprises (STEs) are governmental and non-governmental enterprises, including marketing boards, which deal with goods for export and /or import. Any good, import or export of which is governed through exclusive or special privilege granted to State Trading Enterprise (STE), may be imported or exported by the concerned STE as per conditions specified in ITC (HS). The list of STEs notified by DGFT is in Appendix-2J.
- (b) Such STE(s) shall make any such purchases or sales involving imports or exports solely in accordance with commercial considerations, including price, quality, availability, marketability, transportation and other conditions of purchase or sale in a non discriminatory manner and shall afford enterprises of other countries adequate opportunity, in accordance with customary business practices, to compete for participation in such purchases or sales.
- (c) DGFT may, however, grant an authorisation to any other person to import or export any of the goods notified for exclusive trading through STEs.

### **Trade with Specific Countries:**

## **2.21 Trade with Neighbouring Countries**

DGFT may issue instructions or frame schemes as may be required to promote trade and strengthen economic ties with neighboring countries.

## **2.22 Transit Facility**

Transit of goods through India from/ or to countries adjacent to India shall be regulated in accordance with bilateral treaties between India and those countries and will be subject to such restrictions as may be specified by DGFT in accordance with International Conventions.

## **2.23 Trade with Russia under Debt-Repayment Agreement**

In case of trade with Russia under Debt Repayment Agreement, DGFT may issue instructions or frame schemes as may be required, and anything contained in FTP, in so far as it is inconsistent with such instructions or schemes, shall not apply.

### **Import of Specific Categories of Goods:**

## **2.24 Import of Samples**

Import of samples shall be governed by Para 2.65 of Handbook of Procedures.

## **2.25 Import of Gifts**

Import of gifts shall be 'free' where such goods are otherwise freely importable under ITC (HS). In other cases, such imports shall be permitted against an Authorisation issued by DGFT.

## **2.26 Passenger Baggage**

- (a) Bona-fide household goods and personal effects may be imported as part of passenger baggage as per limits, terms and conditions thereof in Baggage Rules notified by Ministry of Finance.
- (b) Samples of such items that are otherwise freely importable under FTP may also be imported as part of passenger baggage without an Authorisation.
- (c) Exporters coming from abroad are also allowed to import drawings, patterns, labels, price tags, buttons, belts, trimming and embellishments required for export, as part of their passenger baggage without an Authorisation.

## **2.27 Re - import of goods repaired abroad**

Capital goods, equipments, components, parts and accessories, whether imported or indigenous, except those restricted under ITC (HS) may be sent abroad for repairs, testing, quality improvement or upgradation or standardization of technology and re-imported without an Authorisation.

## **2.28 Import of goods used in projects abroad**

Project contractors after completion of projects abroad, may import without an Authorisation, goods including capital goods used in the project, provided they have been used for at least one year.

## **2.29 Import of Prototypes**

Import of new / second hand prototypes / second hand samples may be allowed on payment of duty without an Authorisation to an Actual User (industrial) engaged in production of or having industrial license / letter of intent for research in item for which prototype is sought for product development or research, as the case may be, upon a self- declaration to that effect, to satisfaction of customs authorities

## 2.30 Import through courier service/Post

Imports through a registered courier service or post are permitted as per Notification(s) issued under the Customs Act, 1962. However, importability of such items shall be regulated in accordance with FTP/ ITC (HS), 2017.

### Import Policy for Second Hand Goods:

## 2.31 Second Hand Goods

S.No	Categories of Second Hand Goods	Import Policy	Conditions, if any
<b>I</b>	<b>Second Hand Capital Goods</b>		
(a)	i. Personal computers/ laptops including their refurbished/ re-conditioned spares ii. Photocopier machines/ Digital multifunction Print & Copying Machines iii. Air conditioners iv. Diesel generating sets.	Restricted	Importable against Authorisation
(b)	Refurbished / re-conditioned spares of Capital Goods	Free	Subject to production of Chartered Engineer certificate to the effect that such spares have at least 80% residual life of original spare.
(c)	All other second hand capital goods {other than (a) & (b) above}	Free	

II	Second Hand Goods other than capital goods	Restricted	Importable against Authorisation
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### **Import Policy for Metallic Waste and Scraps:**

#### **2.32 Import of Metallic waste and Scrap**

- (a) Import of any form of metallic waste, scrap will be subject to the condition that it will not contain hazardous, toxic waste, radioactive contaminated waste/scrap containing radioactive material, any types of arms, ammunition, mines, shells, live or used cartridge or any other explosive material in any form either used or otherwise as detailed in Para 2.54 of Handbook of Procedures.
- (b) The types of metallic waste and scrap which can be imported freely, and the Procedures of import in the shredded form; unshredded compressed and loose form is laid down in Para 2.54 of Handbook of Procedures.

#### **2.33 Removal of Scrap/waste from SEZ**

A SEZ unit/Developer/ Co-developer may be allowed to dispose of in DTA any waste or scrap, including any form of metallic waste and scrap, generated during manufacturing or processing activity, without an Authorisation, on payment of applicable Customs Duty.

### **Other Provisions Related to Imports:**

#### **2.34 Import under Lease Financing**

No specific permission of RA is required for lease financed capital goods.

## **2.35 Execution of Legal Undertaking (LUT) / Bank Guarantee (BG)**

- (a) Wherever any duty free import is allowed or where otherwise specifically stated, importer shall execute, Legal Undertaking (LUT) / Bank Guarantee (BG) / Bond with the Customs Authority, as prescribed, before clearance of goods.
- (b) In case of indigenous sourcing, Authorisation holder shall furnish LUT/BG/Bond to RA concerned before sourcing material from indigenous supplier/nominated agency as prescribed in Chapter 2 of Handbook of Procedures.

## **2.36 Private/Public Bonded Warehouses for Imports**

- (a) Private/ Public bonded warehouses may be set up in DTA as per rules, regulations and notifications issued under the Customs Act, 1962. Any person may import goods except prohibited items, arms and ammunition, hazardous waste and chemicals and warehouse them in such bonded warehouses.
- (b) Such goods may be cleared for home consumption in accordance with provisions of FTP and against Authorisation, wherever required. Customs duty as applicable shall be paid at the time of clearance of such goods.
- (c) The clearance of the warehoused goods shall be as per the provisions of the Customs Act, 1962.

## **2.37 Special provision for Hides Skins and semi-finished goods**

Hides, Skins and semi-finished leather may be imported in the Public/ Private Bonded warehouse for the purpose of DTA sale and the unsold items thereof can be re-exported from such bonded warehouses on payment of the applicable rate of export duty.

## **2.38 Sale on High Seas**

Sale of goods on high seas for import into India may be made subject to FTP or any other law in force.

### **Exports:**

## **2.39 Free Exports**

All goods may be exported without any restriction except to the extent that such exports are regulated by ITC (HS) or any other provision of FTP or any other law for the time being in force. DGFT may, however, specify through a public notice such terms and conditions according to which any goods, not included in ITC (HS), may be exported without an Authorisation.

## 2.40 Deleted

## **2.41 Benefits for Supporting Manufacturers**

For any benefit to accrue to the supporting manufacturer (as defined in Para 9.58 of FTP), the names of both supporting manufacturer as well as the merchant exporter must figure in the concerned export documents, especially in ARE-1 / ARE-3 / Shipping Bill / Bill of Export/ Airway Bill.

## **2.42 Third Party Exports**

Third party exports (except Deemed Export) as defined in Chapter 9 shall be allowed under FTP. In such cases, export documents such as shipping bill shall indicate name of both manufacturing exporter/manufacturer and third party exporter(s). Bank Realization Certificate (BRC), Export Order and Invoice should be in the name of third party exporter.

### **Exports of Specific Categories:**

## **2.43 Export of Samples**

Export of Samples and Free of charge goods shall be governed by provisions given in Para 2.66 of Handbook of Procedures.

## **2.44 Export of Gifts**

Goods including edible items, of value not exceeding Rs.5,00,000/- in a licensing year, may be exported as a gift. However, items mentioned as restricted for exports in ITC (HS) shall not be exported as a gift, without an Authorisation.

## **2.45 Export of Passenger Baggage**

- (a) Bona-fide personal baggage may be exported either along with passenger or, if unaccompanied, within one year before or after passenger's departure from India. However, items mentioned as restricted in ITC (HS) shall require an Authorisation. Government of India officials proceeding abroad on official postings shall, however, be permitted to carry along with their personal baggage, food items (free, restricted or prohibited) strictly for their personal consumption. The Provisions of the Para shall be subject to Baggage Rules issued under Customs Act, 1962.
- (b) Samples of such items that are otherwise freely exportable under FTP may also be exported as part of passenger baggage without an Authorisation.

## **2.46 Import for export**

- I. (a) Goods imported, in accordance with FTP, may be exported in same or substantially the same form without an Authorisation provided that item to be imported or exported is not in the restricted for import or export in ITC (HS).

- (b) Goods, including capital goods (both new and second hand), may be imported for export provided:
  - i. Importer clears goods under Customs Bond;
  - ii. Goods are freely exportable, i.e., are not “Restricted”/ “Prohibited”/ subject to “exclusive trading through State Trading Enterprises” or any conditionality/ requirement as may be required under Schedule 2 – Export Policy of the ITC (HS);
  - iii. Export is against freely convertible currency.
- (c) Goods in (b) above will include ‘Restricted’ goods for import (except ‘Prohibited’ items).
- (d) Capital goods, which are freely importable and freely exportable, may be imported for export on execution of LUT/BG with Customs Authority.
- (e) Notwithstanding the above, goods which are freely importable may be re-exported except items as in the Prohibited or SCOMET List of exports, in same or substantially same form even though such goods are under “restricted list” for export, subject to the following conditions:
  - (i) Goods are not of Indian Origin;
  - (ii) Goods imported shall be kept in bonded warehouse under supervision of Customs;
  - (iii) Goods to be exported have never been cleared for home consumption;
  - (iv) Export of goods shall be subjected to Section 69 of Customs Act, 1962.

II. (a) Goods imported against payment in freely convertible currency would be permitted for export only against payment in freely convertible currency, unless otherwise notified by DGFT.

- (b) Export of such goods to the notified countries (presently only Iran) would be permitted against payment in Indian Rupees, subject to minimum 15% value addition.
- (c) However, re-export of food, medicine and medical equipments, namely, items covered under ITC(HS) Chapters 2 to 4, 7 to 11, 15 to 21, 23, 30 and items under headings 9018, 9019, 9020, 9021 & 9022 of Chapter-90 of ITC(HS) will not be subject to minimum value addition requirement for export to Iran. Exports of these items to Iran shall, however, be subject to all other conditions of FTP 2015-20 and ITC (HS) 2017, as applicable. Bird's eggs covered under ITC (HS) 0407 & 0408 and Rice covered under ITC (HS) 1006 are not covered under this dispensation, as at II (a) above.
- (d) Exports under this dispensation, as at I (e) and II (a), (b) and (c) above shall not be eligible for any export incentives.

#### **2.47 Export through Courier Service/Post**

Exports through a registered courier service is permitted as per Notification issued by DoR. However, exportability of such items shall be regulated in accordance with FTP/ ITC (HS), 2017.

#### **2.48 Export of Replacement Goods**

Goods or parts thereof on being exported and found defective/damaged or otherwise unfit for use may be replaced free of charge by the exporter and such goods shall be allowed for export by Customs authorities, provided that replacement goods are not mentioned as restricted/SCOMET items for exports in ITC (HS). If the export item is 'restricted' under SCOMET, the exporter shall require a export license for replacement.

## **2.49 Export of Repaired Goods**

Goods or parts thereof, except restricted under ITC (HS), on being exported and found defective, damaged or otherwise unfit for use may be imported for repair and subsequent re-export. Such goods shall be allowed clearance without an Authorisation and in accordance with customs notification. To that extent the exporter shall return the benefits /incentive availed on the returned goods. If the item is 'restricted' for import, the exporter shall require an import license.

However, re-export of such defective parts/spares by the Companies/firms and Original Equipment Manufacturers shall not be mandatory if they are imported exclusively for undertaking root cause analysis, testing and evaluation purpose."

## **2.50 Export of Spares**

Warranty spares (whether indigenous or imported) of plant, equipment, machinery, automobiles or any other goods [except those restricted under ITC (HS)] may be exported along with main equipment or subsequently but within contracted warranty period of such goods, subject to approval of RBI.

### **2.50A Re-export of imported Goods found defective and unsuitable for use:**

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.

## **2.51 Private Bonded Warehouses for Exports**

- (a) Private bonded warehouses exclusively for exports may be set up in DTA as per terms and conditions of notifications issued by DoR.
- (b) Such warehouses shall be entitled to procure goods from domestic manufacturers without payment of duty. Supplies made by a

domestic supplier to such notified warehouses shall be treated as physical exports provided payments are made in free foreign exchange.

### **Payments and Receipts on Imports / Exports:**

#### **2.52 Denomination of Export Contracts**

- (a) All export contracts and invoices shall be denominated either in freely convertible currency or Indian rupees but export proceeds shall be realized in freely convertible currency.
- (b) However, export proceeds against specific exports may also be realized in rupees, provided it is through a freely convertible Vostro account of a non resident bank situated in any country other than a member country of Asian Clearing Union (ACU) or Nepal or Bhutan. Additionally, rupee payment through Vostro account must be against payment in free foreign currency by buyer in his non- resident bank account. Free foreign exchange remitted by buyer to his non-resident bank (after deducting bank service charges) on account of this transaction would be taken as export realization under export promotion schemes of FTP.
- (c) Contracts (for which payments are received through Asian Clearing Union (ACU) shall be denominated in ACU Dollar. However, participants in the ACU may settle their transactions in ACU Dollar or in ACU Euro as per RBI Notifications. Central Government may relax provisions of this paragraph in appropriate cases. Export contracts and invoices can be denominated in Indian rupees against EXIM Bank/Government of India line of credit.

#### **2.53 Export to Iran -Realisations in Indian Rupees to be eligible for FTP benefits / incentives**

Notwithstanding the provisions contained in para 2.52 (a) above, export proceeds realized in Indian Rupees against exports to Iran are permitted to

avail exports benefits / incentives under the Foreign Trade Policy (2015-20), at par with export proceeds realized in freely convertible currency.

## **2.54 Non-Realisation of Export Proceeds**

- (a) If an exporter fails to realize export proceeds within time specified by RBI, he shall, without prejudice to any liability or penalty under any law in force, be liable to return all benefits / incentives availed against such exports and action in accordance with provisions of FT (D&R) Act, Rules and Orders made there under and FTP.
- (b) In case an Exporter is unable to realize the export proceeds for reasons beyond his control (force-majeure), he may approach RBI for writing off the unrealised amount as laid down in Para 2.87 of Handbook of Procedures.
- (c) The payment realized through insurance cover, would be eligible for benefits under FTP as per Procedures laid down in Para 2.85 of Handbook of Procedures.

## **2.54A Export Credit Agencies (ECAs)**

- (i) Export Credit Agencies (ECAs) are policy instrument for Government to support exports. ECAs support exports by insurance, guarantee and also direct lending. Export Credit Agencies (ECAs) like Export Credit Guarantee Corporation of India Ltd. (ECGC) provides credit insurance support to exports and export credit lending. Covers issued by ECGC to exporters, protect against losses arising out of payment failures due to insolvency or default of the buyers or due to political risks. Exporters can diversify their markets in addition to protecting existing markets through such covers. ECGC also supports Medium and Long term (MLT) exports including project exports. Exim Bank is the other ECA in the business of lending for MLT exports and fronting the government's line of credit.
- (ii) ECGC indemnifies losses of exporters in export trade due to insolvency or default of the buyer. Additionally losses due to political

risk like war, sudden import restriction, promulgation of law or decree after the shipment has been effected are also covered. Some of the anti- dumping measures or non-tariff barriers introduced after a shipment has been made will come under the purview of the political risk. In such cases exporter's interest are protected by ECGC.

### **Export Promotion Councils:**

#### **2.55 Recognition of EPCs to function as Registering Authority for issue of RCMC**

- (a) Export Promotion Councils (EPCs) are organizations of exporters, set up with the objective to promote and develop Indian exports. Each Council is responsible for promotion of a particular group of products/projects/services as given in Appendix 2T of AANF.
- (b) EPCs are also eligible to function as Registering Authorities to issue Registration-cum-Membership Certificate (RCMC) to its members. The criteria for EPCs to be recognized as Registering Authorities for issue of RCMC to its members are detailed in Para 2.92 of the Handbook of Procedures.

#### **2.56 Registration-cum-Membership Certificate (RCMC)**

Any person, applying for:

- (a) An Authorisation to import/export (except items) listed as 'Restricted' items in ITC (HS)  
Or
- (b) Any other benefit or concession under FTP shall be required to furnish or upload on DGFT's website in the Importer Exporter Profile, the RCMC granted by competent authority in accordance with Procedures specified in Handbook of Procedures unless specifically exempted under FTP. Certificate of Registration as Exporter of Spices (CRES) issued by Spices Board and Certificate of Registration as

Exporter of coir & coir products issued by the Coir Board shall be treated as Registration-Cum-Membership Certificate (RCMC) for the purposes under this Policy.

### **Policy Interpretation and Relaxations:**

#### **2.57 Interpretation of Policy**

- (a) The decision of DGFT shall be final and binding on all matters relating to interpretation of Policy, or provision in Handbook of Procedures, Appendices and Aayat Niryat Forms or classification of any item for import / export in the ITC (HS).
- (b) A Policy Interpretation Committee (PIC) may be constituted to aid and advice DGFT. The composition of the PIC would be as follows:
  - (i) DGFT: Chairman
  - (ii) All Additional DGFTs in Headquarters: Members
  - (iii) All Joint DGFTs in Headquarters looking after Policy matters: Members
  - (iv) Joint DGFT (PRC/PIC): Member Secretary
  - (v) Any other person / representative of the concerned Ministry / Department, to be co-opted by the Chairman.

#### **2.58 Exemption from Policy/Procedures**

DGFT may in public interest pass such orders or grant such exemption, relaxation or relief, as he may deem fit and proper, on grounds of genuine hardship and adverse impact on trade to any person or class or category of persons from any provision of FTP or any Procedures. While granting such exemption, DGFT may impose such conditions as he may deem fit after consulting the Committees as under:

<b>Sl. No.</b>	<b>Description</b>	<b>Committee</b>
(a)	Fixation / modification of product norms	Norms Committees

(b)	Nexus with Capital Goods (CG) and benefits under EPCG Schemes	EPCG Committee
(c)	All other issues	Policy Relaxation Committee (PRC)

## **2.59 Personal Hearing by DGFT for Grievance Redressal**

- (a) Government is committed to easy and speedy redressal of grievances from Trade and Industry. Paragraph 2.58 of FTP provides for relaxation of Policy and Procedures on grounds of genuine hardship and adverse impact on trade. If an importer/exporter is aggrieved by any decision taken by Policy Relaxation Committee (PRC), or a decision/order by any authority in the Directorate General of Foreign Trade, a specific request for Personal Hearing (PH) along with the prescribed application fee as per Appendix-2K has to be made to DGFT. DGFT may consider request for relaxation after consulting concerned Norms Committee, EPCG Committee or Policy Relaxation Committee (PRC) and the decision conveyed in pursuance to the personal hearing shall be final and binding.
- (b) The opportunity for Personal Hearing will not apply to a decision/order made in any proceeding, including an adjudication proceeding, whether at the original stage or at the appellate stage, under the relevant provisions of FT (D&R) Act, 1992, as amended from time to time.

