

Handbook on Foreign Trade Policy-Incentives, Schemes & Related FAQs (November, 2025)



The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
New Delhi

**Handbook
on
Foreign Trade Policy - Incentives,
Schemes & Related FAQs**



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Foreword

In a rapidly transforming global economy, a well-crafted Foreign Trade Policy plays a pivotal role in driving sustainable and inclusive growth. Foreign Trade Policy (FTP) is crucial for India's economy, reshaping global trade architecture into a dynamic, incentive-driven and efficient framework. As one of the most significant drivers of our economic aspirations, the FTP enhances India's global competitiveness, improves transparency and fosters a business environment aligned with international best practices. By consolidating multiple objectives into a cohesive strategy, the FTP not only simplifies exports but also reinforces India's vision of 'Ease of Doing Business' and sustainable economic growth.

The Institute of Chartered Accountants of India (ICAI), through its GST & Indirect Taxes Committee, has been steadfast in strengthening the country's indirect tax framework by providing valuable inputs on policy formulation and implementation, and by serving as a hub of knowledge and professional excellence. The Committee continues to build capacities and enhance professional competencies through specialised courses, conferences, seminars and digital learning programmes, while reaching out to stakeholders through its publications, newsletters and webinars. By focusing on how the Foreign Trade Policy interfaces with indirect tax laws, it continues to contribute meaningfully to a transparent, efficient and resilient trade and tax ecosystem.

I take this opportunity to commend the GST & Indirect Taxes Committee for coming out with the revised edition of the **'Handbook on Foreign Trade Policy-Incentives, Schemes & Related FAQs'**. This publication provides a comprehensive and practical overview of the provisions relating to various export schemes, enriched with FAQs, procedural guidance and recent amendments. It is designed to serve as a ready reference for members of the profession, industry participants and all other stakeholders navigating the complexities of the Foreign Trade Policy.

I extend my heartiest congratulations to CA. Rajendra Kumar P, Chairman, CA. Umesh Sharma, Vice-Chairman, and all the members of the GST & Indirect Taxes Committee for this timely and valuable publication. Their dedication to providing high-quality, practical guidance to our members is commendable.

I am confident this Handbook will serve as an invaluable resource for our members, empowering them to discharge their duties with greater efficiency and effectiveness.

CA. Charanjot Singh Nanda
President, ICAI

Date: 12.11.2025
Place: New Delhi

Preface

Foreign trade acts as a powerful engine for economic growth, fostering innovation, creating employment and building global partnerships. An effective Foreign Trade Policy is the cornerstone of this endeavour, providing a clear roadmap for exporters and importers. It facilitates the flow of goods and services, encourages investment in technology, and ensures that our industries remain competitive on the world stage.

To demystify the complexities of this policy and empower our professionals, the GST & Indirect Taxes Committee of ICAI is pleased to present the second edition of the 'Handbook on Foreign Trade Policy-Incentives, Schemes & Related FAQs'. Our aim is not merely to reproduce the policy, but to provide a practical, curated guide on the diverse export incentive schemes, their benefits and the procedural nuances of claiming them.

This publication has been thoroughly updated to capture the latest policy landscape. We have incorporated dedicated chapters on critical new frameworks, including the MOOWR Scheme, Promoting Cross Border Trade in the Digital Economy and the Developing Districts as Exports Hub initiative. This new content is presented alongside comprehensively revised guidance on core schemes like RODTEP, EPCG and Advance Authorisation.

We believe this Handbook updated with amendments made up to 31st October 2025 will be an invaluable asset for the entire gamut of exporters - from budding Start-ups and MSMEs to established ones. It is an essential resource for members of ICAI, tax consultants and educators who wish to gain a thorough, practical understanding of foreign trade operations.

We sincerely thank CA. Charanjot Singh Nanda, President and CA. Prasanna Kumar D, Vice-President, ICAI for their encouragement to the initiatives of the GST & Indirect Taxes Committee. We express our gratitude for the untiring effort of CA. Rachita Bhargava who has shared her intellectual expertise in revising this Handbook with the latest changes and CA. Navjot Singh Brar for reviewing this publication. We also thank CA. Shikha Maurya from the Secretariat of the Committee for the technical and administrative assistance provided by her in finalising the Handbook.

We trust this Handbook will be of practical use to all the members of the Institute and other stakeholders. To further this collaborative effort, we

welcome valuable inputs and suggestions from all readers at gst@icai.in.
Your insights are integral to our objective of making GST and indirect taxes truly a good and simple tax.

CA. Umesh Sharma

Vice-Chairman

GST & Indirect Taxes Committee

CA. Rajendra Kumar P

Chairman

GST & Indirect Taxes Committee

Date: 12.11.2025

Place: New Delhi

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Chapter 1

Foreign Trade Policy [FTP]

Foreign Trade Policy

The Central Government in exercise of the powers conferred under Section 5 of the Foreign Trade (Development & Regulation) Act, 1992 formulated and announced, by notification in the Official Gazette, the foreign trade policy. Before the year 2004 foreign trade policy was known as EXIM Policy (Export-Import Policy). The Five-year Foreign Trade Policy (FTP) 2023-28, came into force on 1st April, 2023 provides a framework for promoting exports of goods and service from India.

The legal framework under which Foreign Trade Policy operates consists of:

Legal Instrument	Scope and Authority
FT (D&R) Act, 1992	The parent statute empowering the Government to regulate foreign trade.
Customs Act, 1962	Governs levy of Customs duties, clearance of goods, penalties, confiscation and appeals at port of clearance.
Customs Tariff Act, 1975	Governs the applicable tariff classification and duty rates.
FEMA, 1999	Governs all foreign exchange transactions, including export proceeds realisation.
Other Laws	Various sectoral statutes that regulate import/export of specific goods.

Duration of FTP

The Foreign Trade Policy (FTP) 2023 incorporating provisions relating to export and import of goods and services, shall come into force with effect from 1st April, 2023 and shall continue to be in operation unless otherwise specified or amended. All exports and imports made up to 31.03.2023

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shall, accordingly, be governed by the relevant FTP, unless otherwise specified.

Amendment to FTP

The Central Government is empowered to make amendments to the FTP, by means of notification, in public interest. FTP 2023 is a dynamic and open-ended policy that will adapt to the evolving requirements of the economy. Revised Foreign Trade Policy (2023) notified vide *Notification No. 1/2023 dated 31st March, 2023* issued by DGFT.

FTP 2023's objectives are as follows:

- Incentive for Remission schemes, Export Promotion through collaboration, Ease of doing business, Reduction in transaction costs, E-initiatives, Emerging Areas (e-Commerce developing districts as exports hubs).
- The new FTP 2023 introduces:
- Online approvals without physical interface
- Recognition of new towns through "Towns of Export Excellence Scheme" and exporters through "Status Holder Scheme"
- Streamlining Advance Authorization and EPCG schemes for exports
- Reduced fee structures and IT-based schemes for MSMEs and others
- Four new towns designated as Towns of Export Excellence (TEE)
- Increase in courier-based e-Commerce exports from ₹5Lakh to ₹10 Lakh
- PM MITRA scheme added as an additional scheme eligible for CSP and EPCG benefits
- Reduction in user charges for MSME's under AA and EPCG

License Value in Rupees	Current reduced user charges
Upto 1 Crore	100.00
Above 10 Crores	5,000.00

- Self-certified Certificate of Origin with automatic approval.

- Paperless filling of Export Obligation Discharge Certificate.
- Amendments to the status holder threshold performance.

Status House Category	Previous Threshold Performance (USD Million)	Current Threshold as per FTP 2023(USD Million)
One Star	3	3
Two Star	25	15
Three Star	100	50
Four Star	500	200
Five Star	2000	800

- Rupee Payment to be accepted under FTP schemes.

Whenever, Government brings out a policy change by way of amendment, the change will be applicable prospectively (from the date of Notification) unless otherwise provided for.

Chapters of FTP

FTP is divided in below mentioned Chapters:

Chapter-1	Legal framework and trade facilitation
Chapter-2	General provisions regarding imports and exports
Chapter-3	Developing Districts as Hubs
Chapter-4	Duty Exemption Remission Schemes
Chapter-5	Export Promotion Capital Goods (EPCG) Scheme
Chapter-6	Export Oriented Units (EOUs), Electronics Hardware Technology Parks (EHTPs), Software Technology Parks (STPs) and Bio-Technology Parks (BTPs)
Chapter-7	Deemed Exports
Chapter-8	Quality complaints and trade disputes
Chapter-9	Promoting Cross Border Trade In Digital Economy
Chapter-10	SCOMET: Special Chemicals, Organisms, Materials, Equipment and Technologies

Handbook of Procedures (HBP) and Appendices & Aayat Niryat Forms (AANF)

For purposes of implementing provisions of FT (D&R) Act, the Rules and the Orders made thereunder and provisions of FTP, the Director General of Foreign Trade (DGFT) by means of a public notice, notify in the Hand Book of Procedures, the simple, transparent and compatible procedures which are user friendly and are easy to comply and to be followed by-

- an exporter/importer or
- any Licensing/Regional Authority or
- any other authority such as Customs etc.

The procedures are contained in the following documents: -

- (a) Handbook of Procedures
- (b) Appendices & Aayat Niryat Forms
- (c) Standard Input Output Norms (SION)

Notification of Procedure

Handbook of procedures of Foreign Trade Policy 2023 were notified vide:

— Public Notice No 01/2023 dated 01.04.2023

Comparison of FTP & HBP

Basis	FTP	HBP
Issued by	Central Government	DGFT (Directorate General of Foreign Trade)
Mode	By Notification	By Public Notice
Power of formulation	Under FTDR Act	Under FTP
Supremacy	FTP prevails over Procedure in case of contradiction.	Procedure cannot override the policy.

Chapter of HBP: Same as FTP

Chapter 2

Basic understanding of FTP and its applicability on Exports/Imports

A Foreign Trade Policy (FTP) is a set of rules, regulations, and procedures implemented by a country to manage its trade with other countries. The Director General of Foreign Trade (DGFT) notifies the procedure to be followed by Exporters, Importers, or Regional Authorities (RA) for implementing the policy provisions. To facilitate international trade, the DGFT consults Export Promotional Councils and trade and industries bodies.

A customized online dashboard is available for Exporters/Importers at <https://dgft.gov.in/CP>.

Policy formulation is done by the Central Government (Ministry of Commerce), while procedure specification is done by the DGFT.

Policy regarding import /Exports of goods

- (a) Exports and Imports shall be 'Free' except when regulated by way of 'Prohibition', 'Restriction' or 'Exclusive trading through State Trading Enterprises (STEs)' as laid down in Indian Trade Classification (Harmonized System) [ITC (HS)] of Exports and Imports. The list of 'Prohibited', 'Restricted', and STE items can be viewed under 'Regulatory Updates' at <https://dgft.gov.in>
- (b) Further, there are some items which are 'Free' for import/export, but subject to conditions stipulated in other Acts or in law for the time being in force.

ITC (HS):

- The Indian Trade Classification (Harmonised System) (ITC (HS)) provides a coding system for all goods exported or imported, organized at 2, 4, 6, and 8 digits.
- It is aligned with the international Harmonized System (6 digits) of the World Customs Organization, while India maintains an 8-digit classification, available on the DGFT and CBIC websites.

