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*Demystifying Complexities*

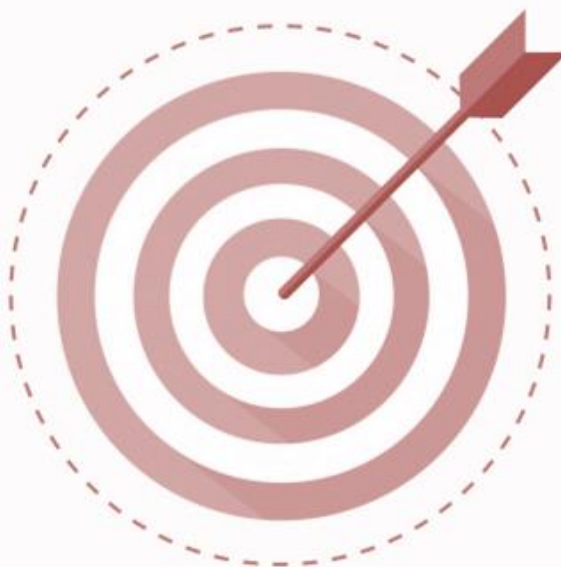
# Mid-term review of Foreign Trade Policy 2015-20



## Background

The mid-term review of the Foreign Trade Policy 2015-20 (FTP) was initially scheduled for July 2017. However, the revised policy was released after considering the feedback and concerns post implementations of Goods and Services Tax (GST). The objective of this mid-term review is to restore the incentive schemes being offered under the FTP, alignment with GST and trade facilitation with specific emphasis on Micro, Small and Medium Enterprise and service sectors.

The revised Foreign Trade Policy 2015-20 shall be effective from **5 December 2017**.



# Highlights of the Revised Foreign Trade Policy 2015-20

## Exports from India Scheme

- Incentive increased by 2% under Merchandise Exports From India Scheme (MEIS) & Service Exports From India Scheme (SEIS) from 1 November 2017 till 30 June 2018 for labour intensive Micro, Small and Medium Enterprise ('MSME') sectors which include leather, agriculture, carpets, hand tools, handloom, handicrafts, medical and scientific products and telecom equipment/ components etc. Services to include Legal, Accounting, Architectural, Engineering, Education, Hotels & Restaurants, Hospitals etc.
- Validity period of duty scrips increased from 18 to 24 months.
- Minimum export performance condition relaxed from 2 out of 3 years to 2 out of 4 years for the purpose of 'status holder'.

## New Trust based self-ratification scheme

- Advance authorization can now be issued basis applicant specific prior norms as fixed or on the basis of self-ratification scheme.
- Trust based self-ratification scheme has been introduced for exporters to apply for advance authorization wherein Standard Input Output Norms ('SION') / valid adhoc norms are not notified. Scheme presently extended to exporters holding Authorised Economic Operator status with Customs.
- Special advance authorization scheme introduced for export of articles of apparel and clothing accessories. The scheme is not eligible for specified products like bio-technology items, insecticides, etc.

# Highlights of the Revised Foreign Trade Policy 2015-20

## Export Promotion Capital Goods (EPCG) scheme

- Specified capital goods not allowed to be imported under Export Promotion Capital Goods (EPCG) scheme. Negative list to be notified.
- Specific restriction on import of second-hand capital goods has been removed.
- Stock transfer of capital goods imported under EPCG allowed between units of the same company.

## Export Oriented Unit (EOU) Scheme

- Earlier restriction of domestic tariff area (DTA) sale up to 50% of the Free on Board (FOB) value of exports has been dispensed with or units operating under Export Oriented Unit (EOU) scheme.
- Now EOUs (except units engaged in packaging/ labelling/ segregation/ granulation etc.) can supply its products/ services without any upper limitation but upon the condition of fulfillment of positive net foreign exchange earnings (NFE).
- Provisions related to procurement by EOU synchronized with GST provisions (Notification 48/2017-Central Tax) pertaining to deemed exports.
- Relaxation in procedure related to applications and approvals for setting up units under EOU scheme and conversion into an EOU / EHTP / STP / BTP.
- Procedure for transfer of manufactured goods, capital goods and goods between EOUs prescribed. Such transfer subject to payment of applicable GST and Compensation Cess.

# Highlights of the Revised Foreign Trade Policy 2015-20

## Deemed Exports

- Definition of 'Deemed exports' amended to include the supplies as notified under the GST laws (section 147 of the CGST Act)
- Benefits of deemed export to be available for supplies effected till 30 June 2017. New provisions shall apply in respect of supplies made after aforementioned date.

## General Provisions Regarding Imports and Exports

- Procedure for application of the Import-Export Code ('IEC') streamlined. Permanent Account Number ('PAN') equalized to the IEC and will be separately issued by DGFT based on an application.
- Imported goods may be re-exported, as per law, if found defective or not as per specifications.
- Exporters can self-certify the statement of the origin of their goods, as per the Self-Certification scheme.
- Procedure for clearance of warehoused goods aligned with the Customs law.

## Definitions modified

- Definition of drawback on deemed exports removed.
- Definition of "E-commerce" added.
- Export of engineering goods on deferred payment terms and execution of turnkey projects included under the ambit of this policy.
- An appendix specifically prohibiting any kind of direct or indirect import and export from/to the Democratic People's Republic of Korea inserted.

# Highlights of the Revised Foreign Trade Policy 2015-20

## Legal Framework & Trade Facilitation Proposals

- A new IT-based system by the Reserve Bank of India ('The RBI') called Export Data Processing and Monitoring System ('EDPMS') for monitoring of export and facilitating Authorised Dealer Banks set up.
- The complaint resolution service, Contact@DGFT, has been activated on the Directorate General of Foreign Trade (DGFT) website, wherein exporter/ importer can track the status through assigned reference number.
- Issue of working capital blockage of the exporters due to upfront payment of GST on inputs have been addressed. Now, exporters under Advance Authorization, EPCG and EOU schemes may source inputs / capital goods from outside India as well as domestic suppliers for export without upfront payment of GST. Introduction of e-wallet system from 01 April 2018 to address liquidity issues for the exporters.
- Introduction of message exchange system to include message between Goods and Service Tax Network ('GSTN') and the RBI.
- Merchant exporters have been allowed to pay nominal GST @ 0.1% for procuring goods from domestic suppliers for export

## Miscellaneous

- Revised guidelines and procedure notified for approaching Policy Interpretation Committee and Policy Relaxation Committee.
- As part of trade facilitation, professional team envisaged to support exporters on specific issues.
- New Logistics Division to be established to assist in removing impediments and improving trade related infrastructure through partnership with stakeholders.

Please [Click Here](#) to refer the link for FTP Mid-Term Review (December 2017)

## About KrayMan

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We are a team of professionals comprising of Chartered Accountants, Company Secretaries, Cost and Management Accountants, Lawyers and MBAs who are truly committed in providing timely, professional and quality services to our Clients thereby building a long term relationship with them.

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