## **2.60 Regularization of EO default and settlement of Customs duty and interest through Settlement Commission**

With a view to providing assistance to firms who have defaulted under FTP for reasons beyond their control as also facilitating merger, acquisition and rehabilitation of sick units, it has been decided to empower Settlement Commission in Department of Revenue to decide such cases also with effect from 01.04.2005.

### **Self Certification of Originating Goods:**

#### **2.61 Approved Exporter Scheme for Self Certification of Certificate of Origin.**

- (i) Currently, Certificates of Origin under various Preferential Trade Agreements [PTA], Free Trade Agreements [FTAs], Comprehensive Economic Cooperation Agreements [CECA] and Comprehensive Economic Partnerships Agreements [CEPA] are issued by designated agencies as per Appendix 2B of Appendices and Aayat and Nirayat Forms. A new optional system of self certification is being introduced with a view to reducing transaction cost.
- (ii) The Manufacturers who are also Status Holders shall be eligible for Approved Exporter Scheme. Approved Exporters will be entitled to self-certify their manufactured goods as originating from India with a view to qualifying for preferential treatment under different PTAs/FTAs/CECAs/CEPAs which are in operation. Self-certification will be permitted only for the goods that are manufactured as per the Industrial Entrepreneurs Memorandum (IEM) / Industrial License (IL) /Letter of Intent (LOI) issued to manufacturers.
- (iii) Status Holders will be recognized by DGFT as Approved Exporters for self-certification based on availability of required infrastructure, capacity and trained manpower as per the details in Para 2.109 of Handbook of Procedures 2015-20 read with Appendix 2F of Appendices & Aayaat Nirayat Forms.
- (iv) The details of the Scheme, along with the penalty provisions, are provided in Appendix 2F of Appendices and Aayaat Nirayat Forms and will come into effect only when India incorporates the scheme into a specific agreement with its partner/s and the same is appropriately notified by DGFT.

#### **2.62 Certification of Origin of Goods EU-GSP**

Exporters can self-certify the Statement on Origin of their goods, as per the self-certification scheme , Certification of Origin of Goods for European Union Generalised System of Preferences (EU-GSP) , of the

European Union (EU) under the Registered Exporter System (REX) as in Para 2.104 (c) of the Handbook of Procedures.



## CHAPTER 3

### EXPORTS FROM INDIA SCHEMES

#### **3.00 Objective**

The objective of schemes under this chapter is to provide rewards to exporters to offset infrastructural inefficiencies and associated costs.

#### **3.01 Exports from India Schemes**

There shall be following two schemes for exports of Merchandise and Services respectively:

- (i) Merchandise Exports from India Scheme (MEIS).
- (ii) Service Exports from India Scheme (SEIS).

#### **3.02 Nature of Rewards**

Duty Credit Scrips shall be granted as rewards under MEIS and SEIS. The Duty Credit Scrips and goods imported / domestically procured against them shall be freely transferable. The Duty Credit Scrips can be used for :

- (i) Payment of Basic Customs Duty and Additional Customs Duty specified under sections 3 (1), 3 (3) and 3 (5) of the Customs Tariff Act, 1975 for import of inputs or goods, including capital goods, as per DoR Notification, except items listed in Appendix 3A.
- (ii) Payment of Central excise duties on domestic procurement of inputs or goods,
- (iii) Deleted
- (iv) Payment of Basic Customs Duty and Additional Customs Duty specified under Sections 3 (1), 3 (3) and 3 (5) of the Customs Tariff Act, 1975 and fee as per paragraph 3.18 of this Policy.

#### **Merchandise Exports from India Scheme (MEIS)**

#### **3.03 Objective**

Objective of the Merchandise Exports from India Scheme (MEIS) is to promote the manufacture and export of notified goods/ products.

### **3.04 Entitlement under MEIS**

Exports of notified goods/products with ITC[HS] code, to notified markets as listed in Appendix 3B, shall be rewarded under MEIS. Appendix 3B also lists the rate(s) of rewards on various notified products [ITC (HS) code wise]. The basis of calculation of reward would be on realised FOB value of exports in free foreign exchange, or on FOB value of exports as given in the Shipping Bills in freely convertible foreign currencies, whichever is less, unless otherwise specified.

### **3.05 Export of goods through courier or foreign post offices using e-Commerce**

- (i) Exports of goods through courier or foreign post office using e-commerce, as notified in Appendix 3C, of FOB value upto Rs. 25000 per consignment shall be entitled for rewards under MEIS.
- (ii) If the value of exports using e-commerce platform is more than Rs 25000 per consignment then MEIS reward would be limited to FOB value of Rs.25000 only.
- (iii) Such goods can be exported in manual mode through Foreign Post Offices at New Delhi, Mumbai and Chennai.
- (iv) Export of such goods under Courier Regulations shall be allowed manually on pilot basis through Airports at Delhi, Mumbai and Chennai as per appropriate amendments in regulations to be made by Department of Revenue. Department of Revenue shall fast track the implementation of EDI mode at courier terminals.

### **3.06 Ineligible categories under MEIS**

The following exports categories /sectors shall be ineligible for Duty Credit Scrip entitlement under MEIS

- (i) Supplies made from DTA units to SEZ units
- (ii) Export of imported goods covered under paragraph 2.46 of FTP;
- (iii) Exports through trans-shipment, meaning thereby exports that are originating in third country but trans-shipped through India;
- (iv) Deemed Exports;
- (v) SEZ/ EOU /EHTP/ BTP /FTWZ products exported through DTA units;
- (vi) Export products which are subject to Minimum export price or export duty.
- (vii) Exports made by units in FTWZ.

## **Service Exports from India Scheme (SEIS)**

### **3.07 Objective**

Objective of Service Exports from India Scheme (SEIS) is to encourage and maximize export of notified Services from India.

### **3.08 Eligibility**

- (a) Service Providers of notified services, located in India, shall be rewarded under SEIS. Only Services rendered in the manner as per Para 9.51(i) and Para 9.51(ii) of this policy shall be eligible. The notified services and rates of rewards are listed in Appendix 3D.
- (b) Such service provider should have minimum net free foreign exchange earnings of US\$15,000 in preceding financial year to be eligible for Duty Credit Scrip. For Individual Service Providers and sole proprietorship, such minimum net free foreign exchange earnings criteria would be US\$10,000 in preceding financial year.
- (c) Payment in Indian Rupees for service charges earned on specified services, shall be treated as receipt in deemed foreign exchange as per guidelines of Reserve Bank of India. The list of such services is indicated in Appendix 3E.
- (d) Net Foreign exchange earnings for the scheme are defined as under:

Net Foreign Exchange = Gross Earnings of Foreign Exchange minus Total expenses / payment / remittances of Foreign Exchange by the IEC holder, relating to service sector in the Financial year.

- (e) If the IEC holder is a manufacturer of goods as well as service provider, then the foreign exchange earnings and Total expenses / payment / remittances shall be taken into account for service sector only.
- (f) In order to claim reward under the scheme, Service provider shall have to have an active IEC at the time of rendering such services for which rewards are claimed.

### **3.09 Ineligible categories under SEIS**

Foreign exchange remittances other than those earned for rendering of notified services would not be counted for entitlement. Thus, other sources of foreign exchange earnings such as equity or debt participation, donations, receipts of repayment of loans etc. and any other inflow of foreign exchange, unrelated to rendering of service, would be ineligible.

### **3.10 Entitlement under SEIS**

Service Providers of eligible services shall be entitled to Duty Credit Scrip at notified rates (as given in Appendix 3D) on net foreign exchange earned.

### **3.11 Remittances through Credit Card and other instruments for MEIS and SEIS**

Free Foreign Exchange earned through international credit cards and other instruments, as permitted by RBI shall also be taken into account for computation of value of exports.

### **3.12 Effective date of schemes (MEIS and SEIS)**

The schemes shall come into force with effect from the date of notification of this Policy, i.e. the rewards under MEIS/SEIS shall be admissible for exports made/services rendered on or after the date of notification of this Policy.

### **3.13 Special Provisions**

- (a) Government reserves the right in public interest, to specify export products or services or markets, which shall not be eligible for computation of entitlement of duty credit scrip.
- (b) Government reserves the right to impose restriction / change the rate/ceiling on Duty Credit Scrip under this chapter.
- (c) Government may also notify goods in Appendix 3A which shall not be allowed for debiting through Duty Credit Scrips in case of import.
- (d) Government may prescribe value cap of any kind for a product(s) or limit total reward per IEC holder under this chapter at any time.

## **Common Provisions for Exports from India Schemes (MEIS and SEIS)**

### **3.14 Transitional Arrangement**

For the goods exported or services rendered upto the date of notification of this Policy, which were otherwise eligible for issuance of scrips under erstwhile Chapter 3 of the earlier Foreign Trade Policy(ies) and scrip is applied / issued on or after notification of this Policy against such export of goods or services rendered, the then prevailing policy and procedure regarding eligibility, entitlement, transferability, usage of scrip and any other condition in force at the time of export of goods or rendering of the services, shall be applicable to such scrips.

### **3.15 CENVAT/ Drawback**

Additional Customs duty specified under Sections 3(1), 3(3) and 3(5) of the Customs Tariff Act, 1975 /Central excise duty paid in cash or through debit under Duty Credit scrip shall be adjusted as CENVAT Credit or Duty Drawback as per DoR rules or notifications. Basic Custom duty paid in cash or through debit under Duty Credit scrip shall be adjusted for Duty Drawback as per DoR rules or notifications.

### **3.16 Import under lease financing**

Utilization of Duty Credit Scrip shall be permitted for payment of duty in case of import of capital goods under lease financing in terms of provision in paragraph 2.34 of FTP.

### **3.17 Transfer of export performance**

- (a) Transfer of export performance from one IEC holder to another IEC holder shall not be permitted. Thus, a shipping bill containing name of applicant shall be counted in export performance / turnover of applicant only if export proceeds from overseas are realized in applicant's bank account and this shall be evidenced from e - BRC / FIRC.
- (b) However, MEIS, rewards can be claimed either by the supporting manufacturer (along with disclaimer from the company / firm who has realized the foreign exchange directly from overseas) or by the company/ firm who has realized the foreign exchange directly from overseas.

### **3.18 Facility of payment of custom duties and fee through duty credit scrips**

- (a) Duty Credit Scrip can be utilized / debited for payment of Custom Duties in case of EO defaults for Authorisations issued under Chapters 4 and 5 of Foreign Trade Policy. Such utilization /usage shall be in respect of those goods which are permitted to be imported under the respective reward schemes. However, penalty / interest shall be required to be paid in cash.
- (b) Duty credit scrips can also be used for payment of composition fee under FTP, for payment of application fee under FTP, if any and for payment of value shortfall in EO under Para 4.49 of HBP 2015-20.

### **3.19 Risk Management System**

- (a) A Risk Management System shall be in operation whereby every month Computer system in DGFT Headquarters, on random basis and on the basis of guidelines issued by the DGFT from time to time, will select 10% of applications for each RA where scrips and Status Holder Certificates have already been issued, under each scheme. RA in turn may call for original documents in all such selected cases for further examination in detail. In case any discrepancy and/ or over claim is found on such examination, the applicant shall be under obligation to rectify such discrepancy and/or refund over claim in cash with interest at the rate prescribed under section 28 A A of the Customs Act 1962, from the date of issue of scrip in the relevant Head of Account of Customs within one month. The original holder of scrip, however, may refund such over claim by surrendering the same scrip whether partially utilized or fully unutilized, without interest.
- (b) Regional Authority may ask for original proof of landing certificate (wherever required under the policy), annexures attached to ANFs or any other document, which has been uploaded digitally or any other export related documents related to the application such as Export Invoices at any time within three years from the date of issue of scrip. Failure to submit such documents in original would make applicant liable to refund the reward granted along with interest at the rate prescribed under section 28 A A of the Customs Act 1962, from the

date of issuance of scrip. If an applicant is found to have mis-declared the Item description under any ITC HS Code, appropriate action under FT(D&R) Act, would be taken. It would be the responsibility of applicant to maintain such documents, certificate etc. for a period of at least three years from the date of issuance of scrips or the completion of scrutiny under RMS initiated by the RA whichever is later.

### **3.20 Status Holder**

- (a) Status Holders are business leaders who have excelled in international trade and have successfully contributed to country's foreign trade. Status Holders are expected to not only contribute towards India's exports but also provide guidance and handholding to new entrepreneurs.
- (b) All exporters of goods, services and technology having an import-export code (IEC) number shall be eligible for recognition as a status holder. Status recognition will depend on export performance. An applicant shall be categorized as status holder on achieving export performance during the current and previous three financial years (for Gems& Jewellery Sector the performance during the current and previous two financial years shall be considered for recognition as status holder) as indicated in paragraph 3.21 of Foreign Trade Policy. The export performance will be counted on the basis of FOB of export earning in freely convertible foreign currencies
- (c) For deemed export, FOR value of exports in Indian Rupees shall be converted in US\$ at the exchange rate notified by CBEC, as applicable on 1st April of each Financial Year.
- (d) For granting status, export performance is necessary in at least two out of four years.

### **3.21 Status Category**

Status Category	Export Performance FOB / FOR (as converted) Value (in US \$ million)
One Star Export House	3
Two Star Export House	25
Three Star Export House	100
Four Star Export House	500
Five Star Export House	2000

### **3.22 Grant of Double Weightage**

- (a) The exports by IEC holders under the following categories shall be granted double weightage for calculation of export performance for grant of status.
  - (i) Micro, Small & Medium Enterprises (MSME) as defined in Micro, Small & Medium Enterprises Development (MSMED) Act 2006.
  - (ii) Manufacturing units having ISO/BIS.
  - (iii) Units located in North Eastern States including Sikkim and Jammu & Kashmir.
  - (iv) Units located in Agri Export Zones.
- (b) Double Weightage shall be available for grant of One Star Export House Status category only. Such benefit of double weightage shall not be admissible for grant of status recognition of other categories namely Two Star Export House, Three Star Export House, Four Star export House and Five Star Export House.
- (c) A shipment can get double weightage only once in any one of above categories.

### **3.23 Other conditions for grant of status**

- (a) Export performance of one IEC holder shall not be permitted to be transferred to another IEC holder. Hence, calculation of exports performance based on disclaimer shall not be allowed.
- (b) Exports made on re-export basis shall not be counted for recognition.
- (c) Export of items under Authorisation, including SCOMET items, would be included for calculation of export performance.

### **3.24 Privileges of Status Holders**

A Status Holder shall be eligible for privileges as under:

- (a) Authorisation and Customs Clearances for both imports and exports may be granted on self-declaration basis;
- (b) Input-Output norms may be fixed on priority within 60 days by the Norms Committee ;Special scheme in respect of Input Output Norms to be notified by DGFT from time to time, for specified status holder
- (c) Exemption from furnishing of Bank Guarantee for Schemes under FTP, unless specified otherwise anywhere in FTP or HBP;
- (d) Exemption from compulsory negotiation of documents through banks. Remittance / receipts, however, would be received through banking channels;
- (e) Two star and above Export houses shall be permitted to establish Export Warehouses as per Department of Revenue guidelines.
- (f) Three Star and above Export House shall be entitled to get benefit of Accredited Clients Programme (ACP) as per the guidelines of CBEC (website: <http://cbec.gov.in>).
- (g) The status holders would be entitled to preferential treatment and priority in handling of their consignments by the concerned agencies.
- (h) Manufacturers who are also status holders (Three Star/Four Star/Five Star) will be enabled to self-certify their manufactured

goods (as per their IEM/IL/LOI) as originating from India with a view to qualify for preferential treatment under different preferential trading agreements (PTA), Free Trade Agreements (FTAs), Comprehensive Economic Cooperation Agreements (CECA) and Comprehensive Economic Partnership Agreements (CEPA). Subsequently, the scheme may be extended to remaining Status Holders.

- (i) Manufacturer exporters who are also Status Holders shall be eligible to self-certify their goods as originating from India as per Para 2.108 (d) of Hand Book of Procedures.
- (j) Status holders shall be entitled to export freely exportable items (excluding Gems and Jewellery, Articles of Gold and precious metals) on free of cost basis for export promotion subject to an annual limit of Rupees One Crore or 2% of average annual export realization during preceding three licensing years, whichever is lower. For export of pharma products by pharmaceutical companies, the annual limit would be 2% of the average annual export realisation during preceding three licensing years. In case of supplies of pharmaceutical products, vaccines and lifesaving drugs to health programmes of international agencies such as UN, WHO-PAHO and Government health programmes, the annual limit shall be upto 8% of the average annual export realisation during preceding three licensing years. Such free of cost supplies shall not be entitled to Duty Drawback or any other export incentive under any export promotion scheme.

## **CHAPTER 4**

### **DUTY EXEMPTION /REMISSION SCHEMES**

#### **4.00 Objective**

Schemes under this Chapter enable duty free import of inputs for export production, including replenishment of inputs or duty remission.

#### **4.01 Schemes**

##### **(a) Duty Exemption Schemes.**

The Duty Exemption schemes consist of the following:

- Advance Authorisation (AA) (which will include Advance Authorisation for Annual Requirement).
- Duty Free Import Authorisation (DFIA).

##### **(b) Duty Remission Scheme.**

Duty Drawback (DBK) Scheme, administered by Department of Revenue.

#### **4.02 Applicability of Policy & Procedures**

Authorisation under this Chapter shall be issued in accordance with the Policy and Procedures in force on the date of issue of the Authorisation.

#### **4.03 Advance Authorisation**

- (a) Advance Authorisation is issued to allow duty free import of input, which is physically incorporated in export product (making normal allowance for wastage). In addition, fuel, oil, catalyst which is consumed / utilized in the process of production of export product, may also be allowed.
- (b) Advance Authorisation is issued for inputs in relation to resultant product, on the following basis:

- (i) As per Standard Input Output Norms (SION) notified (available in Hand Book of Procedures);

OR

- (ii) On the basis of self declaration as per paragraph 4.07 of Handbook of Procedures.

OR

- (iii) Applicant specific prior fixation of norm by the Norms Committee.

OR

- (iv) On the basis of Self Ratification Scheme in terms of Para 4.07A of Foreign Trade Policy.

#### **4.04 Advance Authorisation for Spices**

Duty free import of spices covered under Chapter-9 of ITC (HS) shall be permitted only for activities like crushing/grinding / sterilization/ manufacture of oils or oleoresins. Authorisation shall not be available for simply cleaning, grading, re-packing etc.

#### **4.04 A Special Advance Authorisation Scheme for export of Articles of Apparel and Clothing accessories.**

Duty free import of fabric under 'Special Advance Authorisation Scheme for export of Articles of Apparel and Clothing Accessories' shall be allowed, as per Customs Notification issued for this scheme, for export of items covered under Chapter 61 and 62 of ITC(HS) Classification of Export and Import, subject to the following terms and conditions:

- (i) The authorisation shall be issued based on Standard Input Output Norms (SION) or prior fixation of norms by Norms Committee.
- (ii) The authorisation shall be issued for the import of relevant fabrics including inter lining only as input. No other input, packing material, fuel, oil and catalyst shall be allowed for import under this authorisation.