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- The Import Policy is listed in Schedule 1 of ITC (HS) and the Export Policy in Schedule 2.
- Unless stated otherwise, the Import Policy applies to new goods only. The import of second-hand goods is governed by Para 2.31 of the FTP.

Importing Inputs without Compliance to Mandatory QCOs

QCOs are mandatory standards notified under the BIS Act, 2016. Once notified, import of those goods is restricted unless they carry BIS certification (ISI/CRS mark).

From a Customs law angle, non-compliance makes such goods prohibited under Section 11 of the Customs Act.

FTP 2023 introduces a more restrictive import framework in line with “Atmanirbhar Bharat” and consumer safety.

However, Chapter 2 establishes a framework outlining specific conditional areas where the application of QCOs/BIS is not applicable during the importation of goods into India. These conditions may include:

Advance Authorization (AA):

- Inputs can be imported without QCO compliance only if they meet the following conditions:
 - They are a pre-import condition.
 - They are exclusively used for export production.
- Exemption must be specifically endorsed on the AA.
- Unused inputs or finished goods containing such inputs cannot be sold in DTA (even after regularization).
- The disposal of unutilized inputs must be destroyed under GST/Customs supervision or re-exported. This will attract MFN duty, interest, and a 10% CIF composition fee.
- Exemption applies only to physical exports (no deemed exports).
- No clubbing of authorizations is permitted.

Basic understanding of FTP and its applicability on Exports/Imports

- Export obligation:
 - Standard Export Order (EO) period applies (4.40 HBP), except for textiles and chemicals (180-day EO period).
- Exemption is not available for the DFIA scheme.

Export Orders (EOUs):

- Inputs can be imported without QCO if they are exclusively used for export production.
- No clearance in DTA is required for such inputs or goods.
- An undertaking must be provided to Customs and Development Commissioner.
- Exemption applies only to physical exports (no deemed exports).

Special Economic Zones (SEZs):

- Similar to EOUs:
 - No QCO requirement for inputs intended for export production.
 - No clearance in DTA is required.
 - An undertaking must be provided to Development Commissioner.
- Exemption applies only to physical exports (no deemed exports).

Mandatory Documents for Export/Import of Goods from/Into India

A. Mandatory Documents Required for Export of Goods from India:

1. Bill of Lading/Airway Bill/Lorry Receipt/Railway Receipt/Postal Receipt.
2. Commercial Invoice and Packing List.
3. Shipping Bill/Bill of Export/Postal Bill of Export.

Mandatory Documents Required for Import of Goods into India

1. Bill of Lading/Airway Bill/Lorry Receipt/Railway Receipt/Postal Receipt in the form of CN-22 or CN 23, as applicable.

2. Commercial Invoice and Packing List

3. Bill of Entry

[Note: (i) As per CBIC Circulars issued under the Customs Act, 1962. (ii) Separate Commercial Invoice and Packing List would also be accepted.]

For the purpose of exporting or importing specific goods or categories of goods that are subject to any restrictions, policy conditions, or requirements for No Objection Certificates (NOCs) or product-specific compliances under any applicable statute, the regulatory authority may request the submission of additional documentation for export or import purposes.

Export/Import of Restricted Goods/ Services

Any goods /service, the export or import of which is 'Restricted' may be exported or imported only in accordance with an Authorisation Permission or in accordance with the Procedures prescribed in a Notification / Public Notice issued in this regard.

Actual User Condition

Importable goods that are freely available without any restrictions can be imported by any individual. However, if such imports necessitate an authorization, only the Actual User is permitted to import such goods unless the Actual User condition is specifically waived by the DGFT.

Issue of e-IEC (Electronic Importer Exporter Code)

Each Exporter/Importer is required to apply for an IEC (Import Export Code) on the DGFT portal to obtain a unique code for all their operations. The IEC must be annually updated by its holders between April and June, as per Notification number 58/2015-2020 dated February 12, 2021. Failure to update the IEC within the stipulated timeframe may result in its deactivation. Therefore, businesses must adhere to the deadline. This can be accomplished by updating the IEC through the IEC profile management on the DGFT portal. The IEC is specific to a PAN holder, and only one IEC can be granted to a PAN holder.

IEC Modification

IEC modification involves altering or updating the information contained within an existing IEC document.

Modifiable Elements

The following elements can be modified:

- Entity name
- Address
- Bank details
- Directors, partners, or members' information
- Branch details

Online Facility for E-RCMC/RC Related Processes

The Registration-cum-Membership Certificate (RCMC) is a pivotal document for Indian exporters, primarily serving to authenticate their registration with a designated Export Promotion Council (EPC) or other authorized entity. Its primary objective is to verify compliance with regulatory standards and facilitate eligibility for various government incentives and programs.

Individuals holding an International Electrotechnical Commission (IEC) license can conveniently register for the RCMC through the unified Directorate General of Foreign Trade (DGFT) portal. Subsequently, amendment, renewal, and related processes can be seamlessly executed electronically.

Online Facility for E-Certificate of Origin (e-COO)

An E-Certificate of Origin (e-COO) serves as a digital document that verifies the country of origin of a product. It holds significant importance in international trade, as customs authorities frequently require it to ascertain tariffs, duties, and ensure compliance with trade agreements. Additionally, the e-COO facilitates the verification of a product's "nationality" and can be utilized to claim tariff reductions or other benefits under specific trade agreements.

The process of obtaining an e-COO can be conveniently undertaken online at the following link: coo.dgft.gov.in

Interlinking of DGFT-CUSTOMS-RBI

The Directorate General of Foreign Trade (DGFT), Customs, and the Reserve Bank of India (RBI) are interconnected in India's trade ecosystem, primarily through the Foreign Exchange Management Act (FEMA) and associated regulations. DGFT, under the Ministry of Commerce and Industry, sets policies and procedures for imports and exports, while Customs, part of the Central Board of Indirect Taxes and Customs (CBIC), enforces these policies. The RBI, as the central bank, regulates foreign exchange transactions, including those related to trade. This interlinking ensures that trade activities comply with both domestic and international regulations.

Interlinking and Coordination

1. e-BRC (Electronic Bank Realisation Certificate): A pivotal mechanism for interlinking is the e-BRC system. Banks directly transmit Inward Remittance Messages (IRMs) to the Directorate General of Foreign Trade (DGFT), confirming the receipt of export proceeds by exporters, as per a DGFT document. This streamlined process facilitates various export promotion schemes.
2. Export Data Processing and Monitoring System (EDPMS): The Reserve Bank of India (RBI) has developed the EDPMS for monitoring export data and facilitating Authorized Dealer (AD) banks in reporting returns to the DGFT.
3. Import Data Processing and Monitoring System (IDPMS): Similar to the EDPMS, the IDPMS tracks import transactions through the banking system. Customs modifies the Bill of Entry format to display the AD Code of the bank.
4. API Message Exchange: The DGFT has established API message exchange systems with CBIC (for Import Export Certificates, authorizations, shipping bills, and bills of entry), CBDT (for PAN-related services), RBI (for Export Realisation details), and other agencies for various data sharing and communication.

Chapter 3

Exports Incentive Schemes

Introduction

India has implemented various export promotion schemes to foster business growth and facilitate international trade expansion. These schemes provide financial support, tax advantages, and other incentives to exporters, thereby encouraging them to engage in cross-border trade.

These schemes can be categorized into the following varieties:

1. Duty Exemption Schemes
2. Remission Schemes
3. Other Financial Assistance Schemes

Key schemes associated with Duty Exemption and other related schemes can be summarized as follows:

Export Promotion Capital Goods (EPCG) Scheme

This scheme enables exporters to import capital goods at zero duty for use in producing goods for export. The exporter must fulfill a corresponding export obligation.

Advance Authorization Scheme (AAS) & Duty-Free Input Authorization (DFIA) Scheme:

This scheme facilitates the duty-free import of raw materials, packaging materials, and fuel necessary for export production.

Merchandise Exports from India Scheme (MEIS)

This popular scheme distributed duty credit scrips to exporters of notified goods to notified markets. However, it has been discontinued effective January 1, 2021, as per Notification Number 30/2015-2020.

Remission of Duties and Taxes on Exported Products (RoDTEP)

This scheme offers rebates on central, state, and local duties, taxes, and levies that are not refundable under other schemes. It was launched to replace the renowned MEIS Scheme.

Duty Drawback

This scheme enables exporters to claim refunds on duties paid on imported inputs utilized in the production of goods subsequently exported.

Export Oriented Units (EOU)

This scheme provides a favorable environment for 100% export-oriented companies, including tax exemptions and concessions.

Market Access Initiatives (MAI)

This scheme is designed to enhance India's export performance by offering support to exporters in expanding their market reach or augmenting their market share.

Key Schemes

- **Interest Equalization Scheme (IES):** The IES assists exporters by mitigating the borrowing costs associated with pre- and post-shipment export credit.
- **Financial Assistance Scheme (FAS):** APEDA's Financial Assistance Scheme (FAS) is an export promotion initiative for agri-products, running from 2021-22 to 2025-26, that provides financial aid to member exporters for infrastructure and quality development, including packhouses, cold storage, pre-shipment treatment facilities, lab equipment, and quality management systems.
- **Gold Card Scheme:** This scheme extends credit facilities to eligible exporters, including those from the small and medium sectors. It offers benefits such as automatic credit limit renewal and relaxed security requirements.

Now, let us delve into a comprehensive discussion on the key FTP schemes.

Advance Authorization (AA)

The Advance Authorization Scheme is a government program that permits the duty-free import of inputs into products destined for export, provided that these inputs are physically incorporated into the final product. This arrangement is subject to a standard allowance for potential wastage.

Furthermore, fuel, oil, and catalysts consumed or utilized during the production process of export products are also eligible for duty-free import.

It is important to note that the government typically sets export obligations as a prerequisite for the issuance of such advance authorizations.

Key Features of the Scheme

The primary objectives of the scheme are to facilitate the following:

- A. Duty-free import of inputs for export production, granting an upfront exemption.
- B. Tax-free domestic sourcing of inputs through the refund route.
- C. The replenishment of inputs utilized in export production.
- D. The remission of duties paid on inputs for export production.

Components of the Scheme

- (a) The Scheme comprises the following components:
- (b) Advance Authorization (AA)
- (c) Advance Authorization for Spices
- (d) Special Advance Authorization Scheme for the Export of Articles of Apparel and Clothing Accessories Covered Under Chapter 61 and 62 of the ITC(HS) Classification of Export and Import
- (e) Schemes for Exporters of Gems and Jewelry
- (f) Advance Authorization for Annual Requirement and Eligibility Requirement

Basis on which the inputs for the resultant producer can be allowed:

- Compliance with standard input output norms (SION); or

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- Applicant-specific prior fixation of norm by the Norms Committee as per Para 4.06 of the Handbook of Procedures (HBP); or
- Self-declaration as per Para 4.07 of the Handbook of Procedures (HBP); or
- Self-Ratification Scheme in accordance with Para 4.07A of the Foreign Trade Policy (FTP).

Eligible Applicant

Advance authorization can be issued:

- to manufacturer exporter or
- to merchant exporter tied to supporting manufacturer
- for pharmaceutical products manufactured through non-infringing (NI) process, it will be issued to the manufacturer exporter only.

