

## Highlights of Annual Supplement to FTP

The Annual Supplement to the Foreign Trade Policy 2009-14 was announced on June 5, 2012. FIEO presents the highlights:

- 2 % Interest Subvention Scheme would be continued till 31st March 2013. It is also extended to labour intensive sectors, namely, toys, sports goods, processed agricultural products and ready-made garments, in addition to four sectors benefitting from the scheme earlier.
- Zero Duty EPCG Scheme has now been extended up to 31st March 2013. There is no change in the coverage of the sectors benefitting from this scheme.
- Scope of Zero Duty EPCG Scheme has been enlarged. Henceforth, even if the benefit of TUFS has been availed, additionally Zero Duty EPCG Authorization can be availed for another line of business by the same applicant. Further, if it is the same line of business, Zero Duty EPCG Scheme could still be availed, provided the benefits of TUFS already availed are surrendered/refunded with applicable interest.
- Zero Duty EPCG Scheme would now be available if SHIS benefit already availed is surrendered subsequently with applicable interest to the concerned RA, and then the benefit of Zero Duty EPCG Scheme would be extended.
- Introduction of a new Post-Export EPCG Scheme for exporters if they choose to import Capital Goods on payment of duty in cash and subsequently receive duty credit scrip on completion of export obligation. Thus there would be no duty remission/duty exemption at the time of import of the Capital Good



The Union Minister for Commerce & Industry and Textiles, Mr Anand Sharma (centre) releasing the annual supplement 2012-13 to the Foreign Trade Policy 2009-14, in New Delhi on June 05, 2012. On his left is Mr S R Rao, Commerce Secretary and on his right is Dr Anup Pujari, DGFT.

(CG). Applicant will have to inform the Regional Office of DGFT (RA) about the import of CG and based on which RA will fix export obligation. Since the duties have been paid upfront at the time of import of CG, the EO would be 85% of normal EO. On the basis of export performance, a Duty Credit Scrip will be issued subsequently, by RA, in proportion to the export obligation so fixed. This would obviate the monitoring and reporting requirements, as the scheme would be self-monitored. Reduced transaction cost coupled with comparatively reduced EO would make this scheme attractive.

- Three new sectors namely carpet, coir and jute are added to the list under the EPCG Scheme for which the condition of maintenance of average level of exports is not applicable to sectors, namely, hand-crafts, handlooms, cottage sector,

tiny sector, agriculture, aquaculture (including fisheries), horticulture, pisciculture, viticulture, poultry and sericulture. This would provide substantial relief to these labour intensive industries, which find it difficult to maintain the average export obligation.

- Presently under EPCG scheme, catalysts are allowed only once for the initial charge. It has been decided to permit a second charge of the catalysts.
- To facilitate setting up of Common Service Centres located in the town of export excellence (TEE), a Common Service Provider (CSP) under EPCG Scheme will henceforth be permitted to give a single Bank Guarantee (BG). The quantum of BG will be equivalent to the amount of duty foregone. It is open to CSP to provide the BG for full amount by himself or on a

sharing basis along with the users of the common service.

- To promote manufacturing activity and employment in the North Eastern Region of the country, export obligation under the EPCG Scheme shall be 25% of the normal export obligation. This would be applicable to the States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura, and Sikkim.
- Export of specified products through notified Land Customs Stations of the North Eastern Region shall be provided additional incentive to the extent of 1% of FOB value of exports. This benefit shall be in addition to any other benefit that may be available under Foreign Trade Policy in respect of these exports.
- To promote exports of 16 identified green technology products, export obligation for manufacturing of these products, under the EPCG Scheme, is being reduced to 75% of the normal export obligation. The 16 categories are: equipment for solar energy decentralized and grid connected products, bio-mass gassifier, bio-mass/waste boiler, vapour absorption chillers, waste heat boiler, waste heat recovery units, unfired heat recovery steam generators, wind turbine, solar cells, solar collector and parts thereof, water treatment plants, wind mill, wind turbine/engine, other generating sets; wind powered, electrically operated vehicles – motor cars, electrically operated vehicles – lorries and trucks, electrically operated vehicles – motor cycles/mopeds.
- Agri Infrastructure Incentive Scrip shall now be eligible for import of 14 specified equipments for setting up of pack-houses. The 14 categories of equipment are: packing grading equipment for fruits and vegetables, equipment for ripening of fruits including ethylene generator, adiabatic humidifiers for cold rooms, gas sensor and controlled system covering CO<sub>2</sub>, ethylene and oxygen levels, ethylene scrubbers, CO<sub>2</sub> scrubbers, blast freezers for IQF plants, doors for gastight rooms, applications like CA, banana/fruit ripening, nitrogen generators, gas controlling systems for CA stores, bulk bins for CA stores, reach stakers for cold stores and warehouses, belt driven conveyors for bulk handling of cargo, gantry cranes, unloading, mechanized loaders for bulk and break bulk cargo.
- 10% of the value of Status Holders Incentive Scrip (SHIS) will be allowed to be utilized to import components and spares of capital goods imported earlier. Such a dispensation was not available earlier.
- Now limited transferability of SHIS scrip is allowed. However, such transferee shall have to be (a) a status holder and (b) have manufacturing facility.
- Now all Scrips under Chapter 3 of FTP shall be permitted to be utilized for payment of Excise Duty for domestic procurement. Earlier only scrips under SFIS were so permitted for procurement of goods from domestic market. Now all scrips would be permitted to source from domestic market so as to encourage manufacturing, value addition and employment. This will be an important measure for import substitution and will help in saving of foreign exchange in addition to creating additional employment.
- Export of handicraft items and export of hand-made wool carpets including other floor coverings like wool durries, druggets, gabbas, namdhas and shaggy shall not be allowed on the basis of "Delivery against Acceptance (DA)" terms, unless they are covered by bank guarantee or ECGC guarantee. This would significantly protect the business and financial interests of small exporters.
- Import under Advance Authoriza-