- (iii) Exporters shall be eligible for All Industry Rate of Duty Drawback, for non fabric inputs, as determined by Central Government for this scheme. For the purpose of value addition norm of Para 4.08 of FTP, the value of any other input used on which benefit of Drawback is claimed or intended to be claimed shall be equal to 22% of the FOB value of export realised. Minimum value addition shall be as per Para 4.09 of FTP.
- (iv) Where the exporter desires to claim drawback determined and fixed by Jurisdictional Customs Authority (brand rate), he shall follow Para 4.15 of FTP regarding declarations to be made in application for the authorisation and make export under claim for brand rate. In such cases the value addition shall be as per Para 4.08 of FTP. Minimum value addition shall be as per Para 4.09 of FTP.
- (v) Authorisation, and the fabric imported, shall be subject to actual user condition. The same shall be non transferable even after completion of export obligation. However fabric imported may be transferred for job work in terms of provisions of GST Acts under intimation to the Customs authority at the port of registration (excluding to units located in areas eligible for area based exemption from Central Excise Duty). Invalidation of the Authorisation shall not be permitted.
- (vi) The fabric imported shall be subject to pre-import condition and it shall be physically incorporated in the export product (making normal allowance for wastage). Only Physical exports shall fulfil the export obligation.
- (vii) Provisions of paragraphs 4.02, 4.05(a), 4.13(i), 4.13(ii), 4.14, 4.15, 4.17, 4.19, 4.21(i), 4.21(ii), 4.21 (iii), 4.21(v), 4.22(i), and 4.24 of Foreign Trade Policy shall be applicable in so far as they are not inconsistent with this scheme.

#### **4.05 Eligible Applicant / Export / Supply**

- (a) Advance Authorisation can be issued either to a manufacturer exporter or merchant exporter tied to supporting manufacturer.
- (b) Advance Authorisation for pharmaceutical products manufactured through Non-Infringing (NI) process (as indicated in paragraph 4.18

of Handbook of Procedures) shall be issued to manufacturer exporter only.

(c) Advance Authorisation shall be issued for:

- (i) Physical export (including export to SEZ);
- (ii) Intermediate supply; and/or
- (iii) Supply of goods to the categories mentioned in paragraph 7.02 (b), (c), (e), (f), (g) and (h) of this FTP.
- (iv) Supply of 'stores' on board of foreign going vessel / aircraft, subject to condition that there is specific Standard Input Output Norms in respect of item supplied.

#### **4.06 Advance Authorisation for Annual Requirement**

- (i) Advance Authorisation for Annual Requirement shall only be issued for items notified in Standard Input Output Norms (SION), and it shall not be available in case of adhoc norms under paragraph 4.03 (b)(ii) of FTP.
- (ii) Advance Authorisation for Annual Requirement shall also not be available in respect of SION where any item of input appears in Appendix 4-J.

#### **4.07 Eligibility Condition to obtain Advance Authorisation for Annual Requirement**

- (i) Exporters having past export performance (in at least preceding two financial years) shall be entitled for Advance Authorisation for Annual requirement.
- (ii) Entitlement in terms of CIF value of imports shall be upto 300% of the FOB value of physical export and / or FOR value of deemed export in preceding financial year or Rs 1 crore, whichever is higher.

#### **4.07A Self Ratification Scheme**

- i. Where there is no SION/valid Adhoc Norms for an export product and where SION has been notified but exporter intends to use additional inputs in the manufacturing process, eligible exporter can apply for an Advance Authorisation under this scheme on self declaration and self ratification basis. RA may

issue Advance Authorisations and such cases need not be referred to Norms Committees for ratification of norms. Application under this scheme shall be made along with a Certificate from Chartered Engineer in the prescribed format.

- ii. A Certificate from a Chartered Engineer who has been not been penalised in the last five years under FT(D&R) Act 1992, Customs Act 1962, Central Excise Act 1944, GST Acts and allied acts and rules made there under shall only be accepted for grant of Authorisation under this scheme.
- iii. Detailed procedure for administering the scheme shall be prescribed in the Handbook of Procedures.
- iv. An exporter (manufacturer or merchant) who holds AEO Certificate under Common Accreditation Programme of CBEC is eligible to opt for this scheme.
- v. The scheme shall not be available for the following export products.
  - a) All items covered under Chapter-1 to 24 and Chapter-71 of ITC(HS) Classification;
  - b) Biotechnology items and related products; and
  - c) SCOMET items.
- vi. The scheme shall not be available for the following inputs.
  - a) All vegetable / edible oils classified under Chapter-15 and all types of oilseeds classified under Chapter-12 of ITC (HS) book;
  - b) All types of cereals classified under Chapter-10 of ITC (HS) book;
  - c) Horn, hoof and any other organ of animal;
  - d) Wild animal products, organs and waste thereof;
  - e) Honey;
  - f) All items with basic customs duty of 30% or more;
  - g) All types of fruits/ nuts/ vegetables classified under Chapter-7 and Chapter-8 of ITC (HS) book;
  - h) Items covered under heading 2515, 2516, 3301, 3302, 3303 6801 and 6802 of ITC(HS) Classification;
  - i) Items covered under Chapter 50 to 63 of ITC(HS) classification.
  - j) Acetic Anhydride, Ephedrine and Pseudoephedrine;
  - k) Vitamins;

- l) Biotechnology items and related products;
- m) Insecticides, Rodenticides, Fungicides, herbicides, Anti sprouting products, and plant growth regulators, disinfectants and similar products of all forms, types and grades;
- n) Waste/Scrap of all types; and
- o) Second hand goods.

vii. Inputs imported shall be subject to pre import condition and they shall be physically incorporated in the export product (making normal allowance for wastage). In case of local procurement under invalidation/ARO, the inputs shall be procured prior to manufacture of export item and shall be physically incorporated in the export product.

viii. Wherever value of by-products and recoverable wastage generated during manufacturing process is more than 5% of CIF value, corresponding quantity of main input shall be reduced from the entitlement to the extent that value of disallowed quantity is equal to the value of by-products and recoverable wastage generated during manufacturing process.

ix. DGFT or any person authorised by him may conduct audit of the manufacturer. The frequency and manner of audit shall be prescribed by DGFT in Handbook of Procedures. The manufacturer shall be required to provide the necessary facility to verify the books of account/other documents as required, give information and assistance for timely completion of the audit. Non-availability of production and consumption documents/data shall be treated as misdeclaration and indulgence in fraudulent activities and shall be penalised under FT(D&R) Act, as amended and rules made there under.

x. DGFT or any person authorised by him may initiate special audit, considering the nature and complexity of the case and revenue of government, if he is of the opinion at any stage of scrutiny/enquiry/investigation that the norms have not been claimed correctly or the excess benefit has been availed. Special audit can be conducted even if the manufacturer has already been audited before.

- xi. If the audit results in detection of misdeclaration and/or instances of claiming of inputs which are not used in manufacturing process or excess quantity of inputs than consumed, demand and recovery actions will be initiated in addition to initiation of action against the authorisation holder, manufacturer and Chartered Engineer in terms of Foreign Trade Development and Regulation Act 1992 and/or Customs Act 1962, as amended and rules made there under.
- xii. In cases where Chartered Engineer has not exercised due diligence or has willfully become party to misdeclaration action will be initiated under against such person under FT(D&R) Act 1992, as amended and rules made there under. In addition, such cases shall also be referred to 'The Institute of Engineers India for taking action as warranted under the bylaws of the institute.
- xiii. All the provisions applicable for Advance Authorisation Scheme shall be applicable to this scheme also in so far they are not inconsistent with this scheme.

#### **4.08 Value Addition**

Value Addition for the purpose of this Chapter (except for Gems and Jewellery sector for which value addition is prescribed in paragraph 4.38 of FTP) shall be:-

$$VA = \frac{A-B}{B} \times 100, \text{ where}$$

A =FOB value of export realized/FOR value of supply received.

B =CIF value of inputs covered by Authorisation, plus value of any other input used on which benefit of DBK is claimed or intended to be claimed.

#### **4.09 Minimum Value Addition**

- (i) Minimum value addition required to be achieved under Advance Authorisation is 15%.

- (ii) Export Products where value addition could be less than 15% are given in Appendix 4D.
- (iii) Deleted
- (iv) Minimum value addition for Gems & Jewellery Sector is given in paragraph 4.61 of Handbook of Procedures.
- (v) In case of Tea, minimum value addition shall be 50%.

#### **4.10 Import of Mandatory Spares**

Import of mandatory spares which are required to be exported / supplied with the resultant product shall be permitted duty free to the extent of 10% of CIF value of Authorisation.

#### **4.11 Ineligible categories of import on Self Declaration basis**

- (a) Import of following products shall not be permissible on self-declaration basis:
  - (i) All vegetable / edible oils classified under Chapter-15 and all types of oilseeds classified under Chapter-12 of ITC (HS) book;
  - (ii) All types of cereals classified under Chapter-10 of ITC (HS) book;
  - (iii) All Spices other than light black pepper (light berries) having a basic customs duty of more than 30%, classified under Chapter-9 and 12 of ITC (HS) book;
  - (iv) All types of fruits/ vegetables having a basic customs duty of more than 30%, classified under Chapter-7 and Chapter-8 of ITC (HS) book;
  - (v) Horn, Hoof and any other organ of animal;
  - (vi) Honey;
  - (vii) Rough Marble Blocks/Slabs; and
  - (viii) Rough Granite.
  - (ix) Vitamins except for use in pharmaceutical industry.
- (b) For export of perfumes, perfumery compounds and various feed ingredients containing vitamins, no Authorisation shall be issued by Regional Authority under paragraph 4.07 of Handbook of Procedures and applicants shall be required to apply under paragraph 4.06 of Hand Book of Procedures to the Norms Committee.
- (c) Where export and/or import of biotechnology items and related products are involved, Authorisation under paragraph 4.07 of Handbook of Procedures shall be issued by Regional Authority only

on submission of a “No Objection Certificate” from Department of Biotechnology.

#### **4.12 Accounting of Input**

- (i) Wherever SION permits use of either (a) a generic input or (b) alternative input, unless the name of the specific input together with quantity [which has been used in manufacturing the export product] gets indicated / endorsed in the relevant shipping bill and these inputs, so endorsed, within quantity specified and match the description in the relevant bill of entry, the concerned Authorisation will not be redeemed. In other words, the name/description of the input used (or to be used) in the Authorisation must match exactly with the name/description endorsed in the shipping bill.
- (ii) In addition, if in any SION, a single quantity has been indicated against a number of inputs (more than one input), then quantities of such inputs to be permitted for import shall be in proportion to the quantity of these inputs actually used/consumed in production, within overall quantity against such group of inputs. Proportion of these inputs actually used/consumed in production of export product shall be clearly indicated in shipping bills.
- (iii) At the time of discharge of export obligation (issue of EODC) or at the time of redemption, Regional Authority shall allow only those inputs which have been specifically indicated in the shipping bill together with quantity.
- (iv) The above provisions will also be applicable for supplies to SEZs and supplies made under Deemed exports. Details as given above will have to be indicated in the relevant Bill of Export, ARE-3, Central Excise certified Invoice / import document / Tax Invoice for export prescribed under the GST rules

#### **4.13 Pre-import condition in certain cases**

- (i) DGFT may, by Notification, impose pre-import condition for inputs under this Chapter.
- (ii) Import items subject to pre-import condition are listed in Appendix 4-J or will be as indicated in Standard Input Output Norms (SION).

- (iii) Import of drugs from unregistered sources shall have pre-import condition.

#### **4.14 Details of Duties exempted**

Imports under Advance Authorisation are exempted from payment of Basic Customs Duty, Additional Customs Duty, Education Cess, Anti-dumping Duty, Countervailing Duty, Safeguard Duty, Transition Product Specific Safeguard Duty, wherever applicable. Import against supplies covered under paragraph 7.02 (c), (d) and (g) of FTP will not be exempted from payment of applicable Anti-dumping Duty, Countervailing Duty, Safeguard Duty and Transition Product Specific Safeguard Duty, if any. However, imports under Advance Authorisation for physical exports are also exempt from whole of the integrated tax and Compensation Cess leviable under sub-section (7) and sub-section (9) respectively, of section 3 of the Customs Tariff Act, 1975 (51 of 1975), as may be provided in the notification issued by Department of Revenue, and such imports shall be subject to pre-import condition. Imports against Advance Authorisations for physical exports are exempted from Integrated Tax and Compensation Cess upto 31.03.2018 only.

#### **4.15 Admissibility of Drawback**

Drawback as per rate determined and fixed by Customs authority in terms of DoR Rules shall be available for duty paid imported or indigenous inputs (not specified in the norms) used in the export product. For this purpose, applicant shall indicate clearly details of duty paid input in the application for Advance Authorisation. As per details mentioned in the application, Regional Authority shall also clearly endorse details of such duty paid inputs in the condition sheet of the Advance Authorisation.

#### **4.16 Actual User Condition for Advance Authorisation**

- (i) Advance Authorisation and / or material imported under Advance Authorisation shall be subject to 'Actual User' condition. The same shall not be transferable even after completion of export obligation. However, Authorisation holder will have option to dispose of product manufactured out of duty free input once export obligation is completed.
- (ii) In case where CENVAT/input tax credit facility on input has been availed for the exported goods, even after completion of export

obligation, the goods imported against such Advance Authorisation shall be utilized only in the manufacture of dutiable goods whether within the same factory or outside (by a supporting manufacturer). For this, the Authorisation holder shall produce a certificate from either the jurisdictional Customs Authority or Chartered Accountant, at the option of the exporter, at the time of filing application for Export Obligation Discharge Certificate to Regional Authority concerned.

- (iii) Waste / Scrap arising out of manufacturing process, as allowed, can be disposed off on payment of applicable duty even before fulfillment of export obligation.

#### **4.17 Validity Period for Import and its Extension**

Validity period for import under Advance Authorisation shall be as prescribed in Handbook of Procedures.

#### **4.18 Importability/Export ability of items that are Prohibited/Restricted/ STE**

- (i) No export or import of an item shall be allowed under Advance Authorisation / DFIA if the item is prohibited for exports or imports respectively. Export of a prohibited item may be allowed under Advance Authorisation provided it is separately so notified, subject to the conditions given therein.
- (ii) Items reserved for imports by STEs cannot be imported against Advance Authorisation / DFIA. However, those items can be procured from STEs against ARO or Invalidation letter. STEs are also allowed to sell goods on High Sea Sale basis to holders of Advance Authorisation / DFIA holder. STEs are also permitted to issue "No Objection Certificate(NOC)" for import by Advance Authorisation / DFIA holder. Authorisation Holder would be required to file Quarterly Returns of imports effected against such NOC to concerned STE and STE would submit half-yearly import figures of such imports to concerned administrative Department for monitoring with a copy endorsed to DGFT.
- (iii) Items reserved for export by STE can be exported under Advance Authorisation / DFIA only after obtaining a 'No Objection Certificate' from the concerned STE.

- (iv) Import of restricted items shall be allowed under Advance Authorisation/ DFIA.
- (v) Export of restricted / SCOMET items however, shall be subject to all conditionalities or requirements of export authorisation or permission, as may be required, under Schedule 2 of ITC (HS).

#### **4.19 Free of Cost Supply by Foreign Buyer**

Advance Authorisation shall also be available where some or all inputs are supplied free of cost to exporter by foreign buyer. In such cases, notional value of free of cost input shall be added in the CIF value of import and FOB value of export for the purpose of computation of value addition. However, realization of export proceeds will be equivalent to an amount excluding notional value of such input.

#### **4.20 Domestic Sourcing of Inputs**

- (i) Holder of an Advance Authorisation / Duty Free Import Authorisation can procure inputs from indigenous supplier/ State Trading Enterprise/EOU/EHTP/BTP/STP in lieu of direct import. Such procurement can be against Advance Release Order (ARO), or Invalidation Letter.
- (ii) When domestic supplier intends to obtain duty free material for inputs through Advance Authorisation for supplying resultant product to another Advance Authorisation / DFIA / EPCG Authorisation, Regional Authority shall issue Invalidation Letter.
- (iii) Regional Authority shall issue Advance Release Order if the domestic supplier intends to seek refund of duties exempted through Deemed Exports mechanism as per provisions under Chapter-7 of FTP.
- (iv) Regional Authority may issue Advance Release Order or Invalidation Letter at the time of issue of Authorisation simultaneously or subsequently.
- (v) Advance Authorisation holder under DTA can procure inputs from / SEZ units without obtaining Advance Release Order or Invalidation Letter.
- (vi) Deleted

(vii) Validity of Advance Release Order / Invalidation Letter shall be co-terminous with validity of Authorisation.

#### **4.21 Currency for Realisation of Export Proceeds.**

- (i) Export proceeds shall be realized in freely convertible currency except otherwise specified. Provisions regarding realisation and non realisation of export proceeds are given in paragraph 2.52, 2.53 and 2.54 of FTP.
- (ii) Deleted
- (iii) Export to SEZ Units shall be taken into account for discharge of export obligation provided payment is realised from Foreign Currency Account of the SEZ unit.
- (iv) Export to SEZ Developers / Co-developers can also be taken into account for discharge of export obligation even if payment is realised in Indian Rupees.
- (v) Authorisation holder needs to file Bill of Export for export to SEZ unit / developer / co-developer in accordance with the procedures given in SEZ Rules, 2006.

#### **4.22 Export Obligation Period and its Extension**

Period for fulfilment of export obligation and its extension under Advance Authorisation shall be as prescribed in Handbook of Procedures.

#### **4.23 Deleted**

#### **4.24 Re-import of exported goods under Duty Exemption / Remission Scheme**

Goods exported under Advance Authorisation/ Duty Free Import Authorisation may be re-imported in same or substantially same form subject to such conditions as may be specified by Department of Revenue. Authorisation holder shall also inform about such re-importation to the Regional Authority which had issued the Authorisation within one month from date of re-import.

## **DUTY FREE IMPORT AUTHORISATION SCHEME (DFIA)**

### **4.25 DFIA Scheme**

- (a) Duty Free Import Authorisation is issued to allow duty free import of inputs. In addition, import of oil and catalyst which is consumed / utilised in the process of production of export product, may also be allowed.
- (b) Provisions of paragraphs 4.12, 4.18, 4.20, 4.21 and 4.24 of FTP shall be applicable to DFIA also.
- (c) Duty Free Import Authorisation Scheme shall not be available for import of raw sugar.

### **4.26 Duties Exempted**

- (i) Duty Free Import Authorisation shall be exempted only from payment of Basic Customs Duty (BCD).
- (ii) Deleted
- (iii) Drawback as per rate determined and fixed by Customs authority shall be available for duty paid inputs, whether imported or indigenous, used in the export product. However, in case such drawback is claimed for inputs not specified in SION, the applicant should have indicated clearly details of such duty paid inputs also in the application for Duty Free Import Authorisation, and as per the details mentioned in the application, the Regional Authority should also have clearly endorsed details of such duty paid inputs in the condition sheet of the Duty Free Import Authorisation.

