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# Foreign Trade Policy 2015-20

- Basic Thrust of the Policy
- Key Schemes
- Features of each Schemes
- Key Takeaways

# BASIC THRUST OF THE POLICY

## ➤ Simplification

- No need to submit Hard copies of AA Applications.
- Clarity in the Services Exports Scheme.
- Post verification of Documents
- Online submission of IEC

## ➤ Reduction of transaction Cost

- Upload of Chapter 3 applications
- Upload of Landing Certificate
- Upload of Chartered Account / Chartered Engineer Certificate

## ➤ Users Comfort

- Various provisions now brought together – Export Obligation Extension
- Countries divided into 3 Logical groups

# BASIC THRUST OF THE POLICY

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## ➤ Removal of Ambiguity

- Duty Exempted under Exemption Schemes clearly stated
- Under Para 3.14 of FTP, transitional arrangement for Chapter 3 scheme.

## ➤ Rationalization

- Use of Chapter 3 scrips made at par
- Status Certificate on Forex Earning

# KEY SCHEMES

- Chapter 3 – MEIS / SEIS / Status Holders
- Chapter 4 – Advance Authorisation and DFIA
- Chapter 5 – EPCG
- Chapter 6 – EOU
- Chapter 7 – Deemed Exports
- Chapter 8 – Quality Complaints and Trade Disputes

# Chapter 3

## Merchandise Exports from India Scheme (MEIS)

1. Objective – Promoting High Import Intensity goods, Employment Potential, Enhancing India's Export Competence.
2. Entitlement – As per Appendix 3B , Rates vary from 2/3/5 countries listed in A,B and C List.
3. Freely transferable and used for payment of Custom Duty, Excise Duty, Service Tax, Fees.
4. Ineligible Categories – Supplies from DTA to SEZ, SEZ /EOU products exported through DTA units, Sugar, Cereals, Ores, Petroleum Products, Milk and Milk products, MEP Products , Restricted Prohibited products, Meat and Meat Products, Precious Metal Products.

# Chapter 3

## Merchandise Exports from India Scheme (MEIS)

1. Simple Procedure – Online Filing only. Upload Scanned Landing Certificate , No need to submit hard Copy.
2. Post Verification – Retain document for 3 years, will be chosen randomly by system.
3. Declaration of Intent – For all Shipping bills from 1/06/15, Rs. 1000 per application fee.
9. Changes – FPS / FMS/ MLFPS merged into one scheme, SEZ Exports allowed the benefit, simple procedure reducing transaction cost, Exports of goods through courier using E – commerce for value of rupees upto 25,000.
10. Irritants – Grouping for some exporters, disallowing exports to SEZ.

# Chapter 3

## Service Exports from India Scheme (SEIS)

- Encourage Export of notified services from India.
- Eligibility
  - 1) Notified Services only as in appendix 3D.
  - 2) Rendered in the manner as per Para 9.51(i) and Para 9.51 (ii)
  - 3) Now, Net free Foreign exchange of USD 15000 or 10000 (proprietor) in preceding FY.
  - 4) Payment in INR for services in Appendix 3E.
  - 5) NFE / Gross earning minus Expenses related to Service Sector.
  - 6) At the time of rendering service have to have an active IEC.
- Ineligible categories
  - 1) Forex earning unrelated to rendering of service like Loans, Equity, Sale of Securities etc
  - 2) Payment of Services received from EEFC account.
  - 3) services rendered by units operating under SEZ / EOU / EHTP / STPI / BTP or supply of services to such units.
- Unique Features
  - 1) Scrips – Freely transferable
  - 2) Can pay all kinds of Duties, Goods also covered for Duty payment
  - 3) CENVAT and Drawback as in MEIS available.
  - 4) Yearly submission and post issue verification
  - 5) Eligibility on 'Location' as against 'Indian Service Provider'



# Chapter 3

## Status Holder

- All exports of goods, services and Technology having IEC number.
- Export performance of current and Previous 2 Financial years.
- Export performance on FOB in Free Foreign Exchange.
- Status Category from One to Five Star Export House.
- Double weightage for ISO, MSME only for one Star Export House.
- SCOMET Item and Deemed Exports Eligible.
- Privileges- LUT facility, for Three star and above accredited Clients programme (ACP), Manufactures and Three and above Star house to self certify their manufactured goods for PTA, FTA as originating from India.