## Exporters hail Mukherjee for President

Complimenting Mr Pranab Mukherjee as the UPA's choice for the Presidentship, Mr M. Rafeeqe Ahmed, President, FIEO, said he is the most suitable candidate for the highest constitutional post in the country.

The FIEO Chief said Mr Mukherjee has wide and rich experience of working in key Ministries and his exposure in Commerce, Finance, External Affairs and Defence has made him a visionary. Pranab Da, as he is popularly called, has contributed significantly to exports which crossed the milestone of \$300 billion last fiscal. Exporters look forward to his elevation to the coveted post of President of the country.

tion (AA) will henceforth be permitted at any of the EDI ports, irrespective of the EDI port in which the AA has been registered. There would be no requirement of Transfer Release Advice (TRA). This would facilitate imports under AA and would significantly bring down the transaction costs of exporters.

- Exports shipments from Delhi and Mumbai through post, courier or e-commerce shall be entitled for export benefits under FTP. An Inter-Ministerial Task Force constituted by the Ministry of Finance would expeditiously look into various aspects to the feasibility of enabling shipments through all postal locations.
- Exporters will be henceforth permitted to give single revolving bank guarantee for different transactions.
- Visakhapatnam Airport has been identified as a new port for the purpose of benefits under export promotion schemes.
- At present duty free import of embellishments is allowed against exports of handloom made-ups, cotton made-ups and polyester made-ups. This facility will now be

extended to the export of synthetic made-ups.

- An extremely challenging and significant EDI initiative, "e-BRC" has been launched by DGFT. "e-BRC" would herald electronic transmission of foreign exchange realization from the respective banks to the DGFT's server on a daily basis. The exporter will not be required to make any request to bank for issuance of Bank Export and Realization Certificate (BRC). This will establish a seamless EDI connectivity amongst DGFT, banks and exporters. "e-BRC" would facilitate early settlement and release of FTP incentives/entitlements. This is a significant step to reduce transaction cost to the exporters.
- DGFT has published a new, updated, ITC (HS) classification of export and import items. On the DGFT website (<http://dgft.gov.in>), a facility has been provided to search/enquire about the current import policy of an item by entering either ITC (HS) Code of that item or brief description of that item. This would be of major help to trade and industry as well to academicians and researchers.
- 7 new markets have been added to Focus Market Scheme (FMS).

These countries are Algeria, Aruba, Austria, Cambodia, Myanmar, Netherlands Antilles, and Ukraine.

- 7 new markets have been added to the Special Focus Market Scheme (Special FMS). These countries are Belize, Chile, El Salvador, Guatemala, Honduras, Morocco, and Uruguay.
- 46 new items have been added to Market Linked Focus Product Scheme (MLFPS). This would have the effect of including 12 new markets for the first time.
- MLFPS is extended till 31st March 2013 for export to USA and EU in respect of items falling in Chapter 61 and Chapter 62.
- 110 new items have been added to the Focus Product Scheme (FPS) list.
- 2 new items have been added to VKGUY. These are roasted cashew kernel, and protein concentrates and textured protein substances.
- 3 new towns are being declared as Towns of Export Excellence (TEE). These are Ahmedabad (Textiles), Kolhapur (Textiles), and Saharanpur (Handicrafts). ■

## Commerce Minister delivered better than what we all expected: FIEO Chief

Commenting on the announcement made by Commerce & Industry Minister through the Annual Supplement of the Foreign Trade Policy (FTP), Mr M. Rafeeqe Ahmed, President, FIEO, said that in the wake of the contraction of global demand and the impending Euro zone crisis, the support extended through FTP is tremendous and will help in imparting competitiveness to exports. The extension of interest subvention to include processed agricultural products, ready-made garments and toys and sports goods besides carpets, handicrafts, handloom and SMEs till March 2013 offers great relief to the export sector, said Mr Ahmed.

Post-export EPCG will help in reducing transactions, and an additional window may be availed by a large number of companies who are averse to managing EPCG's large docu-

mentational requirement, he observed.

The focus of policy is on India's North East which is a novel and excellent idea. The reduction of export obligation under EPCG to 25% and 1% additional benefits exports through land customs will encourage manufacturing and boost border trade. The FIEO Chief welcomed domestic sourcing under Status Holder Incentive Scrip and Agri-Incentive Scrip which will help in utilisation of these benefits and simultaneously provide a level playing field to domestic manufacturers. Mr Ahmed welcomed the support given to e-commerce by extending export benefits for shipment through Delhi and Mumbai and formation of a committee to look into the various aspects of e-commerce, which has great potential and can provide a direct selling platform to MSME exporters.