### **4.27 Eligibility**

- (i) Duty Free Import Authorisation shall be issued on post export basis for products for which Standard Input Output Norms have been notified.
- (ii) Merchant Exporter shall be required to mention name and address of supporting manufacturer of the export product on the export document viz. Shipping Bill/ Bill of Export / Tax Invoice for export prescribed under the GST rules.
- (iii) Application is to be filed with concerned Regional Authority before effecting export under Duty Free Import Authorisation.

- (iv) No Duty Free Import Authorisation shall be issued for an input which is subjected to pre-import condition or where SION prescribes 'Actual User' condition or Appendix-4J prescribes pre import condition for such an input.

#### **4.28 Minimum Value Addition**

Minimum value addition of 20% shall be required to be achieved.

#### **4.29 Validity &Transferability of DFIA**

- (i) Applicant shall file online application to Regional Authority concerned before starting export under DFIA.
- (ii) Export shall be completed within 12 months from the date of online filing of application and generation of file number.
- (iii) While doing export/supply, applicant shall indicate file number on the export /supply documents viz. Shipping Bill / / Bill of Export / Tax invoice for supply prescribed under GST rules.
- (iv) In terms of Para 4.12 of FTP, Wherever SION permits use of either (a) a generic input or (b) alternative input, the specific input together with quantity [which has been used in manufacturing the export product] should be indicated / endorsed in the relevant Shipping Bill / Bill of Export / Tax invoice for supply prescribed under GST rules . Only such inputs may be permitted for import in the authorisation in proportion to the quantity of these inputs actually used/consumed in production, within overall quantity against such generic input/alternative input.
- (v) In addition, if in any SION, a single quantity has been indicated against a number of inputs (more than one input), then quantities of such inputs to be permitted for import shall be in proportion to the quantity of these inputs actually used/consumed in production and declared in Shipping Bill / Bill of Export / Tax invoice for supply prescribed under GST rules within overall quantity against such group of inputs. Proportion of these inputs actually used/consumed in production of export product shall be clearly indicated in Shipping Bill / Bill of Export / Tax invoice for supply prescribed under GST rules.

- (vi) Separate DFIA shall be issued for each SION and each port.
- (vii) Exports under DFIA shall be made from a single port as mentioned in paragraph 4.37 of Handbook of Procedures.
- (viii) Regional Authority shall issue transferable DFIA with a validity of 12 months from the date of issue. No further revalidation shall be granted by Regional Authority.

#### **4.30 Sensitive Items under Duty Free Import Authorisation**

- (a) In respect of following inputs, exporter shall be required to provide declaration with regard to technical characteristics, quality and specification in Shipping Bill:

“Alloy steel including Stainless Steel, Copper Alloy, Synthetic Rubber, Bearings, Solvent, Perfumes / Essential Oil/ Aromatic Chemicals, Surfactants, Relevant Fabrics, Marble, Articles made of Polypropylene, Articles made of Paper and Paper Board, Insecticides, Lead Ingots, Zinc Ingots, Citric Acid, Relevant Glass fibre reinforcement (Glass fibre, Chopped / Stranded Mat, Roving Woven Surfacing Mat), Relevant Synthetic Resin (unsaturated Polyester Resin, Epoxy Resin, Vinyl Ester Resin, Hydroxy Ethyl Cellulose), Lining Material”.

- (b) While issuing Duty Free Import Authorisation, Regional Authority shall mention technical characteristics, quality and specification in respect of above inputs in the Authorisation.

### **SCHEMES FOR EXPORTERS OF GEMSAND JEWELLERY**

#### **4.31 Import of Input**

Exporters of gems and Jewellery can import / procure duty free (excluding Integrated Tax and Compensation Cess leviable under Section 3(7) and 3(9) of customs Tariff Act) input for manufacture of export product.

#### **4.32 Items of Export**

Following items, if exported, would be eligible:

- (i) Gold jewellery, including partly processed jewellery and articles including medallions and coins (excluding legal tender coins),

whether plain or studded, containing gold of 8 carats and above up to a maximum limit of 22 carats;

- (ii) Silver jewellery including partly processed jewellery, silverware, silver strips and articles including medallions and coins (excluding legal tender coins and any engineering goods) containing more than 50% silver by weight;
- (iii) Platinum jewellery including partly processed jewellery and articles including medallions and coins (excluding legal tender coins and any engineering goods) containing more than 50% platinum by weight.

#### **4.33 Schemes**

The schemes are as follows:

- (i) Advance Procurement / Replenishment of Precious Metals from Nominated Agencies;
- (ii) Replenishment Authorisation for Gems;
- (iii) Replenishment Authorisation for Consumables;
- (iv) Advance Authorisation for Precious Metals.

#### **4.34 Advance Procurement/ Replenishment of Precious Metals from Nominated Agencies**

- (i) Exporter of gold / silver / platinum jewellery and articles thereof including mountings and findings may obtain gold / silver / platinum as an input for export product from Nominated Agency, in advance or as replenishment after export in accordance with the procedure specified in this behalf.

No replenishment of the precious metal shall be available to the exporter/manufacturer where the exporter/manufacturer avails any of the benefits in respect of exported product.

- a. CENVAT Credit is availed on inputs or services by the manufacturer.
- b. Finished goods stage rebate is availed under Notification No 19/2004-CE (NT) dated 06.09.2004.

- c. Input stage rebate is availed in respect of duty of excise paid on the precious metal bar or articles of precious metal under Notification No 21/2004-CE(NT) dated 06.09.2004.
- d. Precious metal or articles of precious metal are procured by the manufacturer under rule 19(2) of the Central Excise Rules, 2002.
- e. Input Tax Credit is availed on inputs or services or both by the exporter under Chapter V of CGST Act; or refund of ITC or refund of IGST is availed under section 54 of the CGST Act.

(ii) The export would be subject to wastage norms and minimum value addition as prescribed in paragraph 4.60 and 4.61 respectively in the Handbook of Procedures.

#### **4.35 Replenishment Authorisation for Gems**

- (i) Exporter may obtain Replenishment Authorisation for Gems from Regional Authority in accordance with procedure specified in Handbook of Procedures as per the replenishment rate prescribed in Appendix 4F. Replenishment Authorisation for Gems shall be freely transferable.
- (ii) Replenishment Authorisation for Gems may be issued against export including that made against supply by Nominated Agency (paragraph 4.41 of FTP) and against supply by foreign buyer (paragraph 4.45 of FTP).
- (iii) In the case of studded gold/silver/platinum jewellery and articles thereof, the value of Gem Replenishment Authorisation shall be on the remaining FOB value of exports after deducting the value of gold/ silver/ platinum including admissible wastage. The scale of replenishment and the item of import will be as prescribed in Appendix 4G.

#### **4.36 Replenishment Authorisation for Consumables**

- (i) Replenishment Authorisation for duty free (excluding Integrated Tax and Compensation cess leviable under Section 3(7) and 3(9) of Customs Tariff Act)import of Consumables, Tools and other items namely, Tags and labels, Security censor on card, Staple wire, Poly bag (as notified by Customs) for Jewellery made out of precious metals (other than Gold & Platinum) equal to 2% and for Cut and Polished Diamonds and Jewellery made out of Gold and Platinum

equal to 1% of FOB value of exports of the preceding year, may be issued on production of Chartered Accountant Certificate indicating the export performance. However, in case of Rhodium finished Silver jewellery, entitlement will be 3% of FOB value of exports of such jewellery. This Authorisation shall be non-transferable and subject to actual user condition.

- (ii) Application for import of consumables as given above shall be filed online to the concerned Regional Authority in ANF 4H.

#### **4.37 Advance Authorisation for Precious Metals**

- (a) Advance Authorisation shall be granted on pre-import basis with 'Actual User' condition for duty free (excluding Integrated Tax and Compensation cess leviable under Section 3(7) and 3(9) of Customs Tariff Act) import of:
  - (i) Gold of fineness not less than 0.995 and mountings, sockets, frames and findings of 8 carats and above;
  - (ii) Silver of fineness not less than 0.995 and mountings, sockets, frames and findings containing more than 50% silver by weight;
  - (iii) Platinum of fineness not less than 0.900 and mountings, sockets, frames and findings containing more than 50% platinum by weight.
- (b) Advance Authorisation shall carry an export obligation which shall be fulfilled as per procedure indicated in Chapter 4 of Handbook of Procedures.
- (c) Value Addition shall be as per paragraph 4.38 of FTP and 4.61 of Handbook of Procedures.

#### **4.38 Value Addition**

Minimum Value Addition norms for gems and jewellery sector are given in paragraph 4.61 of Handbook of Procedures. It would be calculated as under:

$$VA = \frac{A-B}{B} \times 100, \text{ where}$$

A = FOB value of the export realised/ FOR value of supply received.

B= Value of inputs (including domestically procured) such as gold/silver/platinum content in export product plus admissible wastage along with value of other items such as gemstone etc. Wherever gold has been obtained on loan basis, value shall also include interest paid in free foreign exchange to foreign supplier.

#### **4.39 Wastage Norms**

Wastage or manufacturing loss for gold/silver/platinum jewellery shall be admissible as per paragraph 4.60 of Handbook of Procedures.

#### **4.40 DFIA not available**

Duty Free Import Authorisation scheme shall not be available for Gems and Jewellery sector.

#### **4.41 Nominated Agencies**

- (i) Exporters may obtain gold / silver / platinum from Nominated Agency. Exporter in EOU and units in SEZ would be governed by the respective provisions of Chapter-6 of FTP / SEZ Rules, respectively.
- (ii) Nominated Agencies are MMTC Ltd, The Handicraft and Handlooms Exports Corporation of India Ltd, The State Trading Corporation of India Ltd, PEC Ltd, STCL Ltd, MSTC Ltd, and Diamond India Limited.
- (iii) Notwithstanding any provision relating to import of gold by Nominated Agencies under Foreign Trade Policy (2015-2020), the import of gold by Four Star and Five Star Houses with Nominated Agency Certificate is subjected to actual user condition and are permitted to import gold as input only for the purpose of manufacture and export by themselves during the remaining validity period of the Nominated Agency certificate.
- (iv) Reserve Bank of India can authorize any bank as Nominated Agency.
- (iv) Procedure for import of precious metal by Nominated Agency (other than those authorized by Reserve Bank of India and the Gems & Jewellery units operating under EOU and SEZ schemes) and the

monitoring mechanism thereof shall be as per the provisions laid down in Hand Book of Procedures.

- (v) A bank authorised by Reserve Bank of India is allowed export of gold scrap for refining and import standard gold bars as per Reserve Bank of India guidelines.

#### **4.42 Import of Diamonds for Certification / Grading & Re- export**

Following agencies are permitted to import diamonds to their laboratories without any import duty, for the purpose of certification / grading reports, with a condition that the same should be re-exported with the certification/grading reports, as per the procedure laid down in Hand Book of Procedures:

- (1) Gemological Institute of America (GIA), Mumbai, Maharashtra.
- (2) Indian Diamond Institute, Surat, Gujarat, India.
- (3) International Institute of Diamond Grading & Research India Pvt. Ltd., Surat, Gujarat, India.
- (4) HRD Diamond Institute Private Limited, Mumbai, Maharashtra, India
- (5) International Gemological Institute (India) Pvt. Ltd, Bandra Kurla Complex, Mumbai

#### **4.43 Export of Cut & Polished Diamonds for Certification/ Grading & Re-import**

List of authorized laboratories for certification / grading of diamonds of 0.25 carat and above are given in paragraph 4.74 of Handbook of Procedures.

#### **4.44 Export of Cut & Polished Diamonds with Re-import Facility at Zero Duty**

An exporter (with annual export turnover of Rs 5 crores for each of the last three years) or the authorized offices/agencies in India of laboratories mentioned under paragraph 4.74 of Hand Book of Procedures may export cut & polished diamonds (each of 0.25 carat or above) to any of the agencies/laboratories mentioned under paragraph 4.74 of Handbook of Procedures with re-import facility at zero duty within 3months from the date of export. Such facility of re-import at zero duty will be subject to guidelines issued by Central Board of Customs & Excise, Department of Revenue.

#### **4.45 Export against Supply by Foreign Buyer**

- (i) Where export orders are placed on nominated agencies / status holder / exporters of three years standing having an annual average turnover of Rupees five crores during preceding three financial years, foreign buyer may supply in advance and free of charge, gold / silver / platinum, alloys, findings and mountings of gold / silver / platinum for manufacture and export.
- (ii) Such supplies can also be in advance and may involve semi-finished jewellery including findings / mountings / components for repairs / re-make and export subject to minimum value addition as prescribed under paragraph 4.61 of Handbook of Procedures. In such cases of export, wastage norms as per paragraph 4.60 of Handbook of Procedures shall apply.
- (iii) Exports may be made by nominated agencies directly or through their associates or by status holder / exporter. Import and Export of findings shall be on net to net basis.

#### **4.46 Export Promotion Tours/ Export of Branded Jewellery**

- (i) Nominated Agencies and their associates, with approval of Department of Commerce and with approval of Gem & Jewellery Export Promotion Council (GJEPC), may export gold / silver / platinum jewellery and articles thereof for exhibitions abroad.
- (ii) Personal carriage of gold / silver / platinum jewellery, precious, semi-precious stones, beads and articles and export of branded jewellery is also permitted, subject to conditions as in Handbook of Procedures.

#### **4.47 Personal Carriage of Export /Import Parcels**

Personal carriage of gems and jewellery export parcels by foreign bound passengers and import parcels by an Indian importer/foreign national may be permitted as per the Handbook of Procedures.

#### **4.48 Export by Post**

Export of jewellery through Foreign Post Office including via Speed Post is allowed. The jewellery parcel shall not exceed 20 kgs by weight.

#### **4.49 Private / Public Bonded Warehouse**

Private / Public Bonded Warehouses may be set up in SEZ/DTA for import and re-export of cut and polished diamonds, cut and polished coloured gemstones, uncut & unset precious & semi-precious stones, subject to achievement of minimum value addition of 5% by DTA units.

##### **4.49(A)**

Import, auction/sale and re-export of rough diamonds by entities, as notified vide RBI Notification 116 of 1st April, 2014, as amended from time to time, on consignment or outright basis, will be permitted in Special Notified Zone (SNZ) administered by the operator of SNZ, under supervision of Customs. The procedure of import, auction/ sale and re-export of rough diamonds (unsold) would be as specified by CBEC.

#### **4.50 Diamond & Jewellery Dollar Accounts**

- (a) Firms and companies dealing in purchase / sale of rough or cut and polished diamonds / precious metal jewellery plain, minakari and / or studded with / without diamond and / or other stones with a track record of at least two years in import or export of diamonds / coloured gemstones / diamond and coloured gemstones studded jewellery / plain gold jewellery and having an average annual turnover of Rs.3 crore or above during preceding three licensing years may also carry out their business through designated Diamond Dollar Accounts (DDA).
- (b) Dollars in such accounts available from bank finance and / or export proceeds shall be used only for:
  - (i) Import / purchase of rough diamonds from overseas/ local sources;
  - (ii) Purchase of cut and polished diamonds, coloured gemstones and plain gold jewellery from local sources;
  - (iii) Import / purchase of gold from overseas / nominated agencies and repayment of dollar loans from the bank; and
  - (iv) Transfer to Rupee Account of exporter. Details of this DDA Scheme are given in Handbook of Procedures.

(c) A non DDA holder is also permitted to supply cut and polished diamonds to DDA holder, receive payment in dollars and convert the same into Rupees within 7 days. Cut and polished diamonds and coloured gemstones so supplied by non-DDA holder will also be counted towards discharge of his export obligation and/ or entitle him to replenishment Authorisation.

#### **4.51 Export of cut & polished precious and semi-precious stones for treatment and re-import**

Gems and Jewellery exporters shall be allowed to export cut and polished precious and semi-precious stones for the treatment and re-import as per customs rules and regulations. In case of re-export, the exporter shall be entitled for duty drawback as per rules.

#### **4.52 Re-import of rejected Jewellery**

Gems & Jewellery exporters shall be allowed to re-import rejected precious metal jewellery as per paragraph 4.91 of Handbook of Procedures.

#### **4.53 Export and import on consignment basis**

Gems & Jewellery exporters shall be allowed to export and import diamond, gemstones & jewellery on consignment basis as per Handbook of Procedures and Customs Rules and Regulations.

## CHAPTER 5

### EXPORT PROMOTION CAPITAL GOODS (EPCG) SCHEME

#### 5.00 Objective

The objective of the EPCG Scheme is to facilitate import of capital goods for producing quality goods and services and enhance India's manufacturing competitiveness.

#### 5.01 EPCG Scheme

- (a) EPCG Scheme allows import of capital goods (except those specified in negative list in Appendix 5 F) for pre-production, production and post-production at zero customs duty. Capital goods imported under EPCG Authorisation for physical exports are also exempt from IGST and Compensation Cess upto 31.3.2018 only, leviable thereon under the subsection(7) and subsection (9) respectively, of section 3 of the Customs Tariff Act, 1975 (51 of 1975), as provided in the notification issued by Department of Revenue. Alternatively, the Authorisation holder may also procure Capital Goods from indigenous sources in accordance with provisions of paragraph 5.07 of FTP. Capital goods for the purpose of the EPCG scheme shall include:
  - (i) Capital Goods as defined in Chapter 9 including in CKD/SKD condition thereof;
  - (ii) Computer systems and software which are a part of the Capital Goods being imported;
  - (iii) Spares, moulds, dies, jigs, fixtures, tools & refractories; and
  - (iv) Catalysts for initial charge plus one subsequent charge.
- (b) Import of capital goods for Project Imports notified by Central Board of Excise and Customs is also permitted under EPCG Scheme.
- (c) Import under EPCG Scheme shall be subject to an export obligation equivalent to 6 times of duties, taxes and cess saved on capital goods, to be fulfilled in 6 years reckoned from date of issue of Authorisation.

- (d) Authorisation shall be valid for import for 18 months from the date of issue of Authorisation. Revalidation of EPCG Authorisation shall not be permitted.
- (e) In case Integrated Tax and Compensation Cess are paid in cash on imports under EPCG, incidence of the said Integrated Tax and Compensation Cess would not be taken for computation of net duty saved provided Input Tax Credit is not availed.
- (f) Deleted.
- (g) Deleted.
- (h) Import of items which are restricted for import shall be permitted under EPCG Scheme only after approval from Exim Facilitation Committee (EFC) at DGFT Headquarters.
- (i) If the goods proposed to be exported under EPCG authorisation are restricted for export, the EPCG authorisation shall be issued only after approval for issuance of export authorisation from Exim Facilitation Committee at DGFT Headquarters.

