Foreign Trade Policy (2015-20)

Part I- Introduction to FTP and Basics.

Introduction

- Foreign trade policy is set of guidelines or instructions issued by central government in matters related to import and export of goods in India.
- It is governed by Ministry of Commerce and Industry.
- FTP 2015-2020 will remain in force up to 30.09.2022 unless otherwise specified.

Objectives of FTP

- Encourages Foreign trade.
- Increasing export of goods
- Generation of employment and increasing value addition in the country.

Role of DGFT (Director General of Foreign Trade)

- Issuing License
- Grant of Import Export code.

Import Export Code

- It is 10 digit code issued by DGFT.
- IEC is mandatory to export any goods out of India or to import any goods into India.
- DGFT has decided to use Income Tax PAN as IEC.
- Authorization of IEC is not a right and it cannot be challenged or appealed.

Part II – Concepts relating to Export Promotion Schemes under FTP.

Export Promotion Schemes

Exports of our country play an important role in the economy. Government has introduced various export promotion schemes.

Status Holders

Status Category	Export Performance (FOB/FOR 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	2,000

- Normally an applicant shall be categorized as status holder upon achieving export performance during current and previous 3 years.
- For Gems and Jewellery – Performance during the current year and previous 2 years shall be considered for recognition as status holders.

Points to be considered while computing export performance for grant of status.

- Export performance will be counted on basis of FOB Value of export earnings in free foreign currencies.
- For deemed export, FOR value of exports in Indian rupees shall be converted in US$ at exchange rate notified by CBIC applicable on 1st April of each financial year.
- For granting status, export performance is necessary in at least 2 out of 4 years.
- Export performance of one IEC holder shall not be permitted to be transferred to another IEC holder.
- Exports made on basis of re-export basis is not counted for recognition.
- Export of items under authorization, including SCOMET items, would be included for calculation of export performance.
- For calculating export performance for grant of One star export house status category, exports by IEC Holders under the following categories shall be granted double weightage:

    - Micro, small and medium enterprises (MSME) as defined as per MSMED Act 2006.
    - Manufacturing units having ISO/BIS
    - Units located in North Eastern status including Sikkim and Jammu & Kashmir
    - Units located in Agri Export Zones.

Privileges of Status Holders

- Authorization and Custom clearances for both imports and exports on self-declaration basis.
- Fixation of Standard Input Output norms (SION) on priority ie. Within 60 days by norms committee.
- Exemption from compulsory negotiation of documents through banks. The remittance /receipts however, would continue to be received through banking channels.
- Exemption from furnishing of Bank Guarantee in schemes under FTP.
- Two Star Export Houses and above are permitted to establish export warehouses.
- 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 a certain annual limit specified for each sector separately.

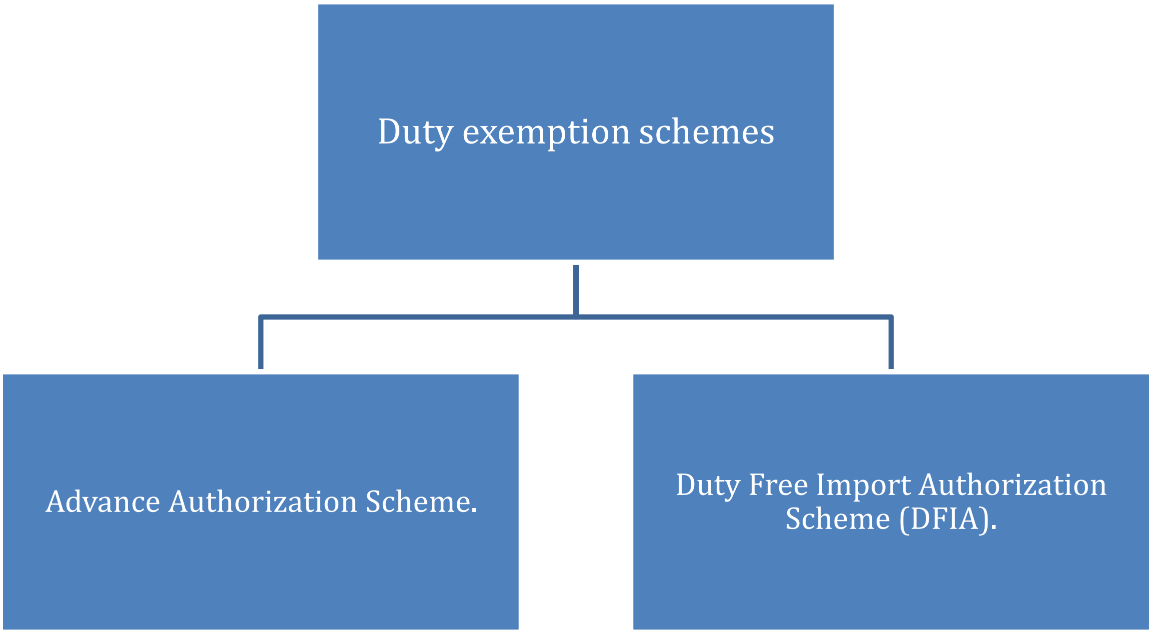
Sample for status holder's limit

- For Gems and Jewellery – (Last 3 financial years average) * 2% or 1 crore whichever is lower is allowed.
- Others- (Last 3 financial years average) *2% is allowed.