# Status Holder

Status Category	Export performance FOB/FOR (as converted) Value ( in US \$ million)
One star Export House	3
Two Star Export House	25
Three Star Export House	100
Four Star Export House	500
Five Star Export House	2000

# Chapter 4

## Advance Authorization

- The scheme provides for issue of Advance Authorization(AA) and Duty free Advance Authorization(DFIA) for import of relevant raw material which would include consumable, catalyst and fuel.
- Para 4.05 – AA for Pharma products manufactured through Non Infringing process for manufacturer exporter only.
- The broad contour of AA scheme remain same like Physical /Deemed Exports included, 15% Value Addition, specific inputs be declared in Shipping Bill, Import validity of 12 months plus 6 months and Export validity of 18 months plus 6 months with conditions, Domestic Sourcing allowed, Export to SEZ considered if realized for Foreign Currency Account. Local Procurement, Clubbing, Bond waiver, Regularization, maintenance of record for 3 years provisions remain same.
- In addition to basic duty, CVD, Anti dumping duty and safeguard duty now Transition product specific safeguard duty is also exempted for imports under AA. (Custom notification 18/2015)

# Chapter 4

## Advance Authorization

- Further, for exports products falling in category of defense, Aerospace and nuclear energy, the export obligation period is 24 months or the contract period whichever is more, as against 18 months for all other exports.
- Simplification – Upload application for issue of AA revalidation etc and relevant documents
- Export Obligation period from the date of clearance of each Import consignment - Drugs from unregistered sources (12 months), Penicillin and its salts (12 months), Drugs (with a specific export Order and pre import condition (12 months)), No extension in EO allowed.
- NI process – Application in ANF 4E, Input Combination shall be certified by CE (Chemical) after due verification as given in Abbreviated New Drug Application (ANDA) – Drug Master File (DMF) of the applicant, No need for Norms Committee Confirmation, Available even for Fixed Norm cases, Redemption on the basis of Excise certificate, records to be maintained for 3 years.
- Irritant – For Deemed exports to EPCG Holder ADD, SD and TP, SSD not exempted.

# Chapter 4

## Duty Free Import Authorization

- DFIA scheme is totally revamped. The scheme allows for import of relevant raw material, consumables and catalyst for a DFIA which will be issued only after completion of exports. The DFIA will be freely transferable right from issue and would be valid for 12 months from date of issue.
- The value addition prescribed is 20% and it is issued for products covered by SION and each scrip will cover one product of export.
- The duty exemption now available against the DFIA is restricted to only basic custom duty. CVD being not exempt shall be adjusted as CENVAT credit.
- Merchant exporter tied with supporting manufacturer can also avail the DFIA.

# Chapter 7

## Deemed Exports

- Objective – To provide level to playing Field to Domestic Manufacturers in certain specified cases.
- Transactions in which goods supplied do not leave country and payment of such supplies is received either in INR or in Forex provided goods are manufactured in India.
- Para 7.02
  - a) Supply of goods to AA/ DFIA
  - b) Supply of goods to EOU/ STP / EHTP/ BTP
  - c) supply of CG against EPCG Authorisation
  - d) Supply of Freight Containers by 100 % EOU.
  - e) Supply of fgoods to projects financed by Multilateral or Bilateral Agencies / Funds as notified by DEA (appendix 7A) with ICB condition
  - f) Supply of goods for projects covered by notification 12/2012, megapower projects.
  - g) Supply of goods to UN organisation as per Appendix 7B
  - h) Supply of goods to Nuclear Power Projects
- Para 7.03
  - a) AA/DFIA
  - b) Deemed exports DBK
  - c) Refund of TED, if exemption is not available
- Conditions for Refund of TED – Buyer not to avail CENVAT, Goods are not exempted ab-Initio (ICB, Intermediate goods, Goods procured by EOU.
- Irritants – Appendix 7A covers only IBRD and ADB, JICA, SIDA etc disallowed, supply to EPCG holder not exempted from ADD, Custom Notification 21/15.

# MLFPS for Pharma Sector

SL. NO	FOCUS PRODUCT CODE	ITC (HS) CODE	DESCRIPTION OF PRODUCT/ SECTOR	LINKED MARKET (S) FOR FOCUS PRODUCT (S) / SECTOR (S)	RATE PERCENTAGE
52	52	30	Pharma Products	ALGERIA, BRAZIL, EGYPT, KENYA, NIGERIA, SOUTH AFRICA, TANZANIA, UKRAINE, AUSTRALIA, NEW ZEALAND, CAMBODIA AND VIETNAM (CHINA AND JAPAN ADDED FOR BENEFIT W.E.F.1.1.2010 VIDE PN 30 DATED 12.1.2010)	2%

# About Corporate India Advisors

- Promoted by three partners having rich experience in Indirect tax matters.
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THANK YOU