## 5.02 Coverage

- (a) EPCG scheme covers manufacturer exporters with or without supporting manufacturer(s), merchant exporters tied to supporting manufacturer(s) and service providers. Name of supporting manufacturer(s) shall be endorsed on the EPCG Authorisation before installation of the capital goods in the factory / premises of the supporting manufacturer (s). In case of any change in supporting manufacturer (s) the RA shall intimate such change to jurisdictional Customs Authority of existing as well as changed supporting manufacturer(s) and the Customs at port of registration of Authorisation.
- (b) Export Promotion Capital Goods (EPCG) Scheme also covers a service provider who is designated / certified as a Common Service Provider (CSP) by the DGFT, Department of Commerce or State Industrial Infrastructural Corporation in a Town of Export Excellence subject to provisions of Foreign Trade Policy/Handbook of Procedures with the following conditions:-

- (i) Export by users of the common service, to be counted towards fulfillment of EO of the CSP shall contain the EPCG Authorisation details of the CSP in the respective Shipping bills and concerned RA must be informed about the details of the Users prior to such export;
- (ii) Such export will not count towards fulfillment of specific export obligations in respect of other EPCG Authorisations (of the CSP/User); and
- (iii) Authorisation holder shall be required to submit Bank Guarantee (BG) which shall be equivalent to the duty saved. BG can be given by CSP or by any one of the users or a combination thereof, at the option of the CSP.

### **5.03 Actual User Condition**

Imported capital goods shall be subject to Actual User condition till export obligation is completed and EODC is granted.

### **5.04 Export Obligation (EO)**

Following conditions shall apply to the fulfilment of EO:-

- (a) EO shall be fulfilled by the authorisation holder through export of goods which are manufactured by him or his supporting manufacturer / services rendered by him, for which the EPCG authorisation has been granted.
- (b) EO under the scheme shall be, over and above, the average level of exports achieved by the applicant in the preceding three licensing years for the same and similar products within the overall EO period including extended period, if any; except for categories mentioned in paragraph 5.13(a) of HBP. Such average would be the arithmetic mean of export performance in the preceding three licensing years for same and similar products.
- (c) In case of indigenous sourcing of Capital Goods, specific EO shall be 25% less than the EO stipulated in Para 5.01.
- (d) Shipments under Advance Authorisation, DFIA, Drawback scheme or reward schemes under Chapter 3 of FTP; would also count for fulfillment of EO under EPCG Scheme.

- (e) Export shall be physical export. However, supplies as specified in paragraph 7.02 (a), (b), (e), (f) & (h) of FTP shall also be counted towards fulfillment of export obligation, along with usual benefits available under paragraph 7.03 of FTP.
- (f) EO can also be fulfilled by the supply of ITA-I items to DTA, provided realization is in free foreign exchange.
- (g) Royalty payments received by the Authorisation holder in freely convertible currency and foreign exchange received for R&D services shall also be counted for discharge under EPCG.
- (h) Payment received in rupee terms for such Services as notified in Appendix 5D shall also be counted towards discharge of export obligation under the EPCG scheme.

#### **5.05 Deleted**

#### **5.06 LUT/Bond/BG in case of Agro units**

LUT/Bond or 15% BG, as applicable, may be furnished for EPCG authorisation granted to units in Agri-Export Zones provided EPCG authorisation is taken for export of primary agricultural product(s) notified or their value added variants.

#### **5.07 Indigenous Sourcing of Capital Goods and benefits to Domestic Supplier**

A person holding an EPCG authorisation may source capital goods from a domestic manufacturer. Such domestic manufacturer shall be eligible for deemed export benefits under paragraph 7.03 of FTP and as may be provided under GST Rules under the category of deemed exports. Such domestic sourcing shall also be permitted from EOU and these supplies shall be counted for purpose of fulfilment of positive NFE by said EOU as provided in Para 6.09 (a) of FTP.

#### **5.08 Calculation of Export Obligation**

In case of direct imports, EO shall be reckoned with reference to actual duty saved amount. In case of domestic sourcing, EO shall be reckoned with reference to notional Customs duties saved on FOR value.

### **5.09 Incentive for early EO fulfilment**

With a view to accelerating exports, in cases where Authorisation holder has fulfilled 75% or more of specific export obligation and 100% of Average Export Obligation till date, if any, in half or less than half the original export obligation period specified, remaining export obligation shall be condoned and the Authorisation redeemed by RA concerned. However no benefit under Para 5.21 of HBP shall be permitted where incentive for early EO fulfillment has been availed.

### **5.10 Reduced EO for Green Technology Products**

For exporters of Green Technology Products, Specific EO shall be 75% of EO as stipulated in Para 5.01. There shall be no change in average EO imposed, if any, as stipulated in Para 5.04. The list of Green Technology Products is given in Para 5.29 of HBP.

### **5.11 Reduced EO for North East Region and Jammu & Kashmir**

For units located in Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura and Jammu & Kashmir, specific EO shall be 25% of the EO, as stipulated in Para 5.01. There shall be no change in average EO imposed, if any, as stipulated in Para 5.04.

### **5.12 Post Export EPCG Duty Credit Scrip(s)**

- (a) Post Export EPCG Duty Credit Scrip(s) shall be available to exporters who intend to import capital goods on full payment of applicable duties, taxes and cess in cash and choose to opt for this scheme.
- (b) Basic Customs duty paid on Capital Goods shall be remitted in the form of freely transferable duty credit scrip(s), similar to those issued under Chapter 3 of FTP.
- (c) Specific EO shall be 85% of the applicable specific EO under the EPCG Scheme. However, average EO shall remain unchanged.
- (d) Duty remission shall be in proportion to the EO fulfilled.

- (e) All provisions for utilization of scrips issued under Chapter 3 of FTP shall also be applicable to Post Export EPCG Duty Credit Scrip (s).
- (f) All provisions of the existing EPCG Scheme shall apply insofar as they are not inconsistent with this scheme.

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## CHAPTER 6

### **EXPORT ORIENTED UNITS (EOUs), ELECTRONICS HARDWARE TECHNOLOGY PARKS (EHTPs), SOFTWARE TECHNOLOGY PARKS (STPs) AND BIO-TECHNOLOGY PARKS (BTPs)**

#### **6.00 Introduction and Objective**

- (a) Units undertaking to export their entire production of goods and services(except permissible sales in DTA), may be set up under the Export Oriented Unit (EOU) Scheme, Electronics Hardware Technology Park (EHTP) Scheme, Software Technology Park(STP) Scheme or Bio-Technology Park (BTP) Scheme for manufacture of goods, including repair, re-making, reconditioning, re-engineering, rendering of services, development of software, agriculture including agro-processing, aquaculture, animal husbandry, bio-technology, floriculture, horticulture, pisciculture, viticulture, poultry and sericulture. Trading units are not covered under these schemes.
- (b) Objectives of these schemes are to promote exports, enhance foreign exchange earnings, attract investment for export production and employment generation.

#### **6.01 Export and Import of Goods**

- (a) An EOU / EHTP / STP / BTP unit may export all kinds of goods and services except items that are prohibited in ITC (HS). However export of gold jewellery, including partly processed jewellery, whether plain or studded, and articles, containing gold of 8 carats and above upto a maximum limit of 22 carats only shall be permitted.
- (b) Export of Special Chemicals, Organisms, Materials, Equipment and Technologies (SCOMET) shall be subject to fulfilment of the conditions indicated in ITC (HS). In respect of an EOU, permission to export a prohibited item may be considered, by BOA, on a case to case basis, provided such raw materials are imported and there is no procurement of such raw material from DTA.

- (c) Procurement and supply of export promotion material like brochure / literature, pamphlets, hoardings, catalogues, posters etc up to a maximum value limit of 1.5% of FOB value of previous years exports shall also be allowed.
- (d)
  - (i) An EOU / EHTP/ STP/ BTP unit may import and / or procure, from DTA or bonded warehouses in DTA / international exhibition held in India, all types of goods, including capital goods, required for its activities, provided they are not prohibited items of import in the ITC (HS) subject to conditions given at para (ii) & (iii) below. Any permission required for import under any other law shall be applicable. Units shall also be permitted to import goods including capital goods required for approved activity, free of cost or on loan / lease from clients. Import of capital goods will be on a self-certification basis. Goods imported by a unit shall be with actual user condition and shall be utilized for export production.
  - (ii) The imports and/ or procurement from bonded warehouse in DTA or from international exhibition held in India shall be without payment of duty of customs leviable thereon under the First Schedule to the Customs Tariff Act, 1975 and additional duty, if any, leviable thereon under Section 3(1), 3(3) and 3(5) of the said Customs Tariff Act. Such imports and/ or procurements shall be made without payment of integrated tax and compensation cess leviable thereon under section 3(7) and 3(9) of the Customs Tariff Act, 1975 as per notification issued by the Department of Revenue and such exemptions would be available upto 31.03.2018 only.
  - (iii) The procurement of goods covered under GST from DTA would be on payment of applicable GST and compensation cess. The refund of GST paid on such supply from DTA to EOU would be available to the supplier subject to such conditions and documentations as specified under GST rules and notifications issued there under. EOUs can also procure excisable goods falling under the Fourth Schedule of Central Excise Act, 1944 from DTA without payment of applicable duty of excise.
- (e) State Trading regime shall not apply to EOU manufacturing units. However, in respect of Chrome Ore/Chrome concentrate, State

Trading Regime as stipulated in export policy of these items, will be applicable to EOUs.

- (f) EOU/EHTP/STP/BTP units may import/procure from DTA, with or without payment of duties/taxes as provided at Para 6.01 (d)(ii) and 6.01(d)(iii) above, certain specified goods for creating a central facility. Software EOU/ DTA units may use such facility for export of software.
- (g) An EOU engaged in agriculture, animal husbandry, aquaculture, floriculture, horticulture, pisciculture, viticulture, poultry or sericulture may be permitted to remove specified goods in connection with its activities for use outside the premises of the unit.
- (h) Gems and jewellery EOUs may source gold / silver / platinum through nominated agencies on loan / outright purchase basis. Units obtaining gold / silver / platinum from nominated agencies, either on loan basis or outright purchase basis shall export gold / silver / platinum within 90 days from date of release.
- (i) EOU / EHTP / STP / BTP units, other than service units, may export to Russian Federation in Indian Rupees against repayment of State Credit/ Escrow Rupee Account of buyer subject to RBI clearance, if any.
- (j) Procurement and export of spares / components, upto 5% of FOB value of exports, may be allowed to same consignee / buyer of the export article, subject to the condition that it shall not count for NFE and direct tax benefits.
- (k) BOA may allow, on a case to case basis, requests of EOU / EHTP / STP/ BTP units in sectors other than Gems & Jewellery, for consolidation of goods related to manufactured articles and export thereof along with manufactured article. Such goods may be allowed to be imported / procured from DTA by EOU with or without payment of duty and/or taxes as provided at Para 6.01 (d) (ii) and (iii) above, as the case may be to the extent of 5% FOB value of such manufactured articles exported by the unit in preceding financial year. Details of procured / imported goods and articles manufactured by the EOU will be listed separately in the export documents. In such cases, value of procured / imported goods will not be taken into account for calculation of NFE and DTA sale

entitlement. Such procured / imported goods shall not be allowed to be sold in DTA. BOA may also specify any other conditions.

## **6.02 Second hand Capital goods**

Second hand capital goods, without any age limit, may also be imported with or without payment of duty/ taxes as provided under Para 6.01(d)(ii) above.

## **6.03 Leasing of Capital Goods**

- (a) An EOU/EHTP/STP/BTP unit may, on the basis of a firm contract between parties, source capital goods from a domestic/ foreign leasing company with or without payment of duties/taxes as provided at Para 6.01 (d) (ii) and (iii) above, as the case may be in such a case, EOU/EHTP /STP / BTP unit and domestic/ foreign leasing company shall jointly file documents to enable import/ procurement of capital goods.
- (b) An EOU/EHTP/BTP/STP unit may sell capital goods and lease back the same from a Non Banking Financial Company (NBFC), subject to the following conditions:
  - (i) The unit should obtain permission from the jurisdictional Deputy /Assistant Commissioner of Customs for entering into transaction of 'Sale and Lease Back of Assets', and submit full details of the goods to be sold and leased back and the details of NBFC;
  - (ii) The goods sold and leased back shall not be removed from the unit's premises;
  - (iii) The unit should be NFE positive at the time when it enters into sale and lease back transaction with NBFC;
  - (iv) A joint undertaking by the unit and NBFC should be given to pay duty on goods in case of violation or contravention of any provision of the notification under which these goods were imported or procured, read with Customs Act, 1962 or Central Excise Act, 1944, and that the lien on the goods shall remain with the Customs Department, which will have first charge over the said goods for recovery of sum due from the

unit to Government under provision of Section 142(b) of the Customs Act, 1962 read with the Customs (Attachment of Property of Defaulters for Recovery of Govt. Dues) Rules, 1995.

#### **6.04 Net Foreign Exchange Earnings**

EOU / EHTP / STP / BTP unit shall be a positive net foreign exchange earner. In addition sector specific provision of Appendix 6 B of Appendices & ANFs, where a higher value addition and other conditions are given, shall be required to be followed. NFE Earnings shall be calculated cumulatively in blocks of five years, starting from commencement of production. Whenever a unit is unable to achieve NFE due to prohibition / restriction imposed on export of any product mentioned in LoP, the five year block period for calculation of NFE earnings may be suitably extended by BoA. Further, wherever a unit is unable to achieve NFE due to adverse market condition or any grounds of genuine hardship having adverse impact on functioning of the unit, the five year block period for calculation of NFE earnings may be extended by BOA for a period of upto one year, on a case to case basis. The method of calculation of NFE in detail is given in Para 6.10 of Handbook of Procedures 2015-20

#### **6.05 Applications & Approvals/Letter of Permission / Letter of Intent and Legal Undertaking**

- (a) (i) Application for setting up an EOU shall be considered by Unit Approval Committee (UAC)/ Board of Approval (BoA) as the case may be, as detailed in the Hand Book of Procedure. A detail of administration of EOUs and power of DC is given in HBP.
- (ii) In case of units under EHTP / STP schemes, necessary approval / permission under relevant paras of this Chapter shall be granted by officer designated by Ministry of Communication and Information Technology, Department of Electronics & Information Technology, instead of DC, and by Inter-Ministerial Standing Committee (IMSC) instead of BOA.
- (iii) Bio-Technology Parks (BTP) would be notified by DGFT on recommendations of Department of Biotechnology. In case of units in BTP, necessary approval / permission under relevant provisions of this chapter will be granted by designated officer of Department of Biotechnology.

(iv) On approval, a Letter of Permission (LoP) / Letter of Intent (LoI) shall be issued by DC / designated officer to EOU / EHTP / STP / BTP unit. The validity of LoP/LoI shall be given in the Hand Book of Procedures.

(b) LoP / LoI issued to EOU / EHTP / STP / BTP units by concerned authority, subject to compliance of provision in Para 6.01 above, would be construed as an Authorisation for all purposes.

(c) Unit shall execute an LUT with DC concerned. Failure to ensure positive NFE or to abide by any of the terms and conditions of LoP / LoI / IL / LUT shall render the unit liable to penal action under provisions of the FT (D&R) Act, as amended, and Rules and Orders made there under, without prejudice to action under any other law / rules and cancellation or revocation of LoP / LoI / IL.

## **6.06 Investment Criteria**

Only projects having a minimum investment of Rs.1 Crore in plant & machinery shall be considered for establishment as EOUs. However, this shall not apply to existing units, units in EHTP / STP/ BTP, and EOUs in Handicrafts /Agriculture/ Floriculture/Aquaculture/Animal Husbandry /Information Technology, Services, Brass Hardware and Handmade jewellery sectors. BOA may allow establishment of EOUs with a lower investment criteria.

## **6.07 Applications & Approvals**

(a) Deleted

(b) Deleted

(c) Deleted

(d) Deleted

## **6.08 DTA Sale of Finished Products / Rejects / Waste/ Scrap / Remnants and By-products**

Entire production of EOU/EHTP/STP/BTP units shall be exported. However, the following are allowed as exceptions subject to the conditions specified.

- (a) (i) Units, other than gems and jewellery units may sell finished goods manufactured by them as specified in LoP (including by-products, rejects, waste and scraps arising in the course of production, manufacture, processing or packaging of such goods) which are freely importable under FTP in DTA, subject to fulfillment of positive NFE, on payment of excise duty, if applicable, and/ or payment of GST and compensation cess along with reversal of duties of Custom leviable under First Schedule to the Customs Tariff Act, 1975 availed as exemption, if any on the inputs utilized for the purpose of manufacturing of such finished goods (including by-products, rejects, waste and scraps arising in the course of production, manufacture, processing or packaging of such goods). No DTA sale shall be permissible in respect of, pepper & pepper products, marble and such other items as may be notified from time to time.
- (ii) Such DTA sale shall also not be permissible to units engaged in activities of packaging / labeling / segregation / refrigeration / compacting / micronisation / pulverization / granulation / conversion of monohydrate form of chemical to anhydrous form or vice-versa.
- (iii)(a) Sales made to a unit in SEZ shall also be taken into account for purpose of arriving at FOB value of export by EOU provided payment for such sales are made from Foreign Currency Account of SEZ unit.
- (b) Sale to DTA would also be subject to mandatory requirement of registration of pharmaceutical products (including bulk drugs).
- (iv) An amount equal to Anti Dumping duty under section 9A of the Customs Tariff Act, 1975 leviable at the time of import, shall be payable on the goods used for the purpose of manufacture or processing of the goods cleared into DTA from the unit.

- (v) The DTA sale by EOU/EHTP/STP/BTP units shall be subject to payment of excise duty, if applicable, and/or payment of GST and compensation cess along with reversal of duties of Customs leviable under First Schedule to the Customs Tariff Act, 1975 availed as exemption, if any on the inputs utilized for the purpose of manufacturing of such finished goods (including by-products, rejects, waste and scraps arising in the course of production, manufacture, processing or packaging of such goods). This reversal of Customs Duty would be as per prevailing SION norms or norms fixed by Norms Committee (where no SION norms are fixed).
- (vi) Such DTA sale shall also be subject to refund of any benefits under Chapter 7 of FTP availed by the EOU/supplier as per FTP, on the goods used for manufacture of the goods cleared into the DTA.

- (b) For services, including software units, sale in DTA in any mode, including on line data communication, shall also be permissible up to 50% of FOB value of exports and /or 50% of foreign exchange earned, where payment of such services is received in foreign exchange.
- (c) Gems and jewellery units may sell upto 10% of FOB value of exports of the preceding year in DTA, subject to fulfillment of positive NFE. The unit shall pay applicable GST and compensation cess along with reversal of duties of Customs leviable under First Schedule of the Customs Tariff Act, 1975 availed as exemption, on inputs used in such jewellery.
- (d) Unless specifically prohibited in LoP, rejects may be sold in DTA on payment of excise duty, if applicable, and/or payment of GST and compensation cess along with reversal of duties of Customs leviable under First Schedule of the Customs Tariff Act, 1975 availed as exemption on inputs on prior intimation to Customs authorities. Sale of rejects upto 5% of FOB value of exports shall not be subject to achievement of NFE.
- (e) Scrap / waste / remnants arising out of production process or in connection therewith may be sold in DTA, as per SION notified under Duty Exemption Scheme, on payment of applicable duties and/ or taxes and compensation cess. Such sales of scrap / waste / remnants shall not be subject to achievement of positive NFE. In respect of

items not covered by norms, DC may fix ad- hoc norms for a period of six months and within this period, norms should be fixed by Norms Committee. Ad-hoc norms will continue till such time norms are fixed by Norms Committee. Scrap / waste / remnants may also be exported.