Duty Exemption and Remission Schemes

- Duty Exemption Schemes – Duty exemption schemes enable duty free import of inputs required for export promotion.
- Duty Remission Schemes- Duty Remission Schemes enables post export replenishment/remission of duty on inputs used in export product. Duty Drawback is designed for this purpose.
- Scheme for remission of duties and taxes on exported products. (RoDTEP) with effect from 01.01.2021.

Duty Exemption Schemes.



Major Differences between Advance Authorization Scheme and Duty-Free Import Authorization Scheme.

Points	Advance Authorization Scheme	Duty Free Import Authorization Scheme (DFIA)
Definition	Advance Authorization is a facility to import inputs within 12 months used and required in manufacture of export product.	Duty Free Import Authorization Scheme is post export facility to import inputs used in manufacture of Export Product.
Export Completion Period	In Advance Authorization Scheme, exports should be completed within 18 months from the date of issue of authorization or as notified by DGFT.	In DFIA, exports should be completed within 12 months from the date of online filing of application.
Duty Exemption	All duties are exempt on imported goods.	IGST is applicable on imported goods. Exemption is available only on basic custom duty.
SION	Scheme is applicable even without SION Norms	Scheme is applicable if SION norms are fixed.

Value Addition	Advance Authorization is subjected to 15% Value addition. In case of Tea, minimum value required is 50%.	Minimum Value Addition requires here in this case is 20%.
Transferability of Inputs	Inputs are not transferable	Inputs are transferable if conditions are fulfilled.
Availability in case of gems and jewellery.	Available for Gems and Jewellery	Not available for Gems and Jewellery.

Note: 10% of CIF allowed as duty free in case of spares.

- Annual Authorization Scheme

✓ Advance authorization can be issued for annual requirement also.
✓ Exporters having past export performance in at least 2 financial years shall be entitled for Annual requirement.
✓ Entitlement in terms of CIF value of imports shall be up to 300% of FOB value of physical export and/or FOR of deemed export in preceding financial year or 1 crore, whichever is higher,
✓ Authorisation for annual requirement shall be issued only where SION or valid Ad hoc norms are valid.

- Value Addition

Value addition is calculated as follows (except for gems and jewellery)

Value addition = [(A-B)/B]*100

Where, A= FOB value of export realised
B= CIF Value of inputs covered by authorization plus any other imported material used on which benefit of duty drawback is claimed or intended to be claimed.

If some items are supplied free of cost, its notional value will be added in CIF Value of import and FOB Value of export for calculating value addition.

- Scheme for Remission of Duties and Taxes on Exported products (RoDTEP)

✓ With effect from 01.01.2021, Government has introduced a new scheme for remission of duties and taxes on exported products.

✓ RoDTEP scheme is based on globally accepted principles that taxes and duties should either exempted or remitted to exporters.

✓ Scheme provides for remission of the amount in form of duty credit scrips in an exporter’s ledger account with customs.

- Salient Features of RoDTEP

    - ✓ It seeks to refund to exporters the embedded central, state and local duties that were not refunded

    - ✓ Duty scrip is issued –

        - In lieu of remission of any duty/tax/levy chargeable on any material used in manufacture/ processing of goods
        - Against export of notified goods under FTP

    Value of said goods for calculation of duty credit to be allowed under the scheme shall be:

    - Declared export value of said goods or
    - 1.5 times the market price of said goods
      Whichever is less.

    - ✓ The refund in the form duty credits would be credited in the electronic credit ledger in customs automated ledger.

    - ✓ Such duty credit scrips are freely transferable.

    - ✓ Such duty credit shall be used to pay basic custom duty on imported goods.

    - ✓ Rebate under scheme shall not be available in respect of taxes or duties which are already exempted.

Eligibility of this scheme: All exporters are eligible for RoDTEP scheme.

Ineligible supplies under RoDTEP

- Export of imported goods in same or substantially the same form
- Export products subjected to minimum export price or export duty.
- Supply of products manufactured by DTA
- Products manufactured in EHTP and BTP.
- Deemed Exports.

Export promotion Capital Goods Scheme

- ✓ EPCG Scheme is introduced to facilitate import of capital goods for pre-production, production, and post production at Zero Custom Duty.

- ✓ Authorisation holder may also procure capital goods from indigenous sources.

- ✓ Import of capital goods for project imports is permitted

- ✓ Exempt from IGST and GST Compensation cess

- ✓ Export obligation equivalent to 6 times of duties, taxes and cess saved on capital goods. In case of domestic it is 4.5 times of duties, taxes and cess saved

- ✓ Specified export obligation shall be 85% of the applicable specific EO under EPCG Scheme for Post export EPCG duty credit scrips.
- ✓ Export shall be physical export however deemed exports are also counted towards export obligation.
- ✓ Authorisation shall be valid for 18 months from date of issue of authorization.
- ✓ Import of Capital goods is subject to Actual user condition till export obligation is completed.

EOU/EHTP/STP/BTP Schemes

EOU- Export Oriented Units

EHTP- Electronics Hardware Technology Park

STP- Software Technology Park

BTP- Biotechnology Park.

- Should start production within 2 years from the grant.
- Trading units are not covered under these schemes.
- For EOU License, one should invest in plant and machinery for minimum 1crore.