Eligible Export / Supply

Advance authorization shall be issued for:

- Physical export (including export to SEZ);
- Intermediate supply; and/or
- Deemed exports in terms of Paragraph 7.02 (b), (c), (e), (f), (g) and (h) of FTP
- Supply of “stores” on board of foreign going vessel / aircraft, subject to the condition that there is specific Standard Input Output Norms in respect of the item supplied.

Validity of Advance Authorization for Imports

- (i) The validity period for import under advance authorisation shall be 12 months from the date of issue of authorization.
- (ii) For Advance Authorisation, only **ONE revalidation for twelve months** from the expiry date will be allowed. No further revalidations will be allowed for such authorisations. Applications for any such revalidation may be submitted online to the concerned Regional Authority (RA).

Export Obligation Period and its Extension

The time period for fulfillment of the export obligation under advance authorisation shall be 18 months from the date of issue of authorisation. The time limit for EO fulfillment under an advance authorisation shall commence from date of issue of authorisation, unless otherwise specified.

RA may consider a request of Advance Authorisation holder for one extension of EO period upto six months from the date of expiry of EO period on payment of composition fees as prescribed in the handbook.

Request for further extension after the first extension shall be considered by the RA on payment of prescribed fees and also submit a self- declaration to RA stating that the unutilized imported/domestically procured inputs are available with the applicant.

Domestic Sourcing of Inputs

The holder of an advance authorisation can procure inputs from indigenous supplier/ State Trading Enterprise/ EOU/ EHTP/ BTP/ STP in lieu of direct import. Such procurement can be against advance release order (ARO), or invalidation letter.

Whereas a document that confirms the supply of goods from a Special Economic Zone (SEZ) to a domestic manufacturing unit is called as a **Certificate OF Supplies(COS)**.

Currency for Realisation of Export Proceeds

- (i) Export proceeds shall be realized in freely convertible currency except otherwise specified.
- (ii) Export to SEZ units shall be taken into account for discharge of export obligation provided the payment is realised from foreign currency account of the SEZ unit.
- (iii) Export to SEZ developers/ co-developers can also be taken into account for discharge of export obligation even if payment is realised in Indian Rupees.

Clubbing of Authorisations

The facility of clubbing shall also be available for advance authorisations for meeting the annual requirement. The request for clubbing shall be made in Form ANF - 4C to the concerned RA who has issued the authorisations. Only such authorizations shall be clubbed which have been issued within 24 months from the date of issue of earliest authorization that is sought to be clubbed, whether such authorizations are valid or not.

This is further subject to the condition that upon clubbing only **imports** made within 30 months from the date of issue of earliest authorization shall be considered. Imports made beyond 30 months of the earliest authorization shall be regularized as per the procedures.

This is further subject to condition that upon clubbing only **exports** made within 48 months from the date of issue of earliest authorisation shall be considered. Any exports made beyond 48 months of earliest authorisation shall not be acceptable for clubbing.

Inputs which are common in all Authorisations shall be clubbed and duty free inputs shall be accounted for as per SION/Ad-Hoc Norms fixed by NC. In other words all inputs covered in all Authorisations need not be same.

Facility to enhance or reduce the value of Authorization

Enhancement/ reduction in CIF value, quantity of inputs, FOB value and quantity of exports of an Advance Authorisation. However, Value Addition after such enhancement does not fall below minimum Value Addition stipulated (for the export product) in FTP and Handbook of Procedures laid there under and there is no change in input-output norms and FTP under which Advance Authorisation was issued.

The application shall be filed online in ANF 4D to concerned Regional Authority.

Details of Duties exempted under Advance Authorization

Imports under advance authorization are exempted from payment of:

- Basic customs duty,

- Additional customs duty,
- Social welfare surcharge
- Anti-dumping duty,
- Countervailing duty,
- Safeguard duty,
- Integrated tax levied under Customs Tariff Act, 1975 up to the period notified by CBIC,
- Compensation cess levied under Customs Tariff Act, 1975 up to the period notified by CBIC.

Actual User Condition for Advance Authorization

- Advance authorization and / or material imported under advance authorization shall not be transferable even after completion of export obligation. However, the authorization holder will have an option to dispose of products manufactured out of duty-free input once the export obligation is completed.
- Waste / scrap arising out of manufacturing process, as allowed, can be disposed off on payment of applicable duty even before fulfillment of export obligation.
- In case where CENVAT/input tax credit facility on input has been availed for the exported goods, even after completion of export obligation, the goods imported against such Advance Authorisation shall be utilized only in the manufacture of dutiable goods whether within the same factory or outside (by a supporting manufacturer). For this, the Authorisation holder shall produce a certificate from Chartered Accountant at the time of filing application for Export Obligation Discharge Certificate to Regional Authority concerned.

Import/Export of items that are on Prohibited/Restricted/STE lists

- No export or import of prohibited item shall be allowed under advance authorization / DFIA.

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- Items reserved for imports by STEs cannot be imported against advance authorization / DFIA; however these items can be procured from STEs against ARO or invalidation letter or on high sea sale basis or can be imported against “no objection certificate (NOC)” for import from STEs by the holders of advance authorization / DFIA holder.
- Items reserved for export by STE can be exported under advance authorization /DFIA only after obtaining a “no objection certificate” from the concerned STE.
- Import of restricted items allowed under advance authorization/ DFIA with specific and prior approval or permission of the DGFT.

Value addition [VA]

- Minimum value addition required to be achieved under advance authorization is 15%.
- Export products where value addition could be less than 15% are given in Appendix 4D.
- In case of tea, minimum value addition shall be 50% and 25% in case of spices.
- In case of DFIA the minimum value addition is 20%.
- Minimum value addition for gems & jewelry sector as given in Foreign Trade Procedures.

$$VA = [A-B]*100/B$$

where

A =FOB value of export realized/FOR value of supply received.

B =CIF value of inputs covered by authorisation, plus value of any other input used on which benefit of DBK is claimed or intended to be claimed.

Advance Authorization for Annual Requirement Eligibility

- Advance authorization for annual requirement shall be issued only for items notified in Standard Input Output Norms (SION) and not in case of ad hoc norms.
- AA for annual requirement will not be applicable in respect of SION where items of input appear in Appendix 4-J.
- Exporters having past export performance (atleast during the preceding two financial years) shall be entitled for advance authorization for annual requirement.
- *Entitlement in terms of CIF value of imports* shall be upto 300% of the FOB value of physical export and / or FOR value of deemed exports during the preceding financial year or Rs 1 crore, whichever is higher.

Special Advance Authorization Scheme for export of Articles of Apparel and Clothing accessories

- Under this scheme duty free import of relevant fabrics including inter lining as input is allowed; no other input, packing material, fuel, oil and catalyst shall be allowed.
- For non-fabric inputs the exporters shall be eligible for all industry rate of duty drawback. Value of non-fabric input used on which benefit of drawback is claimed or intended to be claimed shall be equal to 22% of the FOB value of export realized.

Terms and Conditions

- Authorization shall be issued based on standard input output norms (SION) or prior fixation of norms by Norms Committee.
- Fabric imported shall be non-transferable even after completion of export obligation.
- Fabric imported shall be subject to actual user condition & hence pre-import will be applicable. Only physical exports shall fulfill the export obligation, deemed export not allowed.
- Invalidation of the authorization shall not be permitted.

Accounting of Inputs

- The name of the input used in the AA must match exactly with the name/description endorsed in the shipping bill.

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- At the time of redemption only the inputs which have been specifically mentioned in the shipping bill along with the quantities must be allowed by the RA.
- The above provisions will be also applicable for supplies made to SEZ and supplies made under Deemed Exports.

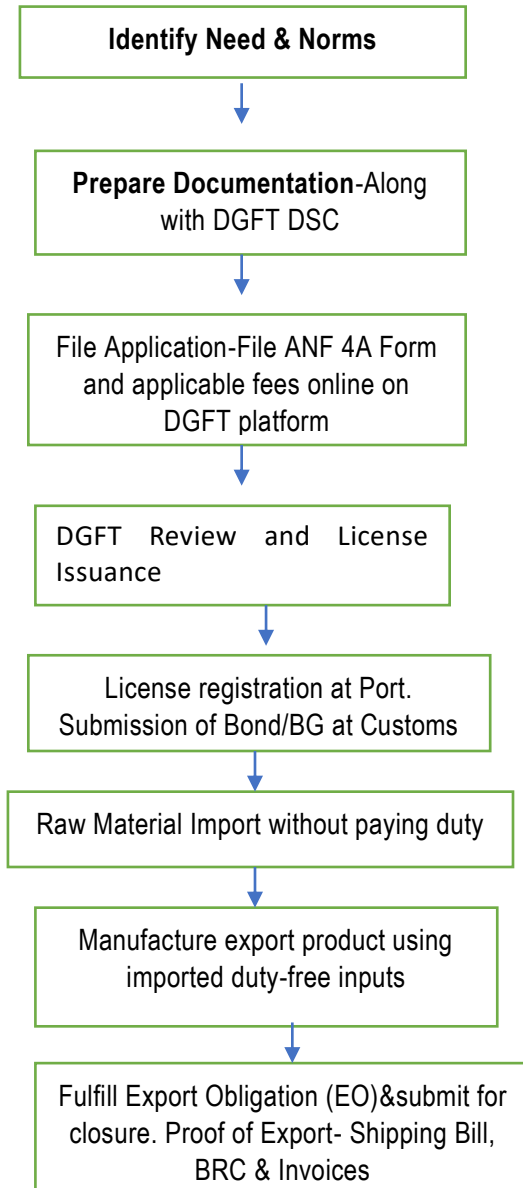
Advance authorization online forms-

- *Issuance of application form:* Form ANF 4A (online application). No physical copy of application is required to be submitted to Regional Authority.
- *Fixation of norms before making an application for advance authorization:* Application in Form ANF 4B.
- Request for clubbing shall be made in Form ANF 4C to the concerned RA who has issued the Authorizations.
- *Export obligation discharge certificate (EODC):* On completion of exports and imports, the authorization holder shall submit online application in ANF-4F for redemption certificate.

Advance Authorization Miscellaneous Provision

- Duty free import of spices permitted only for crushing/ grinding/ sterilization/ manufacture of oils or oleoresins. Authorization shall not be available simply for cleaning, grading, re-packing etc.
- Duty free import of mandatory spares which are required to be exported / supplied with the resultant product permitted to the extent of 10% of CIF value of authorization.

FLOWCHART FOR ADVANCE AUTHORISATION



Duty Free Import Authorisation Scheme (DFIA)

Duty free import authorization (DFIA) is issued on *post export basis* to allow duty free import of inputs, oil and catalyst which is consumed / utilized in the process of production of export product.

Eligibility

- DFIA is issued on post export basis for products for which SION norms have been notified.
- In case of merchant export, mention of the name of supporting manufacturer is important to be mentioned.

No Duty free import authorization shall be issued if for an input which is subject to pre- import condition or where the SION prescribes “Actual User” condition.

Duties Exempted

Duty free import authorization shall be exempted only from payment of basic customs duty (BCD), whereas the component of IGST will have to be paid.

Validity & Transferability of DFIA

- The applicant shall file online application to the Regional Authority concerned for generation of file number before starting export under DFIA.
- While doing export/supply, the applicant shall indicate the file number on the export/supply documents viz. shipping bill / bill of export / tax invoice for supply prescribed under GST rule.
- Separate DFIA shall be issued for each SION.
- Exports shall be completed within 12 months from date of online filing of application.
- RA shall issue transferrable DFIA with a validity of 12 months from the date of issue. No further revalidation shall be granted by Regional Authority.