- (f) There shall be no duties / taxes on scrap / waste / remnants, in case same are destroyed with permission of Customs authorities. The expression "*no duties/ taxes*" shall not include applicable taxes and cess under the GST laws.
- (g) By-products included in LoP may also be sold in DTA subject to achievement of positive NFE, on payment of excise duty, if applicable, and/or payment of GST and compensation cess along with reversal of duties of Custom leviable under First Schedule to the Customs Tariff Act, 1975, if availed on inputs.
- (h) Deleted
- (i) In case of units manufacturing electronics hardware and software, NFE and DTA sale entitlement shall be reckoned separately for hardware and software.
- (j) Deleted
- (k) In case of new EOUs, advance DTA sale will be allowed not exceeding 50% of its estimated exports for first year, except pharmaceutical units where this will be based on its estimated exports for first two years.
- (l) Deleted
- (m) Procurement of spares / components, up to 2% of the value of manufactured articles, cleared into DTA, during the preceding year, may be allowed for supply to the same consignee / buyer for the purpose of after-sale-service. The same can be cleared in DTA on payment of applicable GST and compensation cess along with reversal of duties of Customs leviable under First Schedule of the Customs Tariff Act, 1975 availed as exemption, if any

## 6.09 Other Supplies

Following supplies effected from EOU / EHTP / STP / BTP units will be counted for fulfillment of positive NFE. Such supplies shall not include "marble", except if such supply of marble is an inter unit supply as provided at Sub - Para(c) below:

- (a) Supplies effected in DTA to holders of Advance Authorisation / Advance Authorisation for annual requirement / DFIA under duty exemption / remission scheme / EPCG scheme. However, printing sector EOUs (or any other sector that may be notified in HBP), can't supply goods, where basic customs duty and CVD is nil or exempted otherwise, to holders of Advance Authorisation / Advance Authorisation for annual requirement.
- (b) Supplies effected in DTA against foreign exchange remittance received from overseas.
- (c) Supplies to other EOU / EHTP / STP / BTP / SEZ units, provided that such goods are permissible for procurement in terms of Para 6.01 of FTP.
- (d) Supplies made to bonded warehouses set up under FTP and / or under section 65 of Customs Act and free trade and warehousing zones, where payment is received in foreign exchange.
- (e) Supplies of goods and services to such organizations which are entitled for duty free import of such items in terms of general exemption notification issued by MoF, as may be provided in HBP.
- (f) Supplies of Information Technology Agreement (ITA-1) items and notified zero duty telecom / electronics items.
- (g) Supplies of items like tags, labels, printed bags, stickers, belts, buttons or hangers to DTA unit for export.
- (h) Supply of LPG produced in an EOU refinery to Public Sector domestic oil companies for being supplied to household domestic consumers at subsidized prices under the Public Distribution System (PDS) Kerosene and Domestic LPG Subsidy Scheme, 2002, as notified by the Ministry of Petroleum and Natural Gas vide notification No. E-

20029/18/2001-PP dated 28.01.2003 (hereinafter referred to as PDS Scheme) subject to the following conditions:-

- (i) Only supply of such quantity of LPG would be eligible for which Ministry of Petroleum and Natural Gas declines permission for export and requires the LPG to be cleared in DTA; and
- (ii) The Ministry of Finance by a notification has permitted duty free imports of LPG for supply under the aforesaid PDS Scheme.

## **6.10 Export through others**

An EOU/ EHTP/ STP/BTP unit may export goods manufactured/ software developed by it through another exporter or any other EOU/EHTP/STP/SEZ unit subject to conditions mentioned in Para 6.19 of HBP.

## **6.11 Entitlement for Supplies from the DTA**

- (a) Supplies from DTA to EOU/EHTP/STP/ BTP units for use in their manufacture for exports will be eligible for "benefits under Chapter 7 of FTP". DTA supplier shall be eligible for relevant entitlements under chapter 7 of FTP, besides discharge of export obligation, if any, on the supplier. The refund of GST paid on such supply from DTA to EOU would be available to the supplier subject to such conditions and documentations as specified under GST rules and notifications issued there under.
- (b) Suppliers of precious and semi-precious stones, synthetic stones and processed pearls from DTA to EOU shall be eligible for grant of Replenishment Authorisations at rates and for items mentioned in HBP.
- (c) In addition, EOU / EHTP / STP / BTP units shall be entitled to following:-
  - (i) Reimbursement of Central Sales Tax (CST) on goods manufactured in India. Simple interest @ 6% per annum will be payable on delay in refund of CST, if the case is not settled within 30 days of receipt of complete application (as in Para 9.10 (b) of HBP).

- (ii) Exemption from payment of Central Excise Duty on goods, falling in Fourth Schedule of Central Excise Act, procured from DTA on such goods manufactured in India.
- (iii) Deleted
- (iv) Deleted

## **6.12 Other Entitlements**

Other entitlements of EOU/EHTP/STP/BTP units are as under:

- (a) Exemption from industrial licensing for manufacture of items reserved for SSI sector.
- (b) Export proceeds will be realized within nine months.
- (c) Units will be allowed to retain 100% of its export earnings in the EEFC account.
- (d) Unit will not be required to furnish bank guarantee at the time of import or going for job work in DTA, where:
  - (i) The unit has turnover of Rs. 5 crore or above;
  - (ii) The unit is in existence for at least three years; and
  - (iii) The unit:
    - (1) has achieved positive NFE / export obligation wherever applicable;
    - (2) has not been issued a show cause notice or a confirmed demand, during the preceding 3 years, on grounds other than procedural violations, under the penal provision of the Customs Act, the Central Excise Act, the Foreign Trade (Development & Regulation) Act, the Foreign Exchange Management Act, the Finance Act, 1994 covering Service Tax or any allied Acts or the rules made thereunder, on account of fraud / collusion / wilful

mis-statement / suppression of facts or contravention of any of the provisions thereof;

- (e) 100% FDI investment permitted through automatic route similar to SEZ units.
- (f) Deleted
- (g) The Units Approval Committee may consider on a case-to-case basis request for sharing of infrastructural facilities among EOU's and it shall forward its recommendation to the Board of Approval for its consideration. While accepting such proposals, the NFE obligations of the Units shall not be altered. Such facilities will be available to Units in EHTP / STP after getting approval from IMSC. However, sharing of facilities between EOU's and SEZ Units shall not be permitted.

### **6.13 Inter Unit Transfer**

- (a) Transfer of manufactured goods from one EOU/ EHTP/STP/BTP unit to another EOU / EHTP/ STP/ BTP unit is allowed on payment of applicable GST and compensation cess with prior intimation to concerned Development Commissioners of the transferor and transferee units as well as concerned Customs authorities, as per following procedure for movement of goods:
  - i. The supplier EOU shall endorse on usual commercial documents, such as, tax invoice and delivery challan, the amount of duties of Custom leviable under First Schedule to the Customs Tariff Act, 1975 availed as exemption on inputs used in the manufacture of such finished goods (including by-products, rejects, waste and scraps arising in the course of production, manufacture, processing or packaging of such goods) supplied to another EOU. The recipient EOU shall pay such endorsed Customs duty besides his own liability of reversal of Customs duty as provided in Para 6.08 above, before clearance of such finished goods in DTA and as provided under DoR notifications/circulars/ guidelines in this regard.
  - ii. Upon receipt of goods, the recipient EOU shall submit endorsed copies of tax invoice to their jurisdictional Customs authority as well as to the jurisdictional Customs authorities of the supplier EOU.

- (b) Capital goods may be transferred or given on loan to other EOU / EHTP / STP / BTP / SEZ units, with prior intimation to concerned DC and Customs authorities on payment of applicable GST and compensation cess. Such transferred goods may also be returned by the second unit to the original unit in case of rejection or for any reason on payment of applicable GST and compensation cess.
- (c) Goods supplied by one unit of EOU/EHTP/STP/ BTP to another unit shall be on payment of applicable GST and compensation cess as per following procedure for movement of goods:
  - (i) The supplier EOU shall endorse on usual commercial documents, such as, tax invoice and delivery challan, the amount of duties of Customs leviable under First Schedule to the Customs Tariff Act, 1975 availed as exemption on such goods supplied to another EOU. The recipient EOU shall pay such endorsed Customs duty and applicable GST and compensation cess before clearance of such goods or finished goods manufactured or produced from such goods in DTA.
  - (ii) Upon receipt of goods, the recipient EOU shall submit endorsed copies of tax invoice to their jurisdictional Customs authority as well as to the jurisdictional Customs authorities of the supplier EOU.
- (d) In respect of a group of EOUs / EHTPs / STPs / BTP Units which source inputs centrally in order to obtain bulk discount and / or reduce cost of transportation and other logistics cost and / or to maintain effective supply chain, inter unit transfer of goods and services may be permitted on a case-to-case basis by the Unit Approval Committee. In case inputs so sourced are imported and then transferred to another unit, then value of the goods so transferred shall be taken as inflow for the unit transferring these goods and as outflow for the unit receiving these goods, for the purpose of calculation of NFE.

#### **6.14 Sub-Contracting**

- (a) (i) EOU/EHTP/STP /BTP units, including gems and jewellery units, may on the basis of annual permission from Customs authorities, sub - contract production processes to DTA

through job work which may also involve change of form or nature of goods, through job work by units in DTA.

- (ii) These units may sub – contract upto 50% of overall production of previous year in value terms in DTA with permission of Customs authorities.
- (b) (i) EOU may, with annual permission from Customs authorities, under take job work for export, on behalf of DTA exporter, provided that goods are exported directly from EOU and export document shall jointly be in name of DTA/ EOU. For such exports, DTA units will be entitled for refund of duty paid on inputs by way of brand rate of duty drawback. However, such brand rate of drawback shall be as per Customs and Central Excise Duties Drawback Rules, 2017 and shall be limited to Customs duties and Central Excise Duties (in respect of eligible items covered under Schedule IV of Central Excise Act, 1944).
- (ii) Import of goods for execution of export order placed on EOU by foreign supplier on job work basis, would be allowed with or without payment of duties and/or taxes as provided under Para 6.01(d)(ii) above subject to condition that no DTA clearance shall be allowed.
- (iii) Sub - contracting of both production and production processes may also be under taken without any limit through other EOU/EHTP/ STP/ BTP/ SEZ units, on the basis of records maintained in unit.
- (iv) EOU/EHTP/STP/BTP units may sub - contract part of production process abroad and send intermediate products abroad as mentioned in LoP. No permission would be required when goods are sought to be exported from sub - contractor premises abroad. When goods are sought to be brought back, prior intimation to concerned DC and Customs authorities shall be given.
- (c) Scrap/waste/remnants generated through job work may either be cleared from job worker's premises on payment of applicable duty and/or taxes, as provided under Para 6.08 above on transaction value or destroyed in presence of Customs authority or returned to unit. Destruction shall not apply to gold, silver, platinum, diamond, precious and semi-precious stones.

(d) Sub - contracting/ exchange by gem sand jewellery EOUs through other EOUs or SEZ units or units in DTA, shall be as per procedure indicated in HBP.

### **6.15 Sale of Unutilized Material**

(a) In case an EOU / EHTP/ STP/BTP unit is unable to utilize goods and services, imported or procured from DTA, it may:

- (i) Transferred to another EOU / EHTP / STP / BTP / SEZ unit; or
- (ii) Disposed of in DTA with intimation to Customs authorities on payment of applicable duties and/ or taxes and compensation cess. In addition, exemption of duties of Customs leviable under First Schedule of the Customs Tariff Act, 1975 availed, if any on the goods , at the time of import will also be payable and submission of import Authorisation; or
- (iii) Exported.

Such transfer from EOU/EHTP/ STP/ BTP unit to another such unit would be treated as import for receiving unit.

(b) Capital goods and spares that have become obsolete/ surplus, may be exported or transferred to SEZ unit, transferred to another EOU/EHTP/STP/BTP/on payment of applicable GST and compensation cessor disposed of in DTA on payment of applicable GST and compensation cess and duties of Customs leviable under First Schedule of the Customs Tariff Act, 1975. Benefit of depreciation will be available in case of disposal in DTA only when the unit has achieved positive NFE taking into consideration the depreciation allowed. No duty shall be payable other than the applicable taxes under GST laws incase capital goods, raw material consumables, spares, goods manufactured, processed or packaged, and scrap/ waste/remnants /rejects are destroyed within unit after intimation to Customs authorities or destroyed outside unit with permission of Customs authorities. Destruction as stated above shall not apply to gold, silver, platinum, diamond, precious and semi-precious stones.

- (c) In case of textile sector, disposal of left over material/ fabrics upto 2% of CIF value or quantity of import, whichever is lower, on payment of duty on transaction value, may be allowed, subject to certification of Central Excise/Customs officers that these are left over items.
- (d) Disposal of used packing material will be allowed on payment of duty on transaction value.

## **6.16 Reconditioning/Repair and Re - engineering**

- (a) EOUs shall be set up with approval of UAC to carry out reconditioning, repair, remaking, testing, calibration, quality improvement, upgradation of technology and re-engineering activities for export in foreign currency. Provisions of paragraphs 6.08, 6.09, 6.10, 6.13, 6.14 of FTP and Para 6.29(a), (b), (c) and (d) of HBP shall not, however, apply to such activities.
- (b) EHTP/STP/BTP units shall be set up with approval of IMSC to carry out reconditioning, repair, remaking, testing, calibration, quality improvement, upgradation of technology and re-engineering activities for export in foreign currency. Provisions of paragraphs 6.08, 6.09, 6.10, 6.13, 6.14 of FTP and Para 6.29(a), (b), (c) and (d) of HBP shall not, however, apply to such activities.

## **6.17 Replacement / Repair of Imported / Indigenous Goods**

- (a) General provisions of FTP relating to export /import of replacement/repair of goods would also apply equally to EOU/EHTP/STP/BTP units. Cases not covered by these provisions shall be considered on merits by DC.
- (b) Goods sold in DTA and not accepted for any reasons, maybe brought back for repair/replacement, under intimation to concerned jurisdictional customs authorities.
- (c) Goods or parts thereof, on being imported / indigenously procured and found defective or otherwise unfit for use or which have been damaged or become defective subsequently, may be returned and replacement obtained or destroyed. In the event of replacement, goods may be brought back from foreign suppliers or their authorized agents in India or indigenous suppliers. The unit can take free of cost replacement (duty paid) from the authorized agents in India of foreign suppliers, provided the defective part is re - exported

or destroyed. However, destruction shall not apply to precious and semi-precious stones and precious metals.

## 6.18 Exit from EOU Scheme

- (a) With approval of DC, an EOU may opt out of scheme. Such exit shall be subject to payment of applicable Excise and Customs duties and on payment of applicable IGST/ CGST/ SGST/ UTGST and compensation cess, if any, and industrial policy in force.
- (b) If unit has not achieved obligations, it shall also be liable to penalty at the time of exit.
- (c) In the event of a gems and jewellery unit ceasing its operation, gold and other precious metals, alloys, gems and other materials available for manufacture of jewellery, shall be handed over to an agency nominated by DoC, at price to be determined by that agency.
- (d) An EOU / EHTP / STP / BTP unit may also be permitted by DC to exit from the scheme at any time on payment of applicable duties and taxes and compensation cess on capital goods under the prevailing EPCG Scheme for DTA Units. This will be subject to fulfillment of positive NFE criteria under EOU scheme, eligibility criteria under EPCG scheme and standard conditions indicated in HBP.
- (e) Unit proposing to exit out of EOU scheme shall intimate DC and Customs authorities in writing. Unit shall assess duty liability arising out of exit and submit details of such assessment to Customs authorities. Customs authorities shall confirm duty liabilities on priority basis, subject to the condition that the unit has achieved positive NFE, taking into consideration the depreciation allowed. After payment of duty and clearance of all dues, unit shall obtain "No Dues Certificate" from Customs authorities. On the basis of "No Dues Certificate" so issued by the Customs authorities, unit shall apply to DC for final exit. In case there is no proceeding pending under FT (D&R) Act, as amended, DC shall issue final exit order within a period of 7 working days. Between "No Dues Certificate" issued by Customs authorities and final exit order by DC, unit shall not be entitled to claim any exemption for procurement of capital goods or inputs. However, unit can claim Advance Authorisation / DFIA / Duty Drawback.

Since the duty calculations and dues are disputed and take a long time, a BG / Bond / Installment processes backed by BG shall be provided for expediting the exit process.

- (f) In cases where a unit is initially established as DTA unit with machines procured from abroad after payment of applicable import duty, or from domestic market after payment of excise duty/GST, and unit is subsequently converted to EOU, in such cases removal of such capital goods to DTA after exit would be without payment of duty. Similarly, in cases where a DTA unit imported capital goods under EPCCG Scheme and after completely fulfilling export obligation gets converted into EOU, unit would not be charged customs duty on capital goods at the time of removal of such capital goods in DTA when exit.
- (g) An EOU / EHTP / STP / BTP unit may also be permitted by DC to exit under Advance Authorisation as one time option. This will be subject to fulfillment of positive NFE criteria.
- (h) A simplified procedure may be provided to fast track the De-bonding/ Exit of the STP / EHTP Unit which has not availed any duty benefit on procurement of raw material, capital goods etc.

## **6.19 Conversion**

- (a) Existing DTA units may also apply for conversion into an EOU / EHTP / STP / BTP unit.
- (b) Existing EHTP / STP units may also apply for conversion / merger to EOU unit and vice-versa. In such cases, units will avail exemptions in duties and taxes as applicable.
- (c) Applications for conversion into an EOU / EHTP / STP / BTP unit from existing DTA units, having an investment of Rs. 50 crores and above in plant and machinery or exporting Rs. 50 crores and above annually, shall be placed before BOA for a decision.

## **6.20 Monitoring of NFE**

Performance of EOU/EHTP/STP/ BTP units shall be monitored by Units Approval Committee as per guidelines in HBP.

#### **6.21 Export through Exhibitions / Export Promotion Tours/ Showrooms Abroad /Duty Free Shops**

EOU / EHTP/STP/BTP are permitted to:

- (i) Export goods for holding/participating in Exhibitions abroad with permission of DC.
- (ii) Personal carriage of gold / silver / platinum jewellery, precious, semi-precious stones, beads and articles.
- (iii) Export goods for display / sale in permitted shops set up abroad.
- (iv) Display / sell in permitted shops set up abroad, or in showrooms of their distributors / agents.
- (v) Set up showrooms / retail outlets at International Airports.

#### **6.22 Personal Carriage of Import / Export Parcels including through Foreign Bound Passengers**

Import/ export through personal carriage of gems and jewellery items may be undertaken as per Customs procedure. However, export proceeds shall be realized through normal banking channel. Import/ export through personal carriage by units, other than gems and jewellery units, shall be allowed provided goods are not in commercial quantity. An authorized person of Gems & Jewellery EOU may also import gold in primary form, upto10Kgs in a financial year through personal carriage, as per guidelines prescribed by RBI and DoR.

#### **6.23 Export / Import by Post / Courier**

Goods including free samples, may be exported/imported by air freight or through foreign post office or through courier, as per Customs procedure.

#### **6.24 Administration of EOUs / Powers of DC**

Details of administration of EOUs and power of DC is given in HBP.

## **6.25 Revival of Sick Units**

Subject to a unit being declared sick by appropriate authority, proposals for revival of the unit or its takeover may be considered by BOA.

