



Chat ONLINE

FIEO offers you opportunity to chat online every Wednesday between 3pm and 5pm (IST) with Mr Ajay Sahai, DIRECTOR GENERAL & CEO FIEO, on issues related to foreign trade. Mr Sahai has served many important offices in various capacities. As Jt. DGFT (Policy) from 1996-2003 he was closely associated with the formulation of the Exim Policy.

Feel free to seek clarifications / advice from Mr Sahai on issues related to foreign trade. All that you need to do is to click 'FIEO Online Chat Service' at www.fieo.org. Some portions of the chats held last week are reproduced here.

FIEO's expert answers queries by exporters from various parts of the country.

Q: Has Pakistan granted India MFN status?

FIEO: Pakistan has moved away from a positive list to a negative list, retaining 1209 items under the negative list and lifting trade restrictions on all other items except those figuring in the list of 1209. The Most Favoured Nation status to India may be granted by December 2012.

Q: Where can we access the list of the products in the negative list?

FIEO: The complete list of 1209 negative items has been placed at www.fieo.org. Please see under the rotating banner on the right side of the website.

Q: DEPB has been withdrawn on 30.09.11. Against our Let Export Order (LEO) dated 26.09.11 but B/L dated 13.10.11, we applied online at DEPB, which was also accepted by the system, but according to the office of the DGFT we are not eligible since DEPB is valid up to 30.09.11. Please advise.

FIEO: In terms of Customs Circular 26/2011, all shipping bills having LEO till September 20, 2011 and are eligible for DEPB. Hence, irrespective

of the date of export, which is after September 30, 2011, you are eligible for DEPB benefits on such exports.

Q: We imported certain capital goods under EPCG in 2007 which have been damaged and need to be sent for repair. Do we require permission to send them for repair and will the import after repair be duty free?

FIEO: You may approach DGFT to allow export of the capital goods for repair and subsequent re-imports. You would be required to furnish an undertaking that you would re-import the same capital goods after repairs. You may be required to pay customs on repair value. However, please cross-check with Customs.

Q: We are a merchant exporter of cotton and other types of yarn. We intend to export raw cotton to Bangladesh. Please inform whether we shall have to take permission from JDGFT and what is the procedure for the same?

FIEO: Exports of cotton are free, subject to registration and this will apply for export of raw cotton to Bangladesh as well. Registration certificates (RCs) will be issued by the seven designated Regional Authorities of DGFT at Ahmedabad, Bengaluru,

Chennai, CLA New Delhi, Hyderabad, Kolkata and Mumbai.

The detailed procedure of obtaining RC as stipulated in Notification No. 63 (RE-2010) dated 04.08.2011 and modified by Notification No. 74 (RE-2010) dated 12.09.2011 will apply. An exporter can apply for one RC at a time for a maximum quantity of 10,000 bales (1 bale = 170kg) or actual quantity exported in the current cotton season, whichever is less. Exporters who have exported up to 1500 bales during the current cotton season and newcomers can apply "up to 1500 bales". Eligibility for applying for a subsequent RC will be on completion of at least 50% of the exports against the RC obtained now under this notification. Exporters would be required to submit documentary proof of such exports to the RAs concerned along with the application for issue of new RC.

Q: Can we get some RCs where shipment is not completed or revalidated by the registering authorities?

FIEO: No. The revalidation provision of Policy Circular No. 51(RE-2010) dated 28.12.2011 stands withdrawn as stated in Para 3 of Public Notice No. 102 dated 16.03.2012. Now, no revalidation will be granted to RCs for cotton and cotton yarn.

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Q: What are the changes made by the RBI in respect of EEFC account?

FIEO: The following changes have been made in operation of EEFC account:

a) 50% of the balances in the EEFC accounts should be converted forthwith into rupee balances and credited to the rupee accounts as per the directions of the account holder. This process should be completed within a fortnight from the date of the circular i.e. May 10, 2012.

b) In respect of all future foreign exchange earnings, an exchange earner is eligible to retain 50% (as against the previous limit of 100%) in non-interest bearing EEFC accounts. The balance 50% shall be surrendered for conversion to rupee balances.

c) EEFC account holders henceforth will be permitted to access the forex market for purchasing foreign exchange only after utilising fully the available balances in the EEFC accounts.

Q: Is there any change in utilization of EEFC and what are the transactions for which we can use money lying in EEFC?

FIEO: There is no change in utilization of funds available in EEFC and the same can be used for the following purposes:

i) Payment outside India towards a

permissible current account.

ii) Payment in foreign exchange towards cost of goods purchased from a 100 percent export oriented unit or a unit in (a) export processing zone/SEZ unit.

iii) Payment of customs duty.

iv) Trade related loans/advances, extended by an exporter holding such account to his importer customer outside India.

v) Payment in foreign exchange to a person resident in India for supply of goods/services including payments for airfare and hotel expenditure.

Q: We have money lying in the EEFC which we want to use for the forward cover which we have booked. In case I am required to surrender 50% of the amount, I have to buy US\$ from the market and thus suffer a loss. What should be do?

FIEO: The RBI has revised the instruction on EEFC on May 16, 2012 clarifying that the conversion of the EEFC balances into rupee balances will only be applicable to available balances in the EEFC account which may be arrived at by netting off earmarked amounts on account of outstanding forward/option contracts booked before May 10, 2012.

Q: We have an excisable products unit in Udhampur in J&K. The plant was set up in December 2003 and commercial production started on February 6, 2004. The excise authorities are saying that the 10-year excise relief given in 2002 to industry in J&K will be over in 2012 and thus we can avail the benefit till 2012 only. What is the correct position?

FIEO: In respect of units in J&K, the exemption period of 10 years is to be computed from the date of publication of the notification when a new

unit commences commercial production or an existing unit undertakes substantial expansion and commences commercial production from such expanded capacity. However, if a new unit commences commercial production or an existing unit undertakes substantial expansion and commences commercial production from such expanded capacity after the date of publication of the notification, i.e., 14.11.2002, the 10-year exemption period is to be computed from the date of commencement of commercial production in the case of new units and from the date of commencement of commercial production from the expanded capacity in the case of existing units. Therefore, in your case the exemption would be available from February 6, 2004 to February 5, 2014.

Q: Please give us clarification on the rate of service tax applicable wherein invoices were raised before April 1, 2012 and the payment has been after April 1, 2012.

FIEO: The invoices issued before April 1, 2012 may have included the earlier rate of tax (10% and cess) but in case the payment is made on or after April 1, 2012, the service tax at the new rate (12% and cess) should be charged. If needed, supplementary invoices may be issued to reflect the new rate of tax (12% and cess) and recover the differential amount. ■

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CHAT LIVE!

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WEDNESDAY

3:00 p.m. to 5:00 p.m. (IST)

with Mr. Ajay Sahai

Director General & CEO, FIEO

On International Trade Issues,