Schemes for Exporters of Gems and Jewellery

Exporters of Gems and Jewellery can import duty-free input for manufacturing export products, excluding Integrated Tax and Compensation Cess levied under Section 3(7) and 3(9) of the Customs Tariff Act.

Items of Export:

Gold jewelry, including partly processed jewelry, medallions, and coins (excluding legal tender coins), containing gold of 8 carats and above, up to a maximum limit of 22 carats.

Gold religious idols (only gods and goddesses) of 8 carats and above, subject to the following conditions:

- (i) Exports must be subject to 100% examination by the Approved Government Valuer.
- (ii) Foreign remittance must be realized within 3 months of export.
- (iii) Exporters must submit a confirmed export order before effecting export.
- (iv) Distinction must be made between a religious idol and a simply molded gold article/idol.
- (v) Exports may be allowed only by actual manufacturers of such idols.

Advance Procurement/ Replenishment of Precious Metals from Nominated Agencies

- (i) Exporters of gold, silver, and platinum jewelry and articles, including mountings and findings, may obtain gold, silver, or platinum as inputs for export products from the Nominated Agency in advance or as replenishment after export, as per the specified procedure.
- (ii) Replenishment of gold, silver, or platinum will be subject to Customs Notification No. 57/2000-Customs dated 08.05.2000, as amended.

The export must comply with wastage norms and minimum value addition as prescribed in paragraphs 4.59 and 4.60 of the Handbook of Procedures.

Replenishment Authorisation for Gems

- (i) Exporter may obtain Replenishment Authorisation for Gems from the Regional Authority in accordance with the procedure specified in the Handbook of Procedures, as per the replenishment rate prescribed in Appendix 4F. Replenishment Authorisation for Gems is freely transferable.
- (ii) Replenishment Authorisation for Gems may be issued against export, including that made against supply by the Nominated Agency (paragraph 4.40 of FTP) and against supply by a foreign buyer (paragraph 4.44 of FTP).

In the case of studded gold/silver/platinum jewelry and articles thereof, the value of Gem Replenishment Authorisation shall be on the remaining FOB value of exports after deducting the value of gold/silver/platinum with the admissible wastage.

Replenishment Authorisation for Consumables

- (i) Replenishment Authorisation for duty free (excluding Integrated Tax and Compensation Cess leviable under Section 3(7) and 3(9) of Customs Tariff Act) import of Consumables, Tools and other items namely, Tags and labels, Security censor on card, Staple wire, Poly bag (as notified by Customs) for Jewellery made out of precious metals (other than Gold & Platinum) equal to 2% and for Cut and Polished Diamonds and Jewellery made out of Gold and Platinum equal to 1% of FOB value of exports of the preceding year, may be issued on production of Chartered Accountant Certificate indicating the export performance. However, in case of Rhodium finished Silver jewellery, entitlement will be 3% of FOB value of exports of such jewellery. This Authorisation shall be non- transferable and subject to actual user condition.
- (ii) Application for import of consumables as given above shall be filed online to the concerned Regional Authority in ANF 4H.

Advance Authorisation for Precious Metals

- (a) Advance Authorisation shall be granted on preimport basis with 'Actual User' condition for duty free (excluding Integrated Tax and

Compensation Cess leviable under Section 3(7) and 3(9) of Customs Tariff Act) import of:

- (i) Gold of fineness not less than 0.995 and mountings, sockets, frames and findings of 8 carats and above;
 - (ii) Silver of fineness not less than 0.995 and mountings, sockets, frames and findings containing more than 50% silver by weight;
 - (iii) Platinum of fineness not less than 0.900 and mountings, sockets, frames and findings containing more than 50% platinum by weight.
- (b) Advance Authorisation shall carry an export obligation which shall be fulfilled as per procedure indicated in Chapter 4 of Handbook of Procedures.
- (c) Value Addition shall be as per paragraph 4.37 of FTP and 4.60 of Handbook of Procedures.
- (d) Advance Authorisation Scheme is not available where the item of export is 'Gold Medallions and Coins' or 'Gold jewellery/articles manufactured by fully mechanized process'.

Wastage Norms

Wastage or manufacturing loss for gold/silver/platinum jewellery shall be admissible as per paragraph 4.59 of Handbook of Procedures.

Diamond Imprest Authorisation (DIA)

Diamond Imprest Authorization may be granted for the import of Natural Cut and Polished Diamonds, including semi-processed, half-cut, and broken diamonds, each weighing no more than $\frac{1}{4}$ Carat (25 Cents), against which the physical export of Natural Cut and Polished Diamonds has to be carried out. Such Authorisation shall carry an export obligation to achieve a minimum value addition of 10% by realizing in Free Foreign Exchange, within specified time limits, which has to be discharged in accordance with the procedure specified in this behalf. The Diamond Imprest Authorisation does not apply to Lab Grown Diamonds (LGDs).

Eligibility

An exporter with a Two Star Export House status or above, and having achieved a minimum export performance of US\$ 15 million in Cut & Polished Diamonds each year for the past three financial years and having filed all GST and Income Tax returns for those years, may be granted a Diamond Imprest Authorization. This authorization allows the import of Natural Cut & Polished Diamonds up to 5% of the average annual export performance of Cut & Polished Diamonds over the previous three financial years subject to a maximum value of US\$ 15 million.

Export Obligation

The export obligation against each import consignment shall be fulfilled within a period of six months from the date of clearance of such consignment through Customs. All imports and exports shall be made only through Mumbai Air Port. The importer shall be required to maintain relevant/appropriate records of imports & exports for subsequent inspection if any.

Details of Duties exempted

Imports under Diamond Imprest Authorisation are exempted from payment of Basic Customs Duty, Additional Customs Duty, Education Cess, Anti-dumping Duty, Countervailing Duty, Safeguard Duty, Transition Product Specific Safeguard Duty, wherever applicable. Such, imports are also exempt from whole of the Integrated Tax and Compensation Cess leviable.

Actual User Condition and Pre-Import Condition for Diamond Imprest Authorisation

- (i) Diamond Imprest Authorisation and material imported under Diamond Imprest Authorisation shall be subject to 'Actual User' condition. The same shall not be transferable even after completion of export obligation.
- (ii) Diamond Imprest Authorisation is subject to Pre-Import Condition.

Appendix and Aayat Niryat Form (ANF) applicable for various Duty saving schemes

Appendix / ANF	Description
Appendix-4A	Jurisdiction of Regional Authority and Regional Authority competent to issue nominated agency certificate under schemes for gems and jewellery sector.
Appendix-4B	List of nominated agencies
Appendix-4C	Value addition norms for exports for which payments are not in freely convertible currency
Appendix-4D	Value addition norms (below 15%) for specific product(s) under advance authorisations scheme
Appendix-4E	Technical details and data sheet for advance authorisation application on self-declaration
Appendix-4F	Replenishment for gem & jewellery
Appendix-4G	Replenishment scale for gem rep authorisation
Appendix-4H	Register for accounting the consumption and stocks of duty free imported or domestically procured raw materials, components etc. allowed under advance authorization DFIA.
Appendix-4I	Register for accounting the consumption and stocks of duty free imported or domestically procured raw materials, components etc. allowed under Advance Authorization for pharmaceutical product manufactured through non infringing process.
Appendix-4J	Export obligation period for specified inputs with pre-import condition
Appendix-4K	Format of Chartered Engineer certificate for fixation of SION
Appendix-4L	Format of Chartered Engineer (chemical) certificate (for pharmaceutical product manufactured through non-infringing process)

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Appendix-4M	Statement of precious metal for the period April-September - Oct-March
Appendix-4N	Certificate by Regional Authority for Import of precious metal by nominated agencies
Appendix-4O	Certificate by nominated agency for claiming replenishment of gold - silver against jewellery sold at exhibitions abroad
ANF-4A	Application for issue of advance authorisation-advance authorisation for annual requirement - advance authorisation for invalidation – ARO
ANF-4B	Application for fixation - modification - revision of standard input output norms (SION)
ANF-4C	Application for Clubbing of Advance Authorisations
ANF-4D	Application for enhancement in CIF-FOB value of authorisation - EOP extension - revalidation of authorisation
ANF-4E	Application for advance authorisation - advance release order (ARO) - invalidation letter for pharmaceutical products, manufactured through non infringing (NI) process
ANF-4F	Application for waiver of bond-redemption of authorisation
ANF-4G	Application for issue of transferable duty-free import authorisation (DFIA) (including for ARO and invalidation letter
ANF-4H	Application for issue of GEM REP authorisation
ANF-4I	Application for Issue of nominated agency certificate (NAC) - renewal of nominated agency certificate

FAQs on Advance Authorizations

1. What is actual user condition under advance authorizations?

Ans. Actual user condition means, raw material imported under advance authorization should necessarily be constituted in the production of the goods which have to be exported. The goods cannot be transferred.

2. Can Advance Authorisation be transferred?

Ans. No, the Advance Authorisation is non-transferable. Only the end user specified in the authorisation can import the inputs. However, the manufactured goods can be sold in the domestic market after fulfilling the export obligation.

FAQs on DFIA

1. Whether IGST is exempted under DFIA authorization?

Ans. No. Duty free import authorization shall be exempted only from payment of basic customs duty (BCD). Hence IGST is not exempt for import under DFIA authorization.

2. Is DFIA Authorization issued on pre-export or post export basis?

Ans. Duty free import authorization shall be issued on post export basis.

3. What is the minimum value addition under DFIA scheme and advance authorization scheme?

Ans. The minimum value addition under DFIA scheme is 20% and under advance authorization scheme is 15%.

4. Whether DFIA authorization and advance authorization are transferable?

Ans. DFIA authorization is transferable but advance authorization is non-transferable.

5. Whether advance authorization and DFIA authorization can be issued on self-declaration basis?

Ans. Advance authorization can be issued either on basis of:

- Standard input output norms (SION)
- Self-declaration basis

- Applicant specific prior fixation of norm by the Norms Committee
- Self-ratification scheme basis

However, DFIA authorization can be issued only for those items having - standard input output norms (SION) notified.

6. What is self-declaration and self-ratification by applicant?

Ans. Where there is no SION/valid *ad hoc* norms for an export product and where SION has been notified but the exporter intends to use additional inputs in the manufacturing process, the eligible exporter can apply for an advance authorization under this Scheme on self-declaration and self-ratification basis.

7. What is SION?

Ans. SION stands for standard input-output norms. Under this method, norms for thousands of products falling under different segments are pre-fixed. In this method, one can apply for advance authorisation license under the said Sr. No. of SION and get the license from DGFT.

8. What is the export obligation under this scheme?

Ans. The export obligation is the value of exports that must be achieved within a specified period, usually 18 months from the date of issue. Failure to meet the export obligation may result in penalties.

9. What are self-declared norms?

Ans. Under this method, an exporter can apply for an advance authorisation license on a self-declaration basis, if the required export product is not there in the SION or he is not satisfied with import quantity allowed. Here, he will select the import items and quantity of import items as per his requirement.

10. What if my product doesn't fall under SION?

Ans. You can apply to the Norms Committee for norms to be fixed specifically for your product.

11. What are the different norms?

Ans. The norms can be based on Standard Input-Output Norms (SION), self-declaration, or applicant-specific norms fixed by the Norms Committee.

