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Indirect Tax Alert

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Foreign Trade Policy (2015-2020) - Public Notices

Volume: IDTX/9/2015

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dated 4 June 2015(the 'Notice')

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dated 4 June 2015(the 'Notice')

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Public Notice No. 16/2015-2020, dated 4 June 2015 (the 'Notice')

Meaning and purpose of clubbing:

- Chapter 4 of the Foreign Trade Policy (1 April 2015 - 31 March 2020) ('the Policy') provides facility of Advance Authorisation i.e. the facility to make duty free import of inputs, which shall be physically incorporated in export product. Advance Authorisation is issued with an export obligation which the exporter shall fulfill within specified period from the date of issue of Authorisation.
- Further, the Policy provides the option for clubbing various Authorisations issued to one enterprise i.e. to club the total imports and exports made under different Authorisations to even out the export obligation. (E.g. if there is an excess export against one Authorisation and shortfall against other Authorisation, both the Authorisations can be clubbed to compute the export obligation and corresponding exports).
- The Notice amends provisions relating to clubbing of Advance Authorisations mentioned under Chapter 4 of Handbook of Procedures (1 April 2015-31 March 2020) ('the Handbook'). The essence of the same is as below:
 - Authorisations issued prior to 31 March 2009 cannot be clubbed. Earlier, the Authorisations issued prior to 27 August 2009 were allowed to be clubbed, subject to certain conditions specified under erstwhile Handbook of Procedure (2009 - 2014).
 - Authorisations issued prior to 5 June 2012 can be clubbed with such Authorisations which have been issued within thirty six months from the date of earliest Authorisation.
 - In case of Authorisations issued on or after 5 June 2012, the cut off period is eighteen months instead of thirty six months, i.e. Authorisations issued within eighteen months from the date of earliest Authorisation can be clubbed.
 - When an assessee intends to club Authorisations issued before 5 June 2012 with Authorisations issued on or after 5 June 2012, the cut off period would be eighteen months from the date of earliest Authorisation.
 - The Notice also specifies the procedure for regularizing of exports made outside the export obligation period of earliest Authorisation. The regularization is subject to payment of composition fee. The detailed procedure for calculation of composition fee is

specified in the Notice.

- The Notice further clarifies that the Regional Authority can provide a maximum extension of one year for export obligation period to an enterprise, i.e. two extensions of six months each. This extension shall be subject to payment of composition fee.
- The Notice also amends provisions under Chapter 9 of the Handbook in relation to time limit for disposal of Applications. The highlights of the same is as under:
 - The time limit for disposal of application made under Chapter 3 of the Policy (Chapter 3 provides benefits for export under various scheme) has been specified as three days. Earlier the same was not provided under the Handbook.
 - The time limit to dispose application of Legal Undertaking / Bank Guarantee is reduced from fifteen days to three days.
- The changes notified under the Notice shall come into effect from 1 April 2015.

Source : Public Notice No. 16/2015-2020, dated 4 June 2015 (the 'Notice')

Public Notice No. 18/2015-2020, dated 4 June 2015 (the 'Notice')

- Status holders under the Policy are entitled to export freely exportable items on free of cost basis for export promotion. Such entitlement has been limited to lower of Rs. 10 Lakhs or 2% of average annual export realization during preceding three licensing years.
- Earlier limit for such export was higher of Rs 10 Lakhs or 2% of average annual export realization during preceding three licensing years.
- This amendment is applicable from 4 June 2015.

Source : Public Notice No. 18/2015-2020, dated 4 June 2015 (the 'Notice')

Upcoming Webcast

Black Money Act – An Analysis and Implications

Wednesday, 10 June, 2:30 PM – 3:30 PM IST

The Black Money (Undisclosed Foreign Income and Assets) Imposition of Tax Act, 2015, commonly referred to as the Black Money Act (BMA), has received the assent of the President and has now become law. Tune in to learn more about the Act and its Implications.

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