## **6.26 Approval of EHTP/ STP**

Deleted

## **6.27 Approval of BTP**

Deleted

## **6.28 Warehousing Facilities**

Deleted



## CHAPTER 7

### DEEMED EXPORTS

#### 7.00 Objective

To provide a level-playing field to domestic manufacturers in certain specified cases, as may be decided by the Government from time to time.

#### 7.01 Deemed Exports

- (i) "Deemed Exports" for the purpose of this FTP refer to those transactions in which goods supplied do not leave country, and payment for such supplies is received either in Indian rupees or in free foreign exchange. Supply of goods as specified in Paragraph 7.02 below shall be regarded as "Deemed Exports" provided goods are manufactured in India.
- (ii) "Deemed Exports" for the purpose of GST would include only the supplies notified under Section 147 of the CGST/SGST Act, on the recommendations of the GST Council. The benefits of GST and conditions applicable for such benefits would be as specified by the GST Council and as per relevant rules and notification.

#### 7.02 Categories of Supply

Supply of goods under following categories (a) to (d) by a manufacturer and under categories (e) to (h) by main / sub-contractors shall be regarded as "Deemed Exports":

##### A. Supply by manufacturer:

- (a) Supply of goods against Advance Authorisation / Advance Authorisation for annual requirement / DFIA;
- (b) Supply of goods to EOU / STP / EHTP / BTP;
- (c) Supply of capital goods against EPCG Authorisation;
- (d) Deleted

##### B. Supply by main / sub-contractor (s):

- (e) (i) Supply of goods to projects financed by multilateral or bilateral Agencies / Funds as notified by Department of

Economic Affairs (DEA), MoF, where legal agreements provide for tender evaluation without including customs duty.

- (ii) Supply and installation of goods and equipment (single responsibility of turnkey contracts) to projects financed by multilateral or bilateral Agencies/Funds as notified by Department of Economic Affairs (DEA), MoF, for which bids have been invited and evaluated on the basis of Delivered Duty Paid (DDP) prices for goods manufactured abroad.
- (iii) Supplies covered in this paragraph shall be under International Competitive Bidding (ICB) in accordance with procedures of those Agencies / Funds.
- (iv) A list of agencies, covered under this paragraph, for deemed export benefits, is given in Appendix 7A.

(f) (i) Supply of goods to any project or for any purpose in respect of which the Ministry of Finance, by erstwhile Notification No. 12/2012 -Customs dated 17.3.2012, as amended from time to time, had permitted import of such goods at zero customs duty (with exemption of both BCD and CVD) subject to conditions specified therein and which are continued under the Customs Notification No. 50/2017-Customs dated 30.6.2017 with exemption of zero basic customs duty and subject to conditions mentioned in the said new notification. Benefits of deemed exports shall be available only if the supply is made under procedure of ICB.

(ii) Supply of goods required for setting up of any mega power project, as specified in the list 31 at Sl. No. 598 of Department of Revenue Notification No. 50/2017-Customs dated 30.6.2017, as amended from time to time and subject to conditions mentioned therein, shall be eligible for deemed export benefits provided such mega power project conforms to the threshold generation capacity specified in the above said Notification.

(iii) For mega power projects, ICB condition would not be mandatory if the requisite quantum of power has been tied up through tariff based competitive bidding or if the project has been awarded through tariff based competitive bidding.

(g) Supply of goods to United Nations or International organization for their official use or supplied to the projects financed by the said

United Nations or an International organization approved by Government of India in pursuance of section 3 of United Nations (Privileges and Immunities Act), 1947. List of such organization and conditions applicable to such supplies is given in the Customs notification no. 84/97-Customs dated 11.11.1997, as amended from time to time. A list of Agencies, covered under this paragraph, is given in Appendix-7B.

- (h) Supply of goods to nuclear power projects provided:
  - (i) Such goods are required for setting up of any Nuclear Power Project as specified in the list 32 at Sl. No. 602, Customs notification no. 50/2017-Customs dated 30.6.2017, as amended from time to time and subject to conditions mentioned therein.
  - (ii) The project should have a capacity of 440 MW or more.
  - (iii) A certificate to the effect is required to be issued by an officer not below the rank of Joint Secretary to Government of India, in Department of Atomic Energy.
  - (iv) Tender is invited through National competitive bidding (NCB) or through ICB.

### **7.03 Benefits for Deemed Exports**

Deemed exports shall be eligible for any / all of following benefits in respect of manufacture and supply of goods, qualifying as deemed exports, subject to terms and conditions as given in HBP and ANF-7A:

- (a) Advance Authorisation / Advance Authorisation for annual requirement / DFIA.
- (b) Deemed Export Drawback for BCD.
- (c) Refund of terminal excise duty for excisable goods mentioned in Schedule 4 of Central Excise Act 1944 provided the supply is eligible under that category of deemed exports and there is no exemption.

## 7.04 Benefits to the Supplier /Recipient

Categories of supplies as per Para 7.02	Benefits on supplies, as given in Para 7.03 above, whichever is applicable.		
	Para 7.03 (a) Advance Authorisation	Para 7.03 (b) Duty Drawback	Para 7.03 (c) Terminal Excise Duty
(a)	Yes (for intermediate supplies against an invalidation letter)	Yes (against ARO)	Yes
(b)	Yes	Yes	Yes
(c)	Yes	Yes	NA
(d)	deleted	deleted	deleted
(e)	Yes	Yes	NA
(f)	Yes	Yes	Yes, only for para 7.08(iii)(a)
(g)	Yes	Yes	NA
(h)	Yes	Yes	NA

## 7.05 Conditions for refund of terminal excise duty

- (i) Supply of goods will be eligible for refund of terminal excise duty as per Para 7.03 (c) of FTP, provided recipient of goods does not avail CENVAT credit/rebate on such goods.
- (ii) Deleted
  - (a) Deleted
  - (b) Deleted
  - (c) Deleted
  - (d) Deleted

## **7.06 Conditions for refund of deemed export drawback**

Supplies will be eligible for deemed export drawback as per para 7.03 (b) of FTP, as under:

The refund of drawback in the form of Basic Customs duty of the inputs used in manufacture and supply under the said category shall be given on brand rate basis upon submission of documents evidencing actual payment of basic custom duties.

## **7.07 Common conditions for deemed export benefits**

- (i) Supplies shall be made directly to entities listed in the Para 7.02. Third party supply shall not be eligible for benefits/exemption.
- (ii) In all cases, supplies shall be made directly to the designated Projects / Agencies/ Units/ Advance Authorisation/ EPCG Authorisation holder. Sub-contractors may, however, make supplies to main contractor instead of supplying directly to designated Projects/ Agencies. Payments in such cases shall be made to sub-contractor by main-contractor and not by project Authority.
- (iii) Supply of domestically manufactured goods by an Indian Sub-contractor to any Indian or foreign main contractor, directly at the designated project's/ Agency's site, shall also be eligible for deemed export benefit provided name of sub-contractor is indicated either originally or subsequently (but before the date of supply of such goods) in the main contract. In such cases payment shall be made directly to sub-contractor by the Project Authority.

## **7.08 Benefits on specified supplies**

- (i) Deemed export benefits shall be available for supplies of 'Cement' under Para 7.02 (e) only.
- (ii) Deemed export benefit shall be available on supply of "Steel":
  - (a) As an inputs to Advance Authorisation/ Annual Advance Authorisation/DFIA holder/ an EOU.

- (b) To multilateral/ bilateral funded Agencies as per sub-Para 7.02(e).
- (iii) Deemed export benefit shall be available on supply of “Fuel” (in respect of eligible fuel items covered under Schedule 4 of Central Excise Act 1944) provided supplies are made to:
  - a. Project listed for petroleum operations in the Customs Notification No. 50/2017-Customs dated 30.6.2017 under Sr. No. 404, as amended from time to time and subject to conditions mentioned therein and covered in Para 7.02 (f) of FTP.
  - b. EOUs;
  - c. Advance Authorisation holder / Annual Advance Authorisation holder.

## **7.09 Liability of Interest**

Incomplete/deficient application is liable to be rejected. However, simple interest @ 6% per annum will be payable on delay in refund of duty drawback and terminal excise duty under the scheme, provided the claim is not settled within 30 days from the date of issue of final Approval Letter by RA.

## **7.10 Risk Management and Internal Audit mechanism**

- (a) A Risk Management system shall be in operation, wherein every month, Computer system in DGFT headquarters, on random basis, will select 10% of cases, for each RA, where benefit(s) under this chapter has/have already been granted. Such cases shall be scrutinized by an internal Audit team, headed by a Joint DGFT, in the office of respective Zonal Addl. DGFT. The team will be responsible to audit claims of not only for its own office but also the claims of all RAs falling under the jurisdiction of the Zone.
- (b) The respective RA may also, either on the basis of report from Internal Audit/ External Audit Agency(ies) or suo-motu, reassess any case, where any erroneous/in-eligible payment has been made/claimed. RA will take necessary action for recovery of payment

along with interest at the rate of 15% per annum on the recoverable amount.

### **7.11 Penal Action**

In case, claim is filed by submitting mis-declaration/mis-representation of facts, then in addition to effecting recovery under Para 7.10(b) above, the applicant shall be liable for penal action under the provisions of F.T. (D&R) Act, Rules and orders made there under.

### **7.12 Transitional Para**

Deemed exports benefits contained in FTP 2015-20 shall be available for supplies effected till 30.06.2017 in terms of FTP 2015-20 provisions as it stood till 30.06.2017. In respect of supply made after 30.6.2017, new provision shall apply.



## CHAPTER 8

### QUALITY COMPLAINTS AND TRADE DISPUTES

#### 8.00 Objective

Exporters need to project a good image of the country abroad to promote exports. Maintaining an enduring relationship with foreign buyers is of utmost importance, and complaints or trade disputes, whenever they arise, need to be settled amicably as soon as possible. Importers too may have grievances as well.

In an endeavour to resolve such complaints or trade disputes and to create confidence in the business environment of the country, a mechanism is being laid down to address such complaints and disputes in an amicable way.

#### 8.01 Quality Complaints/ Trade disputes

The following type of complaints may be considered:

- (a) Complaints received from foreign buyers in respect of poor quality of the products supplied by exporters from India;
- (b) Complaints of importers against foreign suppliers in respect of quality of the products supplied; and
- (c) Complaints of unethical commercial dealings categorized mainly as non-supply/ partial supply of goods after confirmation of order; supplying goods other than the ones as agreed upon; non-payment; non-adherence to delivery schedules, etc.

#### 8.02 Obligation on the part of importer/ exporter

- (a) Rule 11 of the Foreign Trade (Regulation) Rules, 1993, requires that on the importation into, or exportation out of, any customs ports of any goods, whether liable to duty or not, the owner of such goods shall in the Bill of Entry or the Shipping Bill or any other documents prescribed under the Customs Act, 1962 (52 of 1962), state the value, quality and description of such goods to the best of his knowledge and belief and in case of exportation of goods, certify that the quality

and specification of the goods as stated in those documents, are in accordance with the terms of the export contract entered into with the buyer or consignee in pursuance of which the goods are being exported and shall subscribe a declaration of the truth of such statement at the foot of such Bill of Entry or Shipping Bill or any other documents. Violation of this provision renders the exporter liable for penal action.

- (b) Certain export commodities have been notified for Compulsory Quality Control & Pre-shipment Inspection prior to their export. Penal action can be taken under the Export (Quality Control & Inspection) Act, 1963 as amended in 1984, against exporters who do not conform to these standards and/ or provisions of the Act as laid down for such products.

#### **8.03 Provisions in FT (D&R) Act & FT (Regulation) Rules for necessary action against erring exporters/ importers**

Action against erring exporters can be taken under the Foreign Trade (Development and Regulation) Act, 1992, as amended and under Foreign Trade (Regulation) Rules, 1993, as follows:-

- (a) Section 8 of the Act empowers the Director General of Foreign Trade or any other person authorized by him to suspend or cancel the Importer Exporter Code Number for the reasons as given therein.
- (b) Section 9 (2) of the Act empowers the Director General of Foreign Trade or an officer authorised by him to refuse to grant or renew a license, certificate, scrip or any other instrument bestowing financial or fiscal benefit granted under the Act.
- (c) Section 9(4) empowers the Director General of Foreign Trade or the officer authorized by him to suspend or cancel any License, certificate, scrip or any instrument bestowing financial or fiscal benefit granted under the Act.
- (d) Section 11(2) of the Act provides for imposition of fiscal penalty in cases where a person makes or abets or attempts to make any import or export in contravention of any provision of the Act, any Rules or Orders made there under or the Foreign Trade Policy.

## **8.04 Mechanism for handling of Complaints/ Disputes**

### **(a) Committee on Quality complaints and Trade Disputes (CQCTD)**

To deal effectively with the increasing number of complaints and disputes, a 'Committee on Quality Complaints and Trade Disputes' (CQCTD) will be constituted in the 22 offices of the RA's of DGFT. Names of RAs, where CQCTD has been constituted and jurisdiction of CQCTD is given in Chapter 8 of the Handbook of Procedures.

### **(b) Composition of the CQCTD**

The CQCTD would be constituted under the Chairpersonship of the Head of Office. The constitution of CQCTD is given in Chapter 8 of the Hand Book of Procedures.

### **(c) Functions of CQCTD**

The Committee (CQCTD) will be responsible for enquiring and investigating into all Quality related complaints and other trade related complaints falling under the jurisdiction of the respective RAs. It will take prompt and effective steps to redress and resolve the grievances of the importers, exporters and overseas buyers, preferably within three months of receipt of the complaint. Wherever required, the Committee (CQCTD) may take the assistance of the Export Promotion Councils/FIEO/Commodity Boards or any other agency as considered appropriate for settlement of these disputes.

## **8.05 Proceedings under CQCTD**

CQCTD proceedings are only reconciliatory in nature and the aggrieved party, whether the foreign buyer or the Indian importer, is free to pursue any legal recourse against the other erring party.

## **8.06 Procedures to deal with complaints and trade disputes**

The procedure for making an application for such complaints or trade disputes and the procedure to deal with such quality complaints and disputes is given in the Handbook of Procedures.

## **8.07 Corrective Measures**

The Committee at RA level can authorize the Export Inspection Agency or any technical authority to assess whether there has been any technical failure or not meeting the standards, manufacturing/ design defects, etc. for which complaints have been received.

## **8.08 Nodal Officer**

Director General of Foreign Trade would appoint an officer, not below the rank of Joint Director General, in the Headquarters, to function as the 'Nodal Officer' for coordinating with various Regional Authorities of DGFT.

## CHAPTER 9

### DEFINITIONS

	<p>For purpose of FTP, unless context otherwise requires, the following words and expressions shall have the following meanings attached to them:-</p>
9.01	<p>"Accessory" or "Attachment" means apart, sub-assembly or assembly that contributes to efficiency or effectiveness of a piece of equipment without changing its basic functions.</p>
9.02	<p>"Act" means Foreign Trade (Development and Regulation) Act, 1992 (No.22 of 1992) [FT (D&amp;R) Act] as amended from time to time.</p>
9.03	<p>"Actual User" is a person (either natural &amp; legal) who is authorized to use imported goods in his/its own premise which has a definitive postal address.</p> <p>(a) "Actual User (Industrial)" is a person (either natural &amp; legal) who utilizes imported goods for manufacturing in his own industrial unit or manufacturing for his own use in another unit including a jobbing unit which has a definitive postal address.</p> <p>(b) "Actual User (Non-Industrial)" is a person (either natural &amp; legal) who utilizes the imported goods for his own use in.</p> <p>(i) any commercial establishment, carrying on any business, trade or profession, which has a definitive postal address; or</p> <p>(ii) any laboratory, Scientific or Research and Development(R&amp;D) institution, university or other</p>

	<p>educational institution or hospital which has a definitive postal address; or</p> <p>(iii) Any service industry which has a definitive postal address.</p>
9.04	"AEZ" means Agricultural Export Zones notified by DGFT in Appendix 2V of Appendices and Aayat Niryat Forms.
9.05	"Appeal" is an application filed under section 15 of the Act and includes such applications preferred by DGFT officials in government interest against decision by designated adjudicating/appellate authorities.
9.06	"Applicant" means person on whose behalf an application is made and shall, wherever context so requires, includes person signing the application.
9.07	"Authorisation" means permission as included in Section 2(g) of the Act to import or export as per provisions of FTP.
9.08	<p>"Capital Goods" means any plant, machinery, equipment or accessories required for manufacture or production, either directly or indirectly, of goods or for rendering services, including those required for replacement, modernisation, technological up-gradation or expansion. It includes packaging machinery and equipment, refrigeration equipment, power generating sets, machine tools, equipment and instruments for testing, research and development, quality and pollution control.</p> <p>Capital goods may be for use in manufacturing, mining, agriculture, aquaculture, animal husbandry, floriculture, horticulture, pisciculture, poultry, sericulture and viticulture as well as for use in services sector.</p>

9.09	"Competent Authority" means an authority competent to exercise any power or to discharge any duty or function under the Actor the Rules and Orders made there under or under FTP.
9.10	"Component" means one of the parts of a sub-assembly or assembly of which a manufactured product is made up and into which it may be resolved. A component includes an accessory or attachment to another component.
9.11	"Consumables" means any item, which participates in or is required for a manufacturing process, but does not necessarily form part of end-product. Items, which are substantially or totally consumed during a manufacturing process, will be deemed to be consumables.
9.12	"Consumer Goods" means any consumption goods, which can directly satisfy human needs without further processing and includes consumer durable sand accessories thereof.
9.13	<p>"Counter Trade" means any arrangement under which exports/imports from /to India are balanced either by direct imports/exports from importing/exporting country or through a third country under a Trade Agreement or otherwise.</p> <p>Exports/Imports under Counter Trade may be carried out through Escrow Account, Buy Back arrangements, Barter trade or any similar arrangement. Balancing of exports and imports could wholly or partly be in cash, goods and/or services.</p>
9.14	"Developer" means a person or body of persons, company, firm and such other private or government undertaking, who develops, builds, designs, organises, promotes, finances, operates, maintains or manages a part or whole of infrastructure and other facilities in SEZ as approved by Central Government and also includes a co- developer.

9.15	"Development Commissioner" means Development Commissioner of SEZ
9.16	"Domestic Tariff Area (DTA)" means area within India which is outside SEZs and EOU/ EHTP/STP/BTP.
9.17	Deleted
9.17A	"e – commerce" for the purpose of Merchandise Exports from India Scheme (MEIS) under Foreign Trade Policy (2015-20) (FTP) shall mean the export of goods hosted on a website accessible through the internet to a purchaser. While the dispatch of goods shall be made through courier or postal mode, as specified under the MEIS, the payment for goods purchased on e-commerce platform shall be done through international credit /debit cards and as per the Reserve Bank of India Circular (RBI/2015-16/185) [A.P.( DIR Series) Circular No. 16 dated September 24, 2015.] as amended from time to time.
9.18	"EOU" means Export Oriented Unit for which a letter of permit has been issued by Development Commissioner.
9.19	"Excisable goods" means any goods produced or manufactured in India and subject to duty of excise under Central Excise and Salt Act 1944(1of 1944).
9.20	"Export" is as defined in FT (D&R) Act, 1992, as amended from time to time.
9.21	"Exporter" means a person who exports or intends to export and hold san IEC number, unless otherwise specifically exempted.