12. What if I import more than I need?

Ans. You may need to pay duty and interest on the excess imports unless you can club your licenses.

13. Which custom notification notifies regarding implementation of Advance Authorisation scheme under Foreign Trade Policy, 2023?

Ans. Custom Notification No 21/2023-CUSTOMS dated 1st April, 2023 hereby exempts materials imported into India against a valid Advance Authorisation issued by the Regional Authority.

14. Which custom notification notifies regarding implementation of DFIA scheme under Foreign Trade Policy, 2023?

Ans. Custom Notification No 25/2023-CUSTOMS dated 1st April, 2023 hereby exempts materials imported into India against a valid Duty Free Import Authorisation issued by the Regional Authority.

Export Promotion for Capital Goods (EPCG)

The Export Promotion Capital Goods (EPCG) program facilitates Indian exporters' duty-free import of capital goods for pre-production, production, and post-production activities. This initiative aims to enhance India's competitiveness in international markets by empowering manufacturers to acquire cutting-edge technology and machinery without the financial burden of import duties.

Key Features of the Scheme:

Duty-free import:

1. EPCG allows exporters to import capital goods like machinery, equipment, and spares at zero customs duty. Alternatively, the Authorisation holder may procure them from indigenous sources.
2. Authorization is valid for import for 24 months from its issuance date. Revalidation is not permitted.
3. If the goods proposed for export under EPCG Authorization are restricted, the authorization must be issued after approval from the Exim Facilitation Committee (EFC) at DGFT Headquarters.

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4. A bank guarantee of 15% of the duty saved amount should be submitted at customs which is subject to some exemptions, for example if the License holder is a Status Holder.

Export obligation:

1. Duty-free imports under the EPCG Scheme are subject to an Export Obligation (EO) equivalent to six times the duties, taxes, and cess saved on capital goods, to be fulfilled in six years from the date of authorization.
2. Import/procurement under the EPCG Scheme is also subject to an Average Export Obligation (AEO) over and above the average level of exports achieved by the applicant in the preceding three licensing years for the same and similar products.
3. The AEO is the arithmetic mean of export performance in the preceding three licensing years for the same and similar products. It must be fulfilled every financial year until the export obligation is completed. Exports/supplies made over and above the AEO are considered for fulfillment of the EO.
4. Exports under Advance Authorization, DFIA, Duty Drawback, RoSCTL, and RoDTEP Schemes are also eligible for fulfillment of the EO under the EPCG Scheme.
5. Export obligation may be fulfilled by physical exports as well as deemed exports. Deemed export supplies are eligible for other benefits available.
6. Extension of the EO period is permitted as prescribed in the Handbook of Procedures.

Indigenous Sourcing of Capital Goods and benefits to Domestic Supplier:

An individual holding an EPCG Authorization may procure capital goods from a domestic manufacturer either via an Invalidation Letter or through an Advance Release Order.

• Calculation of Export Obligation

In the event of direct imports, the Export Obligation (EO) shall be calculated based on the actual amount of duty, taxes, or cess that is

saved. Conversely, in the case of domestic sourcing, the EO shall be determined with reference to the notional Customs duty, taxes, or cess that would have been paid on the FOR value, as indicated in the ARO (Acknowledgement of Receipt) or Invalidation letter.

- **Incentive for early EO fulfillment**

With a view to accelerating exports, in cases where Authorisation holder has fulfilled 75% or more of specific export obligation and 100% of Average Export Obligation till date, if any, in half or less than half the original export obligation period specified, remaining export obligation shall be condoned and the Authorisation redeemed by RA concerned.

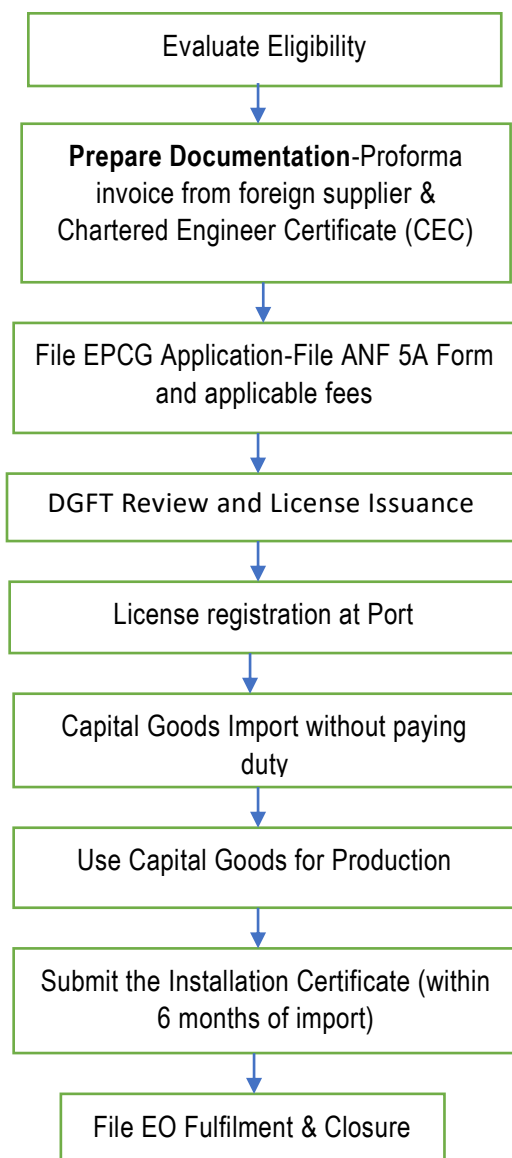
Exemption from maintenance of average export obligation

In case of export of goods relating to the following, the EPCG Authorisation holder shall not be required to maintain the average export obligation. (i) Handicrafts, (ii) Handlooms, (iii) Industries covered under Khadi and Village Industries Commission (KVIC) (iv) Agriculture (v) Aquaculture (including Fisheries), Pisciculture, (vi) Animal husbandry and Dairying, (vii) Floriculture & Horticulture, (viii) Poultry, (ix) Viticulture, (x) Sericulture, (xi) Carpets, (xii) Coir, and (xiii) Jute.

However, this exemption from maintenance of average export obligation shall not be allowed for import of fishing trawlers, boats, ships and other similar items.

Goods, except for tools imported under EPCG scheme by sectors specified in sub-paragraph (a) above, shall not be allowed to be transferred for a period of five years from date of imports even in cases where export obligation has been fulfilled.

FLOWCHART FOR EPCG LICENSE



Certificate of Installation of Capital Goods

The authorization holder shall submit to the concerned RA, within six months from date of completion of import, a certificate from the jurisdictional Customs authority or an independent Chartered Engineer, at the option of

the authorization holder, confirming installation of capital goods at factory/premises of authorization holder or his supporting manufacturer(s).

The failure of the same leads to a penalty of Rs 5000.

Appendix and Aayat Niryat Form (ANF) applicable for EPCG scheme

<i>Appendix</i>	<i>Description</i>
Appendix-5A	Format of Chartered Engineer Certificate for nexus under EPCG Scheme
Appendix-5B	Certificate of Chartered Accountants/Cost Accountants/ Company Secretary (for issue of EPCG authorization)
Appendix-5C	Certificate of Chartered Accountants/Cost Accountants/ Company Secretary (for redemption of EPCG authorization/ issuance of post export EPCG duty credit scrip)
Appendix-5D	Export obligation under EPCG Scheme – List of services for which payments received in Indian Rupees terms.
Appendix-5E	Computation of annual average Export Obligation under EPCG Scheme
Appendix-5F	List of capital goods not permitted/ permitted for import subject to specific condition under the EPCG scheme.
ANF-5A	Application form for issuance of EPCG/ Post Export EPCG authorization.
ANF-5B	Application form for redemption of EPCG authorization/ post export EPCG duty credit scrip.
ANF-5C	Application for clubbing of EPCG authorization.

FAQs on EPCG

- Whether supply of goods against EPCG authorization is exempt under GST?**

Ans. Supply of goods against EPCG authorization is deemed export but not exempted upfront and hence supply against EPCG is liable to GST; however, the recipient or supplier have option either to avail input tax credit or refund of GST paid.

2. Whether capital goods imported against EPCG authorization can be transferred/sold?

Ans. Import of capital goods against EPCG authorization shall be subject to actual user condition till export obligation is completed and EODC is granted, hence capital goods cannot be transferred or sold till export obligation is completed and EODC is granted.

3. Whether benefits of project import regulation and EPCG can be availed simultaneously?

Ans. Yes, concessional benefits under project import regulations and exemption under EPCG can be availed simultaneously and export obligation will be calculated with respect to the concessional tax saving as prescribed under project import regulation.

4. Whether two or more EPCG authorizations can be clubbed together?

Ans. Yes, subject to the following conditions:

- (i) All the authorizations have been issued to the same authorization holder.
- (ii) Application for clubbing shall be made to the Regional Authority of the DGFT in Form ANF-5C.
- (iii) Export products of all the authorizations shall be same or similar.
- (iv) Total export obligation would be re-fixed taking into account total of duty saved amount of the clubbed authorizations.
- (v) On clubbing, authorizations for all purpose shall be deemed to be a single EPCG authorizations.
- (vi) Export obligation period shall be reckoned from first authorization issue date.
- (vii) Average obligation shall be highest among all the clubbed authorizations.

(viii) Clubbing would be permitted during valid EOP including extended period, if any.

5. Whether the Regional Authority is empowered to extend export obligation period under EPCG?

Ans. Two extension of one year each in export obligation period may be considered by RA concerned:

- (i) on payment of composition fee equal to 5% and 10% respectively of proportionate duty saved amount on unfulfilled export obligation for the first/second year of extension; or
- (ii) on enhancement in export obligation imposed to the extent of 10%/ 20% respectively of the total export obligation imposed under the authorizations for first/second year of extension.

as the case may be, at the choice of the exporter.

6. Whether furniture and carpets can be imported duty free under EPCG scheme by a hotel?

Ans. EPCG scheme is available for manufacturer as well as for service providers like hotel, hospital etc., Further, furniture and carpets are allowed to be imported duty free under EPCG scheme by hotel industry only not for the manufacturing company.

7. Whether construction material like cement, steel & computer and printers are allowed to be imported under EPCG Scheme?

Ans. No, as these items are prohibited under Appendix-5F.

8. Can a deemed exporter claim EPCG?

Ans. Yes.

9. Can a person holding an EPCG authorization source capital goods from a domestic manufacturer?

Ans. Yes.

10. How the export obligation is determined when capital goods sourced from India?

Ans. In case of domestic sourcing, export obligation shall be reckoned with reference to notional customs duties saved on FOR value.

11. Can an Exporter claim EPCG after export (post export EPCG)?

Ans. Yes. Post export EPCG duty credit scrip(s) shall be available to exporters who intend to import capital goods on full payment of applicable duties, taxes and cess in cash and choose to opt for this scheme. Basic customs duty paid on capital goods shall be remitted in the form of freely transferable duty credit scrip(s).

12. Can a new exporter avail this scheme?

Ans. Yes, in such case, there will be no average export obligation.

13. What are the benefits of domestic sourcing?

Ans. Domestic manufacturers will be eligible for deemed export benefits. Specific EO shall be 25% less than the stipulated EO. Domestic sourcing of capital goods will neutralize GST by refund route to the supplier or recipient till the date notified and extended by Government.

