



## Business Process Solution Alert Knowledge Box

Realisation/Settlement of  
Export/Import under FEMA  
Reference: Master  
Circular issued by RBI on  
Export and Import (July-  
2015)

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# Background

Until the liberalisation of 1991, India was largely and intentionally isolated from the world markets, to protect its fledgling economy and to achieve self-reliance. Foreign trade was subject to import tariffs, export taxes and quantitative restrictions, while foreign direct investment was restricted by upper-limit equity participation, restrictions on technology transfer, export obligations and government approvals. Gradually India relaxed its Foreign Policies which helps to gain some foreign investment in India. India also relaxed its import and export policies and allowed Indian manufactures/Service providers to enter into transaction with overseas buyers/customers. Indian markets are governed by various rules and regulations especially its overseas transactions. Foreign transactions are governed under Foreign Exchange Management Act (FEMA), Foreign Exchange Regulation Act (FERA), Foreign Trade policy (FTP) etc.

FEMA mandate exporters and importers to settle down their transactions within certain time line. Settlement Beyond prescribed time line could attract severe consequences to importer/exporter

## Realisation and Repatriation of Export Proceeds

The amount representing the full export value of the goods exported shall be received through an Authorised Dealer Bank (AD Bank).

### **Time limit for Advance Receipt**

Where an exporter receives advance payment (with or without interest), from a buyer outside India, the exporter shall be under an obligation to ensure that the shipment of goods is made within one year from the date of receipt of advance payment

Provided that in the event of the exporter's inability to make the shipment, partly or fully, within one year from the date of receipt of advance payment, no remittance towards refund of unutilized portion of advance payment or towards payment of interest, shall be made after the expiry of the said period of one year, without the prior approval of the Reserve Bank

Upon AD Bank satisfaction, company can receive long term export advance up to a maximum tenor of 10 years to be utilized for execution of long term supply contracts for export of goods subject to the conditions as provided in the act

### **Time limit for Normal export of goods / software / services**

It is obligatory on the part of the exporter to realize and repatriate the full value of goods / software / services to India within nine months from the date of export. Re-import into India within period specified for realisation of export shall be deemed to be realisation of full export value of such goods

AD Bank may consider request for refund of export proceeds of goods exported from India and being re-imported into India on account of poor quality.

## **Time Limit for Settlement of Import**

### **Advance Remittance for Import of Goods**

AD Category – I bank may allow advance remittance for import of goods without any ceiling subject to the conditions laid down by RBI time to time.

### **Time limit for Normal Imports**

In terms of the extant regulations, remittances against imports should be completed not later than six months from the date of shipment, except in cases where amounts are withheld towards guarantee of performance, etc. However Branches may permit settlement of import dues delayed due to disputes, financial difficulties etc. Interest in respect of such delayed payments may be permitted for a period of less than three years from the date of shipment at the rates prescribed by RBI from time to time

### **Time Limit for Deferred Payment Arrangements**

Deferred payment arrangements, including suppliers' and buyers' credit, providing for payments beyond a period of six months from date of shipment up to a period of less than three years, are treated as trade credits for which there is separate procedural guidelines laid down by RBI (External Commercial Borrowings and Trade Credits)

### Time Limit for Import of Books

Remittances against import of books may be allowed without restriction as to the time limit.

## Conclusion

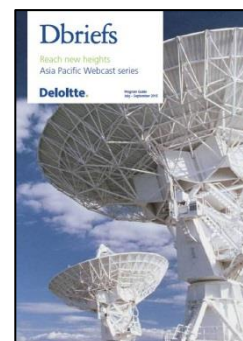
Many of the companies inadvertently made the noncompliance and pay penalties. Although these provisions are not that much stringent and AD Category bank may consider waiver of penalty upon submission of proper justification for noncompliance. The provisions discussed above are not exhaustive these are the general guidelines which normally facilitates day to day operations and every person in account and finance should be familiar with.

## Upcoming Dbriefs - Register

### India's New Export Incentive Schemes: A Real Boost for Exporters of Goods and Services

**Thursday, 27 August 2015, 11:30 AM – 12:30 PM IST**

As a step further to raise the global competitiveness of the Indian manufacturing and service sectors, the new FTP has revamped various export incentives available to the exporters of goods and services. The two new schemes under the FTP, namely Merchandise Export from India Scheme (MEIS) and the Service Exports from India Scheme (SEIS), aim to provide benefits to all exporters doing business in India. For more information, visit the [Dbriefs](#) page.



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# Contacts

## Ahmedabad

Heritage, 3rd Floor,  
Near Gujarat Vidyapith,  
Off Ashram Road,  
Ahmedabad – 380 014.  
Tel: + 91 (079) 2758 2542  
Fax: + 91 (079) 2758 2551

## Bangalore

Deloitte Centre, Anchorage II,  
100/2, Richmond Road,  
Bangalore 560 025.  
Tel: +91 (080) 6627 6000  
Fax: +91 (080) 6627 6010

## Chennai

No.52, Venkatanarayana Road,  
7th Floor, ASV N Ramana Tower,  
T-Nagar,  
Chennai 600 017.  
Tel: +91 (044) 6688 5000  
Fax: +91 (044) 6688 5050

## Coimbatore

Shanmugha Manram  
41, Race Course,  
Coimbatore  
Tamil Nadu - 641018  
Tel: + 91 (0422) 439 2801  
Fax: +91 (0422) 222 3615

## Delhi/Gurgaon

Building 10,  
Tower B, 7th Floor,  
DLF Cyber City,  
Gurgaon 122 002  
Tel : +91 (0124) 679 2000  
Fax : + 91 (0124) 679 2012

## Hyderabad

1-8-384 and 385, 3rd Floor,  
Gowra Grand S.P.Road,  
Begumpet,  
Secunderabad – 500 003.  
Tel: +91 (040) 6603 2600  
Fax: +91 (040) 6603 2714

## Kolkata

Bengal Intelligent Park Building Alpha,  
1st floor, Block EP and GP Sector V,  
Salt Lake Electronics Complex,  
Kolkata - 700 091.  
Tel : + 91 (033) 6612 1000  
Fax : + 91 (033) 6612 1001

## Mumbai

Indiabulls Finance Centre,  
Tower 3, 28th Floor,  
Elphinstone Mill Compound,  
Senapati Bapat Marg, Elphinstone (W),  
Mumbai – 400013  
Tel: + 91 (022) 6185 4000  
Fax: + 91 (022) 6185 4101

## Pune

106, B-Wing, 7<sup>th</sup> Floor,  
ICC Trade Tower,  
Senapati Bapat Road,  
Pune – 411 016.  
Tel: + 91 (020) 6624 4600  
Fax: +91 (020) 6624 4605

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