9.22	"Export Obligation" means obligation 6 to export product or products covered by Authorisation or permission in terms of quantity, value or both, as may be prescribed or specified by Regional or competent authority.
9.23	"Free" as appearing in context of import/export policy for items means goods which do not need any 'Authorisation'/ License or permission for being imported into the country or exported out.
9.24	"FTP" means the Foreign Trade Policy which specifies policy for exports and imports under Section 5 of the Act.
9.25	"Import" is as defined in FT (D&R) Act, 1992 as amended from time to time.
9.26	"Importer" means a person who imports or intends to import and holds an IEC number, unless otherwise specifically exempted.
9.27	ITC (HS) refers to Indian Trade Classification (Harmonized System) at 8 digits.
9.28	"Jobbing" means processing or working upon of raw materials or semi-finished goods supplied to job worker, so as to complete a part of process resulting in manufacture or finishing of an article or any operation which is essential for aforesaid process.
9.29	"Licensing Year" means period beginning on the 1 <sup>st</sup> April of a year and ending on the 31 <sup>st</sup> March of the following year.
9.30	"Managed Hotel" means hotels managed by a three star or above

	hotel/ hotel chain under an operating management contract for a duration of at least three years between operating hotel/ hotel chain and hotel being managed. Management contract must necessarily cover the entire gamut of operations/management of managed hotel.
9.31	<p>"Manufacture" means to make, produce, fabricate, assemble, process or bring into existence, by hand or by machine, a new product having a distinctive name, character or use and shall include processes such as refrigeration, re-packing, polishing, labelling, Re-conditioning repair, remaking, refurbishing, testing, calibration, re-engineering.</p> <p>Manufacture, for the purpose of FTP, shall also include agriculture, aquaculture, animal husbandry, floriculture, horticulture, pisciculture, poultry, sericulture, viticulture and mining.</p>
9.32	"Manufacturer Exporter" means a person who exports goods manufactured by him or intends to export such goods.
9.33	"Merchant Exporter" means a person engaged in trading activity and exporting or in tending to export goods.
9.34	"NC" means the Norms Committee in the Directorate General of Foreign Trade for approval of adhoc input -output norms in cases where SION does not exist and recommend SION to be notified in DGFT.
9.35	"Notification" means a notification published in Official Gazette.

9.36	"Order" means an Order made by Central Government under the Act.
9.37	"Part" means an element of a sub-assembly or assembly not normally useful by itself, and not amenable to further disassembly for maintenance purposes. Apart may be a component, spare or an accessory.
9.38	"Person" means both natural and legal and includes an individual, firm, society, company, corporation or any other legal person including the DGFT officials.
9.39	"Policy" means Foreign Trade Policy (2015-2020 ) as amended from time to time.
9.40	"Prescribed" means prescribed under the Actor the Rules or Orders made there under or under FTP.
9.41	"Prohibited" indicates the import/export policy of an item, as appearing in ITC (HS) or elsewhere, whose import or export is not permitted.
9.42	"Public Notice" means a notice published under provisions of paragraph 2.55 of FTP

9.42A	<p>“Project Exports” refers to export of engineering goods on deferred payment terms and execution of turnkey projects and civil construction contracts abroad collectively.</p> <p>Project Exports would encompass (i) Civil construction contracts; (ii) Turnkey Engineering contracts including supply of Capital Goods on deferred payment terms; (iii) Process and Engineering Consultancy Services; and (iv) Project Construction items (excluding Steel and Cement).</p>
9.43	<p>“Quota” means the quantity of goods of a specific kind that is permitted to be imported without restriction or imposition of additional Duties.</p>
9.44	<p>“Raw material” means input(s) needed for manufacturing of goods. These inputs may either be in a raw/natural/unrefined/unmanufactured or manufactured state.</p>
9.45	<p>“Regional Authority” means authority competent to grant an Authorisation under the Act/Order.</p>
9.46	<p>“Registration-Cum-Membership Certificate”(RCMC) means certificate of registration and membership granted by an Export Promotion Council/Commodity Board/Development Authority or other competent authority as prescribed in FTP or Handbook of Procedure.</p>
9.47	<p>“Restricted” is a term indicating the import or export policy of an item, which can be imported into the country or exported outside, only after obtaining an Authorisation from the offices of DGFT.</p>
9.48	<p>“Rules” means Rules made by Central Government under Section 19 of the FT (D&amp;R) Act.</p>

9.49	<p>"SCOMET" is the nomenclature for dual use items of Special Chemicals, Organisms, Materials, Equipment and Technologies (SCOMET). Export of dual-use items and technologies under India's Foreign Trade Policy is regulated. It is either prohibited or is permitted under an Authorisation.</p>
9.50	<p>"Services" include all tradable services covered under General Agreement on Trade in Services (GATS) and earning free foreign exchange.</p>
9.51	<p>"Service Provider" means a person providing:</p> <p>(i) Supply of a 'service' from India to any other country; (Mode 1- Cross border trade)</p> <p>(ii) Supply of a 'service' from India to service consumer(s) of any other country in India; (Mode 2-Consumption abroad)</p> <p>(iii) Supply of a 'service' from India through commercial presence in any other country. (Mode 3 - Commercial Presence.)</p> <p>(iv) Supply of a 'service' from India through the presence of natural persons in any other country (Mode 4- Presence of natural persons.)</p>
9.52	<p>"Ships" mean all types of vessels used for seaborne trade or coastal trade, and shall include second hand vessels.</p>
9.53	<p>"SION" means Standard Input Output Norms notified by DGFT.</p>

9.54	"Spares" means a part or a sub-assembly or assembly for substitution that is ready to replace an identical or similar part or sub- assembly or assembly. Spares include a component or an accessory.
9.55	"Specified" means specified by or under the provisions of this Policy through Notification/Public Notice.
9.56	"Status holder" means an exporter recognized as One Star Trading House/ Two Star Trading House / Three Star Trading House/ Four Star Trading House/ Five Star Trading House by DGFT/Development Commissioner.
9.57	"Stores" means goods for use in a vessel or aircraft and includes fuel and spares and other articles of equipment, whether or not for immediate fitting.
9.58	<p>(a) "Supporting Manufacturer" is one who manufactures goods/products or any part/accessories/components of a good/product for a merchant exporter or a manufacturer exporter under a specific Authorisation.</p> <p>(b) "Supporting Manufacturer" for the EPCG Scheme shall be one in whose premises/factory Capital Goods imported/procured under EPCG Authorisation is installed.</p>
9.59	State Trading Enterprises (STEs), for the purpose of this FTP, are those entities which are granted exclusive right/privileges export and /or import as per Para 2.20 (a) of FTP.

9.60	<p>"Third-party exports" means exports made by an exporter or manufacturer on behalf of another exporter(s).</p> <p>In such cases, export documents such as shipping bills shall indicate names of both manufacturer exporter/manufacturer and third party exporter(s). Bank Realisation Certificate (BRC), Self Declaration Form (SDF), export order and invoice should be in the name of third party exporter.</p>
9.61	<p>"Transaction Value" is as defined in Customs Valuation Rules of Department of Revenue.</p>
9.62	<p>"Wild Animal" means any wild animal as defined in Section 2 (36) of Wildlife (Protection) Act, 1972.</p>

## **Appendix I (Para 2.17)**

### **2.17 Prohibition on direct or indirect import and export from/to Democratic People's Republic of Korea (DPRK)**

#### **Prohibition on export:**

(A) The direct or indirect supply, sale, transfer or export of the following items to Democratic People's Republic of Korea (DPRK) is prohibited:-

- (i) any battle tanks, armoured combat vehicles, large caliber artillery systems, combat aircraft, attack helicopters, warships, missiles or missile systems as defined for the purpose of the United Nations Register on Conventional Arms, or related materiel including spare parts;
- (ii) All arms and related materiel, including small arms and light weapons and their related materiel;
- (iii) all items, materials, equipment, goods and technology as set out in the UNSC United Nations Security Council and International Atomic Energy Agency (IAEA) documents, namely,
  - 1. S/2006/853\*;
  - 2. S/2006/853/Corr.1;
  - 3. Part B of S/2009/364;
  - 4. Annex III of Resolution 2094 (2013);
  - 5. S/2016/1069;
  - 6. Annex A to INF CIRC/254/Rev.12/Part1 (IAEA document);
  - 7. Annex to INF CIRC/254/Rev.9/Part2 (IAEA document);
  - 8. S/2014/253;
  - 9. S/2016/308;
  - 10. Annex III of Resolution 2321 (2016); and
  - 11. other items, materials, equipment, goods and technology, as determined by the Central Government, which could contribute to DPRK's nuclear related, ballistic missile-related or other weapons of mass destruction related programmes;

(iv) Luxury goods, including, but not limited to, the items specified in Annex IV of Resolution 2094 (2013), Annex IV of Resolution 2270 (2016) and Annex IV of Resolution 2321 (2016);

(v) Items as determined by the Central Government, except food or medicine that could directly contribute to the development of the Democratic People's Republic of Korea's operational capabilities of its armed forces. This measure is subject to the exemptions set out in paragraph 8 (a) and (b) of Resolution 2270 (2016);

**Prohibition on import:**

(B) The direct or indirect procurement or import from DPRK, of items, whether or not originating in DPRK, covered in sub-paragraphs (A)(i), (A)(ii), (A)(iii) and (A)(v) above is prohibited.

**Sectoral prohibitions (export)**

(C) The direct or indirect supply, sale, transfer or export of the following items to DPRK is prohibited:

(i) New helicopters and vessels, except as approved in advance by the Committee on a case-by-case basis;

(ii) Aviation fuel, including aviation gasoline, naphtha-type jet fuel, kerosene-type jet fuel, and kerosene-type rocket fuel. This measure is subject to the provisions of paragraph 31 of Resolution 2270 (2016) and paragraph 20 of Resolution 2321 (2016);

(iii) Condensates and natural gas liquids;

(iv) Refined petroleum products. This measure is subject to the exemptions and procedures set out in paragraph 14 of Resolution 2375 (2017);

(v) Crude oil. This measure is subject to the exemptions and procedures set out in paragraph 15 of Resolution 2375 (2017);

**Sectoral prohibitions (import)**

(D) The direct or indirect procurement or import from DPRK, of the following items is prohibited:

- (i) Coal, iron and iron ore. This measure is subject to the exemptions and procedures set out in paragraph 8 of Resolution 2371 (2017);
- (ii) Gold, titanium ore, vanadium ore, and rare earth minerals;
- (iii) Copper, nickel, silver and zinc;
- (iv) Statues, unless the Committee approves on a case-by-case basis in advance;
- (v) Seafood (including fish, crustaceans, molluscs, and other aquatic invertebrates in all forms). This measure is subject to the exemptions and procedures set out in paragraph 9 of Resolution 2371 (2017);
- (vi) Lead and lead ore. This measure is subject to the exemptions and procedures set out in paragraph 10 of Resolution 2371 (2017);
- (vii) Textiles (including but not limited to fabrics and partially or fully completed apparel products). This measure is subject to the exemptions and procedures set out in paragraph 16 of Resolution 2375 (2017);

**Explanation..-**

- a) UNSC means the United Nations Security Council;
- b) IAEA means the International Atomic Energy Agency;
- c) Committee means the Committee of the UNSC set up in terms of paragraph 12 of Resolution 1718 (2006); and Resolution, as the case may be, means the UNSC Resolutions under Chapter VII of the Charter of the United Nations on Democratic People's Republic of Korea, namely, 1718 (2006), 1874 (2009), 2087 (2013), 2094 (2013), 2094 (2013), 2270 (2016), 2231 (2016), 2356 (2017), 2371 (2017) and 2375 (2017).



## **GLOSSARY (ACRONYMS)**

Acronym	Explanation
AA	Advance Authorisation
AANF	Appendices and Aayaat Niryaat Form
ACU	Asian Clearing Union
AEZ	Agri Export Zone
ANF	Aayat Niryaat Form
ARE-1	Application for Removal of Excisable Goods for Export (By Air/Sea/Post/Land)
ARE-3	Application for Removal of Excisable Goods from a factory or a warehouse to another warehouse
ACP	Accredited Clients Programme
AEO	Authorised Economic Operator
AES	Approved Exporter's Scheme
APEDA	Agricultural & Processed Food Products Export Development Authority
ARO	Advance Release Order
ASEAN	Association of South- East Asian Nations
ASIDE	Assistance to States for Infrastructure Development of Exports
AU	Actual User
BCD	Basic Customs Duty
BG	Bank Guarantee
BIFR	Board of Industrial and Financial Reconstruction
BOA	Board of Approval
BOT	Board of Trade
BRС	Bank Realisation Certificate
BTP	Biotechnology Park
BIS	Bureau of Indian Standards
CBEC	Central Board of Excise and Customs
CCP	Customs Clearance Permit
CEA	Central Excise Authority
CEC	Chartered Engineer Certificate
CED	Central Excise Duty
CENVAT	Central Value Added Tax
CETF	Common Effluent Treatment Facility
CFCs	Common Facility Centres
CG	Capital Goods
CIF	Cost, Insurance & Freight
CIN	Corporate Identification Number
CIS	Commonwealth of Independent States

CKD	Completely Knocked Down
CoD	Cash on Delivery
CoO	Certificate of Origin
CQCTD	Committee on Quality Complaints and Trade Disputes
CRES	Certificate of Registration as Exporter of Spices
CST	Central Sales Tax
CIN	Company Identification Number
CRES	Certification of Registration as Exporter of Spices
CEPA	Comprehensive Economic Partnership Agreement
CBEC	Central Board of Excise and Customs
CSP	Common Service Provider
CECA	Comprehensive Economic Cooperation Agreement
CVD	Countervailing Duty
DA	Document against Acceptance
DBK	Drawback
DC	Development Commissioner
DDA	Diamond Dollar Accounts
DEA	Department of Economic Affairs
DEL	Denied Entity List
DES	Duty Exemption Schemes
DFIA	Duty Free Import Authorisation
DGCI&S	Director General, Commercial Intelligence & Statistics.
DIN	Director Identification Number
DPIN	Designated Partner Identification Number
DGFT	Director General of Foreign Trade
DIPP	Department of Industrial Policy & Promotion
DoBT	Department of Bio-Technology
DoC	Department of Commerce
DeitY	Department of Electronics and Information Technology
DoR	Department of Revenue
DoT	Department of Telecommunications
DRS	Duty Remission Schemes
DTA	Domestic Tariff Area
e-BRC	Electronic Bank Realisation Certificate
e-IEC	Electronic Importer-Exporter Code
ECA	Enforcement- cum-Adjudication
EDI	Electronic Data Interchange
ECGC	Export Credit Guarantee Corporation
EEFC	Exchange Earners' Foreign Currency
EFC	Exim Facilitation Committee
EFT	Electronic Fund Transfer
EGM	Export General Manifest
EHTP	Electronic Hardware Technology Park

EIC	Export Inspection Council
EO	Export Obligation
EODC	Export Obligation Discharge Certificate
EOP	Export Obligation Period
EOU	Export Oriented Unit
EPC	Export Promotion Council
EPCG	Export Promotion Capital Goods
EPO	Engineering Process Outsourcing
EXIM	Export Import
FDI	Foreign Direct Investment
FE	Foreign Exchange
FEMA	Foreign Exchange Management Act
FIEO	Federation of Indian Export Organisation
FIRC	Foreign Exchange Inward Remittance Certificate
FOB	Free On Board
FOR	Freight on Road and Rails
FT(D&R)Act	Foreign Trade ( Development & Regulation) Act, 1992 (22 of 1992)
FTDO	Foreign Trade Development Officer
FTP	Foreign Trade Policy
FT(R)	Rules Foreign Trade (Regulation) Rules
FTWZ	Free Trade and Warehousing Zone
FTA	Free Trade Agreement
G&J EPC	Gems & Jewellery Export Promotion Council
GOI	Government of India
GATS	General Agreement on Trade in Services
GR	Guarantee of Realisation
HACCP	Hazard Analysis and Critical Control Process
HPB	Handbook of Procedures
HHEC	Handicraft & Handlooms Exports Corporation
ICB	International Competitive Bidding
ICD	Inland Container Depot
ICM	Indian Commercial Mission
IEC	Importer Exporter Code
ISO	International Organisation for Standardisation
IAEA	International Atomic Energy Agency
INFCIRC	International Atomic Energy Agency Information Circular
IEM	Industrial Entrepreneurial Memorandum
IMSC	Inter-Ministerial Standing Committee
IL	Industrial Licensing
ISO	International Standards Organisation
ITC (HS)	Indian Trade Classification (Harmonised System) for Export & Import Items

KVIC	Khadi and Village Industries Commission
LC	Letter of Credit
LCS	Land Customs Station
LLPIN	Limited Liability Partnership Number
LPG	Liquefied Petroleum Gas
LoC	Line of Credit
LoI	Letter of Intent
LoP	Letter of Permit
LUT	Legal Undertaking
MAI	Market Access Initiative
MDA	Market Development Assistance
MEA	Ministry of External Affairs
MEIS	Merchandise Exports from India Scheme
MRA	Mutual Recognition Agreements
MoD	Ministry of Defence
MoF	Ministry of Finance
MSME	Ministry of Micro Small and Medium Enterprises
MSMED	Micro Small and Medium Enterprises Development
MSTC	Metal Scrap Trade Corporation
NBFC	Non- Banking Financial Company
NC	Norms Committee
NFE	Net Foreign Exchange
NI	Non-Infringing
NCB	National Competitive Bidding
NOC	No Objection Certificate
PDS	Public Distribution System
PEC	Project and Equipment Corporation of India Ltd.
PIC	Policy Interpretation Committee
PRC	Policy Relaxation Committee
PAN	Permanent Account Number
PH	Personal Hearing
PTA	Preferential Trade Agreement
PSU	Public Sector Undertaking
R&D	Research and Development
RA	Regional Authority
RBI	Reserve Bank of India
RCMC	Registration-cum-Membership Certificate
REP	Replenishment
RPA	Rupee Payment Area
S/B	Shipping Bill
SAD	Special Additional Duty
SCOMET	Special Chemicals, Organisms, Materials, Equipment and Technology

SEI CMM	Software Engineers Institute's Capability Maturity Model
SEZ	Special Economic Zone
SEIS	Service Exports from India Scheme
SIA	Secretariat for Industrial Assistance
SIIC	State Industrial Infrastructure Corporation
SION	Standard Input Output Norms
SKD	Semi- Knocked Down
SLEPC	State Level Export Promotion Committee
STC	State Trading Corporation
STCL	Spices Trading Corporation Limited
STE	State Trading Enterprise
STH	Star Trading House
STPI	Software Technology Park of India
STR	State Trading Regime
SUVs	Sports Utility Vehicles
TED	Terminal Excise Duty
TEE	Towns of Export Excellence
TH	Trading House
TPO	Trade Promotion Organization
TRA	Telegraphic Release Advice
TRQ	Tariff Rate Quota
TUFS	Technology Up gradation Fund Scheme
UAC	Units Approval Committee
UN	United Nations
VA	Value Addition
WCO	World Customs Organisation
WHOGMP	World Health Organisation Good Manufacturing Practices

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