14. Is there any exemption from maintenance of average export obligation?

Ans. Exporters of (i) Handicrafts, (ii) Handlooms, (iii) Cottage & Tiny sector, (iv) Agriculture, (v) Aqua-culture (including Fisheries), Pisciculture, (vi) Animal husbandry, (vii) Floriculture & Horticulture, (viii) Poultry, (ix) Viticulture, (x) Sericulture, (xi) Carpets, (xii) Coir, and (xiii) Jute are exempted.

15. What is installation certificate and where is it required to be submitted?

Ans. Installation certificate confirms installation of capital goods at factory/premises of authorization holder or his supporting manufacturer. It may be obtained from Jurisdictional Customs Authority or Chartered Engineering. It is required to be submitted to RA within 6 months from the date of completion of imports.

16. Whether exports made through third party will be considered for EO?

Ans. Yes, where the names of both authorization holder and supporting manufacturer are indicated in the export documents like shipping bill/bill of exports etc. along with EPCG authorization number.

17. Whether a capital goods imported by one unit can be transferred to other unit?

Ans. The transfer of capital goods from one unit of the company to its another unit may be allowed by EPCG Committee in DGFT subject to the condition that both the addresses are mentioned in IEC and RCMC and submission of fresh installation certificate is done within 6 months of such transfer.

18. What should be done after fulfilling of export obligation?

Ans. An application on the prescribed form ANF 5C along with the specified documents is required to be submitted to licensing authority for redemption.

19. Which custom notification notifies regarding implementation of EPCG scheme under Foreign Trade Policy, 2023?

Ans. Custom Notification No 26/2023-CUSTOMS dated 1st April 2023 exempts goods from, -

- (i) the whole of the duty of customs leviable thereon under the First Schedule to the Customs Tariff Act, 1975 (51 of 1975) (hereinafter referred to as the Customs Tariff Act); and
- (ii) the whole of the additional duty leviable thereon under sub-sections (1), (3) and (5) of section 3 of the Customs Tariff Act, when specifically claimed by the importer.
- (iii) the whole of integrated tax and the goods and services tax compensation cess leviable thereon under sub-sections (7) and (9) of section 3 of the Customs Tariff Act.

Chapter 4

Remission of Duties and Taxes on Exported Products (RODTEP)

Introduction

The Remission of Duties and Taxes on Exported Products (RoDTEP) Scheme.

- The Remission of Duties and Taxes on Exported Products (RoDTEP) scheme was introduced by the Government of India with effect from January 1, 2021. It replaced the earlier Merchandise Exports from India Scheme (MEIS) to enhance India's exports' competitiveness and compliance with World Trade Organization (WTO) guidelines.
- The RoDTEP scheme emerged as a response to a complaint filed by the United States against India at the WTO. The United States expressed concerns regarding the export subsidies provided by the Government of India through the MEIS Scheme, which they alleged granted undue advantages to Indian exporters and violated WTO norms. The WTO case ultimately favored the United States, raising concerns about the MEIS Scheme and prompting India to develop a new WTO-compliant scheme to support its exporters.
- Consequently, the Finance Minister delivered a Budget Speech on February 1, 2020, announcing the introduction of a scheme focused on the remission of duties and taxes on export products. The Union Cabinet approved the RoDTEP Scheme on March 13, 2020, and it was implemented on January 1, 2021.
- The RoDTEP scheme was officially notified by the Government of India through Notification No. 19/2021-Customs dated August 17, 2021. Its operational details were subsequently announced via CBIC Circular No. 22/2021-Customs dated August 30, 2021.
- The RoDTEP scheme was designed to replace the MEIS scheme from January 1, 2021.

Objective

- The RoDTEP scheme aims to refund embedded duties and taxes not exempted or refunded through other WTO-compliant schemes, making Indian goods more competitive in international markets. Eligible exporters can claim transferable duty credit scrips for import duties or sell them.
- Benefits are calculated as a percentage of FOB export value, with specific rates and caps announced periodically. Rates vary by sector and product category, ranging from 0.5% to 4.3%, as per government notification.
- Specific rates are listed in Appendix 4R (most general exports) and Appendix 4RE (SEZs, EOUs, and Advance Authorizations).

The broad procedure of claiming the benefit of these scrips is as under:

- (i) To benefit from the scheme, the exporter must submit a claim for RODTEP in the shipping bill by making a declaration.
- (ii) Once the Electronic Gateway (EGM) is filed, Customs will process the claim.
- (iii) Upon processing, a scroll containing all individual shipping bills for the admissible amount will be generated and made available in the user's account at ICEGATE.
- (iv) Users can create a RODTEP credit ledger account under the Credit Ledger tab. This can be done by IECs who have registered on ICEGATE with a Digital Signature Certificate (DSC).
- (v) The exporter can log in to their account and generate a script after selecting the relevant shipping bills.

An e-script account can only be utilized by the Importer/Exporter/CHA after its creation on ICEGATE. The user must be a valid IEC Holder registered on ICEGATE with a DSC. The following steps outline the process of creating an e-script account through ICEGATE.

Step 1: Users may select the option of creating an E-scrip account by clicking on the “E-scrip” tab located under the “Our Services” section of <https://www.icegate.gov.in/>

Step 2: Upon successful login using valid credentials, users will be directed to the login page. From there, they will find the “E-scrip” option under the Financial Services section on the left panel. If users are not registered, they can register themselves as per advisory through the following link:

<https://icegate.gov.in/Download/JavaSetupForDSC.pdf>

Step 3: Since the user has not initially created an escrip account, the following page will be displayed. Users can select the scheme name from the drop-down menu, which can be either RoSCTL or RODTEP, and then click on the “Create E-scrip Account” button.

Step 4: After the Credit Ledger account has been successfully created by the user, a grid view will be displayed with the following details.

User can perform various operations mentioned as follows from this Home Page:

- Shipping bill details
- Scrip Details
- Transaction Details
- Scrip Transfer
- Approve Scrip Transfer
- Add Scheme

Filing of the Annual RODTEP Return (ARR)

The Directorate General of Foreign Trade (DGFT), vide Public Notice No. 27/2024-25 dated 23 October 2024, has notified that the exporters claiming RoDTEP benefits shall be required to file the Annual RoDTEP Return (ARR) as per the format given under the Appendix-4RR of the Handbook of Procedures, 2023 (HBP).

We would like to highlight the key points as follows:

- To assess the nature of inputs used in export production and the amount of actual taxes and duties incurred, as permitted under Para 4.54 of the FTP, exporters claiming RODTEP benefits shall be required to file an Annual RODTEP Return (ARR) as per the format provided in Appendix-4RR of the Handbook of Procedures, 2023.

Remission of Duties and Taxes on Exported Products (RODTEP)

- The ARR for RODTEP claims filed in a particular financial year shall be filed on the DGFT portal by March 31st of the following financial year. For instance, RODTEP claims information for Financial Year 2023-24 shall be required to be filed by March 31, 2025.
- This requirement for filing the annual return shall initially apply to exporters (IECs) whose total RoDTEP claim exceeds Rs. 1 crore in a financial year across all eight-digit HS Codes.
- Non-reporting of the ARR shall result in the denial of benefits under the RODTEP scheme.
- Furthermore, no further scroll out of RODTEP claims for the SBS will be permitted at the Customs Port of Export after the grace period of three months, which is June 30th.
- A composition fee of Rs. 10,000/- will be levied for delayed filing of the ARR until June 30th. Consequently, RODTEP claims information for Financial Year 2023-24 with composition fees can be filed within a grace period of three months, ending on June 30, 2025.
- After the grace period, a composition fee of Rs. 20,000/- will be required to be paid. Subsequent to the payment of the applicable composition fee, the RODTEP scrolls will be resumed within 45 days, until an online API-based message exchange is established between the DGFT and Customs.

This resumption of scroll out will also encompass the Shipping Bills that were not previously scrolled out due to non-compliance with the ARR.

- Appendix 4RR - Format for submitting data under Annual RODTEP Return (ARR).

FAQs on RoDTEP

The Primary Question

1. **Will RoDTEP supersede the existing rewards or replace any of the existing benefits?**

Ans. RoDTEP will replace the existing MEIS and RoSCTL benefits.

2. A merchant exporter procuring goods for exports @ 0.1% & under GST. Can he claim RODTEP?

Ans. Benefit of RODTEP could be claimed in respect of the goods directly exported from India to outside India in respect of goods manufactured in India.

3. Whether goods can be exported on payment of GST while claiming the benefit of RODTEP?

Ans. Yes, there are no restrictions of making export of goods on payment of GST simultaneous to claiming benefit of RODTEP.

4. What would be the implications on Capital goods imported under EPCG license to neutralise the BCD cost?

Ans. The restriction under the Scheme does not cover the capital goods imported under EPCG Scheme. Thus, exporter may continue to claim the benefit of EPCG and RODTEP simultaneously.

5. Whether RODTEP would be credited in exporters' bank account similar to duty drawback?

Ans. RODTEP would be issued in the form of transferrable e-scrips which will be maintained in an electronic credit ledger by the CBIC and could be used for paying Basic Customs Duty on import of goods or may be transferred electronically to other party. The benefit will not be in the form of direct credit to the bank account.

6. If an exporter has not been able to mention the option of claiming RODTEP in shipping bills in respect of the past transactions, what should he do now?

Ans. W.e.f. 01.01.2021, it is mandatory for the exporters to indicate in their Shipping Bill whether or not they intend to claim RODTEP on the export items. It has been categorically specified by the CBIC that, if RODTEP is not specifically claimed in the Shipping Bill, no RODTEP would accrue to the exporter.

7. Can a textile exporter claim ROSCTL along with RODTEP?

Ans. It is pertinent to note that ROSCTL Scheme is eligible for the export of apparels and made-ups only, i.e., the textile goods covered under

Remission of Duties and Taxes on Exported Products (RODTEP)

Chapter 61, 62 & 63 of the HS Tariff Code. Hence, for exports of apparels and Made-ups RODTEP is not available, if such products are covered under the ROSCTL. For other textile items, RODTEP may be claimed at the prescribed rates.

Chapter 5

Duty Drawback

The Duty Drawback Scheme (DBK) facilitates the rebate of duty on goods manufactured within India and subsequently exported. It is important to note that the DBK does not encompass Integrated Goods and Service Tax (IGST) or compensation. The administration of the DBK is entrusted to the Department of Revenue.

The scheme comprises three categories:

1. All Industry Rate
2. Brand Rate
3. Drawback on re-export of imported goods

All Industry Rate (AIR) of Duty Drawback

The AIR of Duty Drawback for an export product is an average rate based on the average quantity and value of material and average duties of Customs and Central Excise borne by each class of material from which export goods are ordinarily manufactured. AIRs are typically reviewed annually on the Drawback Committee's recommendation.

The AIR of Duty Drawback is widely favored by exporters, particularly medium and small exporters, due to the following advantages:

- It provides a straightforward mechanism for granting Duty Drawback based on the shipping bill declaration, eliminating the need for additional documentation.
- It facilitates end-to-end electronic processing of Duty Drawback.
- Direct disbursement of Duty Drawback to exporters' accounts liberates working capital for exporters.
- There is no requirement to generate separate documentary evidence for the realization of export proceeds.

