



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: Is interest subvention on export available on loans from urban co-operative banks?

FIEO: Yes, interest subvention is available to urban co-operative banks also. You may go through the Notification No. RBI/2011-12/619 UBD. BPD. (AD) Cir No. 8/13.05.000/2011-12 dated June 26, 2012.

Q: What is the rule for external commercial borrowing by a manufacturing export company?

FIEO: A manufacturing export company is allowed to avail of ECBs subject to the following conditions:

- i. Such companies shall be a consistent foreign exchange earner during the past three financial years;
- ii. Such companies are not in the default list/caution list of the Reserve Bank of India; and
- iii. Such ECBs shall only be utilized for repayment of the Rupee loan(s) availed of for 'capital expenditure' incurred earlier and are still outstanding in the books of the domestic banking system and / or for fresh Rupee capital expenditure.
- iv. The overall ceiling for such ECBs shall be \$10 billion.
- v. The maximum permissible ECB that can be availed of by an individual company will be limited to

50 per cent of the average annual export earnings realised during the past three financial years.

Q: How can a Common Service Provider show the fulfillment of export obligation by the exporters using its services?

FIEO: For exports by users of the common service, to be counted towards fulfilment of export obligation of Common Service Provider, the respective shipping bills of the users of common service should contain the EPCG Authorization details of the Common Service Provider and the Regional Authority concerned must be informed about the details of the users prior to such export.

Q: We are a textile unit, which now wants to import under EPCG but we have availed small benefit under TUF. How can we avail Zero duty EPCG?

FIEO: If you want to avail EPCG in such scenario, TUFs benefits are to be refunded, with applicable interest, before availing zero duty EPCG Authorization.

Q: What would be the procedure for transfer of SHIS scrip as recently announced in the Foreign Trade Policy?

FIEO: The SHIS scrip shall be transferable amongst the Status Holders subject to the condition that the transferee Status Holder is a manufacturer and such transfer is endorsed by the Regional Authority, during the period of validity of the said scrip. The Regional Authority shall also mention the sectors for which the transferee has the manufacturing facility and for which transfer is granted.

Q: Can we import components and consumables under Status Holder Incentive Scrip?

FIEO: The import of components and spares and parts against the SHIS scrip is allowed subject to following conditions:

- i) It should be of capital goods imported earlier
- ii) It should be of capital goods imported relating to the sectors specified and
- iii) It will be limited to upto 10 per cent of the duty credit amount in the SHIS scrip originally issued. However, import of consumables is not allowed under SHIS.

Q: What is the threshold of exemption from service tax?

FIEO: The threshold of exemption from service tax for a service provider is Rs 10 lakh in the previous financial

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year. The service provider should not have exceeded the threshold of Rs 10 lakh in the current financial year also. Otherwise he will not fall in the exempted category.

Q: I am having a company with a domestic unit and a unit in SEZ. For supplies made to the SEZ, we have got the payment in Indian rupees. The licensing authority has issued DFIA but they are not allowing the transferability as the transaction between two units of a company is not eligible for DFIA as stated by them. Is their observation correct?

FIEO: The transaction between two units of a company is permissible provided both the units are endorsed on the importer-exporter code number and maintain separate accounts. However, benefit of DFIA would be available, in case the payment is from

EEFC account of the SEZ unit. The policy does not permit payment from SEZ unit in Indian rupees against such transaction.

Q: We want to export from Chennai to China through air. Will it be subjected to service tax under the new service tax regime effective from July 1, 2012?

FIEO: In case an export consignment is sent from Chennai to China, the place of provision of such service shall be China, which will not be liable to service tax. The place of provision of a service of transportation of goods is the place of destination of goods. And since the destination of goods is outside India, the same is not subject to service tax.

Q: We are an exporter who has provided the goods to freight forwarder for exports. Are we sub-

ject to service tax on such services?

FIEO: Service tax will be payable to the freight forwarder as the place of provision of the service is the location of freight forwarder which is within India. However, on such services, the exporter can claim refund of the Service tax paid by him. ■

CHAT LIVE!
Log on now to
<http://www.fieo.org>

WEDNESDAY
3:00 p.m. to 5:00 p.m. (IST)
with **Mr. Ajay Sahai**
Director General & CEO, FIEO
On International Trade Issues,
Policy Clarifications

OBITUARY

Abid Hussain

Veteran administrator, economist and diplomat Abid Hussain passed away in London on June 22 at the age of 85. He died of a heart attack.

Dr Hussain had been honoured with the Padma Bhushan for his meritorious services in 1988. He was a member of the Indian Administrative Service and served in various capacities at the Centre. He was Secretary, Ministry of Heavy Industries, Commerce Secretary and Chairman, Indian Institute of Foreign Trade. He became Member, Planning Commission, in 1985. Later on he became India's Ambassador to the US.

During his tenure as Commerce Secretary, Dr Hussain extended whole-hearted support to FIEO for organising international seminars on economic co-operation among South Asian countries, Africa and the Arab world.

Dr Hussain played an important role in India's economic and trade reforms. He headed six important com-



mittees set up by the Government covering trade policy reforms; project exports; CSIR review committee for development of science and technology; textile policy of the Government of India; development of capital market; and small scale industry.

Of these, the Abid Hussain Committee Report on Trade Policy Reform and the Abid Hussain Committee Report on Small Scale Industries are seen as milestones in the country's economic reforms.

At the time of his death, he was also the chancellor of English and Foreign Languages University, Hyderabad, a member of UNESCO's International Panel on Democracy & Development, Prof Emeritus, Indian Institute of Foreign Trade, and Prof Emeritus at the Foreign Service Institute of the Ministry of External Affairs.

Dr Hussain was a trustee of various prestigious educational, cultural and charitable institutions such the Indira Gandhi National Centre for Arts.