



Global Trade Advisory Alert

Perspective is everything

Mid-term Review of Indian Foreign Trade Policy 2015-20 (FTP)

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Assurance to the exporting community – The key message of Mid-term Review of FTP

'Mid-term Review of FTP in December 2017' should be viewed in the backdrop of three key factors driving the spirit of change:

- a. Headwinds to exports from India on account of global economic and trade related challenges
- b. Systemic, structural change in India's indirect tax regime through introduction of Goods and Services Tax (GST)
- c. India's ratification of WTO's Trade Facilitation Agreement (TFA)

The exporting community was nervous on many accounts and a strong message of assurance was the need of the hour. In this regard, diversifying the scope and quantum of the MEIS and SEIS scheme should be very reassuring to the exporting community as government has put real money on the table in order to address the genuine concerns of the exporters.

Continuing with the spirit of duty free imports under the EPCG scheme, Advance authorization scheme and the deemed export incentives underlines Government's sensitivity to perception of nervousness and uncertainty caused by too many changes too soon in time axis.

Highlighting the spirit of trade facilitation pervading in the changes introduced in past years, underlining the spirit of 'paperless customs' in the future and taking baby steps by reducing the requirement of hard copies of trade documents like GAR-7 form, TR-6 challan, exchange control copy of the shipping bill etc., are also important steps in the right direction.

Some of the changes - like increasing the quantum of credit under MEIS and SEIS, are a significant break, in a positive way, from the past positions articulated by the government. It shows the will and conviction of the government to go that extra mile to boost the economic activities in India and also to support the creation of jobs in specific sectors like textile, MSME and services.

Delivering on assurance of timely refund of IGST and Input tax credit for exporters is an ongoing administrative challenge for the Government; this is likely to continue to be a bone of contention between the two sides of the refund transaction i.e. exporter and the administrator.

The amended FTP is effective from 05.12.2017 and shall remain in force up to 31.03.2020.

Trade Facilitation & Ease of Doing Business Measures

- *Deferred payment* - Facility of deferred payment of Customs duty, introduced earlier by CBEC, has been codified in the FTP also. The facility is available to Authorised Economic Operator (AEO) (Tier-Two & Three)
- *Vision of paperless customs* - Routine print outs of several documents including GAR 7 Forms/ TR6 Challans, TP copy, Exchange control copy of Bill of Entry & Exchange Promotion copy of Shipping bill has been done away with
- 'National Committee on Trade Facilitation' (NCTF) has been constituted with following objectives:
 - Facilitating domestic co-ordination; &
 - Implementation of Trade Facilitation Agreement (TFA) provisions

- *Proactive status update* - CBEC has initiated e-mail notification service to importers for providing information related to all important stages of import clearances
- *Self-certification of COO* - Exporters can self-certify the Certificate of Origin (COO) of their export goods under European Union Generalised System of Preferences (EU-GSP)
- *Single window under DGFT* - Contact@DGFT service for complaint resolution has been activated on DGFT website for resolving all foreign trade related issues
- New Logistics Division created in Commerce Department to develop and implement action plans for development of logistics sector
- New Services Division set up in DGFT to examine EXIM policies and procedures from the point of view of 'services'

Export Promotion & Duty Exemption Schemes

- The validity of Duty Credit Scrips has been increased from 18 months to 24 months
- SEIS incentives have been increased by 2% for specified services such as Business, Legal, Accounting, Architectural, Engineering, etc.
- Similarly, across the board increase in incentive under Merchandise Export from India Scheme (MEIS) by 2% for exports by MSMEs/labour intensive industries
- Self-Ratification Scheme introduced for AEOs to allow self-certification of duty free raw material /inputs under Advance Authorization scheme. This will reduce the slack of time lost at Norms Committee of DGFT for fixing ad-hoc Standard Input Output Norms (SION)

Export Promotion Capital Goods (EPCG) Scheme

- Government to notify the negative list of capital goods which are not permitted under EPCG Scheme, to get rid of ambiguity on this aspect
- Clubbing of two or more EPCG authorization issued to same person has been allowed. The said clubbing would be permitted even in case of Export Obligation (EO) period has expired
- Shifting of capital goods allowed from one unit of IEC holder to another unit without payment of duty

Export Oriented Units (EoU)

- Concept of DTA sale from EoU on concessional & full duty has been removed.
- Transfer of manufactured goods from one unit to another unit has been allowed on payment of applicable GST & Compensation Cess, as per the procedure specified
- The units may import and/or procure from bonded warehouse in DTA without payment of Customs Duties, IGST & Compensation Cess

Deemed Exports

- Deemed export for the purpose of GST has been defined to mean the supplies as notified under GST law
- The exemption for specified Mega Power Project is limited to Basic Customs Duty only
- Benefits for various categories of deemed exports has been amended considering the provisions under GST law

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