Brand Rate of Duty Drawback

The Brand Rate of Duty Drawback is a specialized facility offered to exporters, enabling them to receive a rebate for the actual duty incidence incurred by an export product. This mechanism allows exporters to apply a specific Duty Drawback rate if the export product lacks an applicable All Industry Rates (AIR) or if the available AIR does not neutralize more than 80% of the duties levied on materials utilized in the production of export goods.

- Brand Rates are fixed by the local Commissioners of Customs having jurisdiction over the place of export of goods on which Brand Rate of Duty Drawback is claimed.
- Pending the fixation of Brand Rate, the All Industry Rates (AIR) of Duty Drawback, where available, can be availed upfront by the exporter.
- A provisional Brand Rate can be allowed by the Commissioner of Customs on the exporter's request.
- Brand Rate of Duty Drawback is disbursed electronically directly to the exporter's account in a manner similar to the disbursement of AIR of Duty Drawback.

Duty Drawback on re-export of imported goods

Duty Drawback can also be claimed on the export of duty-paid imported goods. Under this facility, goods imported earlier may be exported and Duty Drawback of up to 98% of import duty paid can be claimed on such exports. Proof of duty paid on importation and identification of the export goods as those that were imported earlier are among the primary requirements under this scheme.

Chapter 6

Rebate of State and Central Taxes and Levies (RoSCTL)

The Rebate of State and Central Taxes and Levies (RoSCTL) is an export incentive scheme in India designed to provide rebates on embedded state and central taxes and levies for the export of garments and made-ups. This scheme was introduced by the Ministry of Textiles and is administered in collaboration with the Directorate General of Foreign Trade (DGFT).

The Scheme is applicable to the export of apparel and made-ups only. This is an export incentive scheme that provides duty credit transferable and sellable scrips on the FOB value of export.

At the World Trade Organization (WTO), the United States has filed a complaint against the Indian government. The United States claims that the Indian government provides undue benefits to Indian exporters under various export incentive schemes, such as the Merchandise Exports from India Scheme (MEIS) scheme, which is in violation of WTO rules and regulations. In the future, the scheme would be extended to benefit all sectors.

The Rebate of State Levies (RoSCTL) scheme was approved by the cabinet because it extended rebates of all state and central taxes for government and made-ups. This replaced the Rebate of State Levies (RoSL) scheme, which only provided rebates of state taxes.

The benefit provided under the RoSCTL Scheme

RoSCTL Scheme provides benefits along with additional ad-hoc incentives in the form of duty credit scrips like the MEIS scrips. The RoSCTL scrips are freely transferable in nature. The RoSCTL License or scrip can be used as a mode of payment of import duties or can even be sold at premium rates in the open market.

Required documents to claim RoSCTL Scheme benefits

The following documents are required for the online application process of attaining benefits under the RoSCTL Scheme:

- Shipping Bill Copy
- DGFT Digital Signature
- Valid RCMC (Registration Cum Membership Certificate)

Key Considerations for the RoSCTL Scheme

- The rebate under the Rebate of State and Central Taxes and Levies (RoSCTL) Scheme is subject to the condition that foreign remittance for the shipment made will be realized within the stipulated time frame as per the Foreign Exchange Management Act (FEMA).
- All benefits received under the RoSCTL Scheme must be returned with a 15% annual interest if the sales proceeds are not realized within the specified time.
- The exporter must retain all original documents, including shipping bills, for a period of approximately three years from the date of issuance of the RoSCTL scripts.
- The applicant will be liable to return the entire benefits along with the applicable interest if they are unable to submit all the original documents required by the licensing authority.

Chapter 7

Interest Equalisation Scheme

The Interest Equalisation Scheme (IES) was established to provide exporters with a competitive advantage in the interest rates charged by banks on their Pre and Post Shipment Rupee Export Credits. The scheme commenced on April 1, 2015, with a five-year duration, which was subsequently extended until March 31, 2024.

The primary objective of the IES is to offer exporters a more favorable source of rupee credit for pre-shipment and post-shipment activities.

Key Features of the IES

- **Interest Rate:** The IES offered an interest rate of 3% per annum on Pre and Post Shipment Rupee Export Credits.
- **Tariff Lines:** The scheme was applicable to 416 identified tariff lines at four digits and to all MSME manufacturer exporters for all export lines.
- **MSME Package:** Effective from November 2, 2018, the IES underwent a modification, with the interest rate increasing from 3% to 5% for exports by MSME sector manufacturers.
- **Inclusion of Merchant Exporters:** In response to the demand of Merchant exporters, the Government of India approved their inclusion under the IES on January 2, 2019. This amendment allowed Merchant exporters to benefit from the interest rate of 3% on pre and post shipment credits for exports of products covered under the 416 tariff lines already identified under the scheme.

RBI Implements Scheme with Bank Assistance

The Government of India (GoI) has implemented a scheme to provide financial assistance to exporters. The scheme is implemented by the Reserve Bank of India (RBI) with the support of banks. The Department of Commerce and Financial Services (DoC) plays a limited role in the scheme's implementation, primarily responsible for making and approving the scheme and providing consolidated reimbursement of benefits to the RBI.

Eligibility and Benefit Subvention

Every exporter eligible under the scheme has the option to avail upfront benefit of interest subvention from the bank. Subsequently, the amount given as subvention in the interest rate to the exporters is reimbursed to the RBI by the Department of Commerce for its onward release to the concerned Scheduled Commercial Banks and Urban Cooperative Banks.

Extension of the Scheme

The scheme has been extended for a period of three months, until December 31, 2024. An additional condition has been imposed that the fiscal benefits to each Micro, Small and Medium Enterprises (MSEs) will be restricted to Rs. 50 lakhs for the financial year 2024-25 until December 2024, as per the DGFT Trade Notice 18/2024-2025 dated September 30, 2024.

Chapter 8

Status Holder

The Status Holder scheme, also known as the Star Export House scheme, is a program by the Indian government to recognize and reward businesses that have excelled in international trade and contributed significantly to the country's foreign exchange earnings. These exporters, who have demonstrated exceptional performance, are granted the Status Holder certificate.

Eligibility

All exporters of goods, services, and technology possessing an import-export code (IEC) number are eligible for recognition as a status holder. Status recognition is contingent upon export performance. An applicant will be categorized as a status holder upon achieving export performance during the current and preceding three financial years (for the Gems and Jewelry Sector, performance during the current and preceding two financial years will be considered for recognition as a status holder). For granting status, export performance is required in at least two out of four years.

Eligibility for Status Holder Category as amended as per Foreign Trade Policy (FTP) 2023

S. No	Status Category	Export Performance FOB/FOR (in US \$ Million)
1	One Star Export House	3
2	Two Star Export House	15
3	Three Star Export House	50
4	Four Star Export House	200
5	Five Star Export House	800

Privileges of Status Holders

1. Authorisation and Customs Clearances for both imports and exports may be granted on self-declaration basis.

2. Input-Output norms may be fixed on priority within 60 days by the Norms Committee; Special scheme in respect of Input Output Norms to be notified by DGFT from time to time, for specified status holder.
3. Exemption from furnishing of Bank Guarantee for Schemes under FTP, unless specified otherwise anywhere in FTP or HBP.
4. Exemption from compulsory negotiation of documents through banks. Remittance / receipts, however, would be received through banking channels.
5. Two star and above-mentioned Export houses shall be permitted to establish Export Warehouses as per Department of Revenue guidelines.
6. The status holders would be entitled to preferential treatment and priority in handling of their consignments by the concerned agencies.
7. Manufacturers who are also status holders (Three Star/Four Star/Five Star) will be enabled to self-certify their manufactured goods as originating from India with a view to qualify for preferential treatment under different preferential trading agreements (PTA), Free Trade Agreements (FTAs), Comprehensive Economic Cooperation Agreements (CECA) and Comprehensive Economic Partnership Agreements (CEPA).
8. Status holders shall be entitled to export freely exportable items (excluding Gems and Jewelry, Articles of Gold and precious metals) on free of cost basis for export promotion subject to an annual limit of Rupees One Crore or 2% of average annual export realization during preceding three licensing years, whichever is lower.

How to Apply

Exporters need to apply online through the DGFT portal (Directorate General of Foreign Trade).

Grant of Double Weightage

- (a) Double Weightage shall be available for grant of One Star Export House Status category only. Such benefit of double weightage shall not be admissible for grant of status recognition of other categories namely Two Star Export House, Three Star Export House, Four Star

export House and Five Star Export House. The exports by IEC holders under the following categories shall be granted double weightage for calculation of export performance for grant of status: (i) Micro and Small Enterprises as defined in Micro, Small & Medium Enterprises Development (MSMED) Act 2006 (ii) Manufacturing units having ISO/BIS (iii) Certification Units located in North eastern States including Sikkim, and Union Territories of Jammu, Kashmir and Ladakh (iv) Export of fruits and vegetables falling under Chapters 7 and 8 of ITC HS.

- (b) A merchandise shipment/ service rendered can get double weightage only once in any one of above categories.

Other Conditions for Grant of Status

- (a) Export performance of one IEC holder shall not be permitted to be transferred to another IEC holder. Hence, calculation of exports performance based on disclaimer shall not be allowed.
- (b) Exports made on re-export basis shall not be counted for recognition.
- (c) Export of items under Authorization, including SCOMET items, would be included for calculation of export performance.

Skilling and Mentorship Obligations

- (a) To improve the trade ecosystem by enhancing the available skilling opportunities, Status Holders are being made “partners” in providing mentoring and training in international trade. Status Holders will endeavor to provide skill upgradation/ training in international trade as detailed below:

Status	Number of Trainees per year
Two Star Export House	5
Three Star Export House	10
Four Star Export House	20
Five Star Export House	50

- (b) A model training program of a minimum duration of 6 weeks would be put up in public domain for guidance.

- (c) Detailed eligibility requirements, selection criteria, training curriculum etc. will be at the discretion of the Status Holder.

FAQs

1. Where can we apply for Status Holder Certificate? OR Where can we get the link to apply for Status Holder Certificate?

Ans. Please follow the below path to apply for issuance of a Status Holder Certificate: • Services > Certificate Management > Apply Certificate • Click on Status Holder Certificate.

2. What do I need to select for field of Sector of Export?

Ans. Select the category of items of export made against which you are applying for the issuance of the Status Holder Certificate. You may choose to select multiple sectors of export based on the exports made.

3. What do if I am not able to edit my values for exports?

Ans. The values of export is auto-populated based on the turnover details as updated in the IEC Profile. Hence, it is important to update your IEC Profile before applying for issuance of the Status Holder Certificate.

4. What is the application fee?

Ans. There is no Application fee.

5. Can I get the validity of my Status Holder Certificate extended?

Ans. No. The validity of the Status holder certificate cannot be extended. However, you may choose to file for issuance of a fresh Status Holder Certificate instead.

6. Which all attachments/documents are mandatory for submission of the application?

Ans. Following is the list of documents/attachments that are mandatory to apply for the issuance of a Status Holder Certificate:

- Certificate of Exports where Double Weightage has been claimed (Applicable only if the application is for One Star Export House) in Format A.
- Certificate of Foreign Exchange Earned by Supply of Service in Format B.

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- Certificate of FOR value of Deemed Exports in Format C.
- Exports from SEZs / EOUs / EHTPs / STPs / BTPs units which are included in IEC and is taken for calculation of grant of status in Format D.
- Annexure to ANF 3C.

7. Can I make an amendment to my issued Status Holder Certificate?

Ans. No modifications/amendments are permitted as per the current implementation. For any modifications, please raise a fresh application for the issuance of a fresh Status Holder Certificate.

Chapter 9

Deemed Export

“Deemed Exports” for the purpose of this FTP refer to those transactions in which goods supplied do not leave country, and payment for such supplies is received either in Indian rupees or in free foreign exchange. Supply of goods as specified in Paragraph 7.02 below shall be regarded as “Deemed Exports” provided goods are manufactured in India.

Key Characteristics of Deemed Exports

Deemed exports are characterized by the following key features:

1. **No Physical Export:** Deemed exports are not physically shipped out of India.
2. **Domestic Supply:** The transaction is conducted entirely within India.
3. **Tax Benefits:** Deemed exports are eligible for specific tax advantages, including the possibility of refunds of taxes paid.
4. **Payment in INR or Foreign Exchange:** Payments for deemed exports can be received in Indian Rupees or convertible foreign exchange.

Categories of Supply

(A) Supply by Manufacturer:

- (a) Supply of goods against Advance Authorization, Annual Requirement Authorization, or DFIA.
- (b) Supply of goods to EOU, STP, EHTP, or BTP.
- (c) Supply of capital goods against EPCG Authorization.

(B) Supply by main / sub-contractor(s):

- (a) (i) Supply of goods to projects financed by multilateral or bilateral Agencies / Funds as notified by Department of Economic Affairs (DEA), MoF, where legal agreements provide for tender evaluation without including customs duty.

- (ii) Supply and installation of goods and equipment (single responsibility of turnkey contracts) to projects financed by multilateral or bilateral Agencies/Funds as notified by Department of Economic Affairs (DEA), MoF, for which bids have been invited and evaluated on the basis of Delivered Duty Paid (DDP) prices for goods manufactured abroad.
 - (iii) Supplies covered in this paragraph shall be under International Competitive Bidding (ICB) in accordance with procedures of those Agencies / Funds.
 - (iv) A list of agencies, covered under this paragraph, for deemed export benefits, is given in Appendix 7A.
- (b) Supply of goods to any project or for any purpose in respect of which the Ministry of Finance by Customs Notification No. 50/2017-Customs dated 30.6.2017, as amended from time to time, permits import of such goods at zero basic customs duty subject to conditions mentioned therein. Benefits of deemed exports shall be available only if the supply is made under procedure of ICB.
 - (i) Supply of goods required for setting up of any mega power project, as specified in the list 31 at Sl. No. 598 of Department of Revenue Notification No. 50/2017-Customs dated 30.6.2017, as amended from time to time and subject to conditions mentioned therein, shall be eligible for deemed export benefits provided such mega power project conforms to the threshold generation capacity specified in the above said Notification.
 - (ii) For mega power projects, ICB condition would not be mandatory if the requisite quantum of power has been tied up through tariff based competitive bidding or if the project has been awarded through tariff based competitive bidding.
- (c) Supply of goods to United Nations or International organization for their official use or supplied to the projects financed by the said United Nations or an International organization approved by Government of India in pursuance of Section 3 of United Nations (Privileges and Immunities Act), 1947. List of such organization and conditions applicable to such supplies is given in the Customs Notification No. 84/97-Customs dated 11.11.1997, as amended from time to time. A

list of Agencies, covered under this paragraph, is given in Appendix-7B.

(d) Supply of goods to nuclear power projects provided:

- i. Such goods are required for setting up of any Nuclear Power Project as specified in the list 32 at Sl. No. 602, Customs notification No. 50/2017- Customs dated 30.6.2017, as amended from time to time and subject to conditions mentioned therein.
- ii. The project should have a capacity of 440 MW or more.
- iii. A certificate to the effect is required to be issued by an officer not below the rank of Joint Secretary to Government of India, in Department of Atomic Energy.
- iv. Tender is invited through National competitive bidding (NCB) or through ICB.

Benefits of Deemed Exports

Deemed exports shall be eligible for any or all of the following benefits in respect of the manufacture and supply of goods, qualifying as deemed exports, subject to the terms and conditions specified in the HBP and ANF-7A:

- (a) Advance Authorization/Advance Authorization for Annual Requirement/ DFIA.
- (b) Deemed Export Drawback.
- (c) Refund of Terminal Excise Duty for Excisable Goods Mentioned in Schedule 4 of the Central Excise Act, 1944, Provided the supply is eligible under that category of deemed exports and there is no exemption.

Deemed Exports for the purpose of Goods and Services Tax (GST)

“Deemed exports” for the purpose of Goods and Services Tax (GST) would encompass solely the supplies notified under Section 147 of the Central and State Goods and Services Tax Act (CGST/SGST Act), as recommended by the GST Council. The benefits of GST and the conditions applicable for such

benefits would be as stipulated by the GST Council and in accordance with relevant rules and notifications.

Deemed exports are not zero-rated supplies by default, unlike the regular exports. Hence all supplies notified as supply for deemed export will be subject to levy of taxes i.e. such supplies can be made on payment of tax and cannot be supplied under a Bond/LUT. However, the refund of tax paid on the supply regarded as Deemed export is admissible to either the supplier or the recipient. The application for refund has to be filed by the supplier or recipient (subject to certain conditions) of deemed export supplies, as the case may be.

Deemed Exports under the Goods and Services Tax (GST)

In accordance with the powers conferred under Section 147 of the Central Government's Goods and Services Tax Act (CGST Act), the Central Government has issued Notification No. 48/2017-Central Tax on October 18, 2017. This notification declares the following categories of goods as deemed exports:

Description of Supply

1. Supply of goods by a registered person against advance authorization.
2. Supply of capital goods by a registered person against export promotion capital goods authorization.
3. Supply of goods by a registered person to an export-oriented unit.
4. Supply of gold by a bank or a public sector undertaking specified in the notification No. 50/2017-Customs, dated the 30th June, 2017 (as amended), against advance authorization.

Refund eligibility for deemed exports

Rule 89 of the CGST Rules, 2017 as amended vide Notification No. 47/2017-Central Tax dated 18.10.2017 allows either the recipient or supplier of such supplies to claim refund of tax paid thereon.

Time Limit for filing refund claim

For obtaining refund the recipient or supplier of deemed export supplies has to file an application in FORM GST RFD-01 through the common portal,

either directly or through a Facilitation Centre notified by the Commissioner before the expiry of two years from, the date on which the return relating to such deemed export supplies is to be furnished electronically.

Documentation & Procedural Aspects to claim benefits, the supplier needs:

- A copy of the invoice.
- Acknowledgment from the recipient (project authority, EOU, etc.).
- Proof of the transaction being treated as a Deemed Export (such as agreement documents).
- Copies of relevant GST returns.
- End-use certifications (where applicable).

Procedure for claiming 'Deemed Export' Benefits-

- (a) Supplier/ recipient of goods shall submit application for claiming deemed export benefits, in ANF-7A, along with the documents prescribed therein, to the concerned Regional Authority.
- (b) In case of supply of goods to an EOU, claim shall be filed with the concern Development Commissioner. A domestic tariff area (DTA) Unit shall claim benefits from the concerned Regional Authority.

Export vs. Deemed Export

Feature	Export	Deemed Export
Movement of Goods	Out of India	Within India
Forex Earnings	Involved	Not necessarily required
Benefits	Export benefit (Duty Drawback, RODTEP)	Deemed Export benefits (GST refund, etc.)
GST	Export is Zero-rated	GST applies, refund available

FAQs for Deemed Exports

1. What are deemed exports?

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Ans. Transactions where domestically manufactured goods are sold within India but are treated as if exported for benefit eligibility purposes.

2. What benefits are available to deemed exporters?

Ans. Refund of GST paid, exemption from duties on inputs used, and benefits similar to Export benefits such as Duty Drawback.

3. Are services covered under deemed exports?

Ans. No, Deemed Export benefits are applicable only to goods.

4. Do deemed export benefits require proof of end use?

Ans. Yes, certifications from project authorities or end-use documents are typically required.

5. Who can claim the benefits?

Ans. The supplier (manufacturer) can claim the benefits.

6. What is the distinction between Export and Deemed Export?

Ans. Export involves the movement of goods across international borders and the generation of foreign exchange, while Deemed Export occurs exclusively within India.

7. Are taxes levied on deemed exports?

Ans. GST is applicable to deemed export transactions, and the GST paid can be refunded.

8. What documents are necessary for claiming deemed export benefits?

Ans. Invoices, acknowledgment from the recipient, proof of end use, and GST returns.

9. Under what regulations are deemed exports defined?

Ans. Deemed Export benefits are defined under the Foreign Trade Policy (FTP) and related notifications issued by the Directorate General of Foreign Trade (DGFT).

10. Do deemed exporters require an Import Export Code (IEC)?

Ans. Yes, an IEC is mandatory.

11. When can a recipient of 'deemed exports' file a refund application?

Ans. If the recipient of 'deemed exports' has paid the tax amount on inward supplies received, which is qualified as deemed exports, and has taken credit of the tax paid in their electronic credit ledger, they can claim the refund of the tax amount posted as input tax credit. To do this, they must provide a declaration that the supplier has neither claimed nor shall claim any refund with respect to the said supplies.

12. What documents are required to be uploaded with the refund application of a recipient of 'deemed exports'?

Ans. The supplier must upload the documents required to be filed along with Form RFD-01A, as notified under the Central GST Act (CGST) Rules or Circulars issued in the matter. They must also upload Statement 5B with the details of invoices for which they are claiming refund. Taxpayers have the option to upload up to four documents with the refund application, each up to 5MB in size. Therefore, any supporting documents can be uploaded by the taxpayer if required.

13. To whom should a supplier file his application?

Ans. The taxpayer should file the refund application in Form RFD-01A on the GST portal. The taxpayer should choose the ground of refund as 'recipient of deemed exports' for claiming refund. After filing, the refund application will be assigned to a Refund Processing Officer, and the applicant can track the status of the refund application on the GST Portal.

14. When and how will the refund Form RFD-01A be processed?

Ans. Once the ARN is generated on filing of the refund application in Form RFD-01A, the refund application along with the documents attached while filing the form will be assigned to a Refund Processing Officer for processing the refund. The taxpayer can track the status of the refund application using the track status functionality. The application will be processed, and the refund will be disbursed by the Jurisdictional Authority after scrutiny.

Chapter 10

Developing Districts as Exports Hub

The Districts as Export Hubs (DEH) initiative seeks to enhance India's export performance by harnessing the inherent capabilities of individual districts. This initiative centers on identifying and nurturing each district's distinctive export strengths, thereby catalyzing regional development and ultimately augmenting India's overall export figures.

To catalyze districts across the nation into export hubs, the initiative targets the identification of products and services with export potential within each district. It also addresses the challenges faced by exporters of these products and services. Furthermore, it provides support to local exporters and manufacturers, enabling them to scale their operations and identify potential buyers beyond India. This comprehensive approach aims to foster the growth and development of the export, manufacturing, and services industries within each district.

Core Objectives:

- Identify export potential within districts.
- Address export barriers.
- Support local exporters and manufacturers.
- Foster export-oriented growth for regional development.
- Educate MSMEs on e-commerce platforms and digital cataloging.
- Provide training and skill development for international trade.
- Diversify export markets by connecting local producers with potential buyers.

District Export Promotion Committees - Institutional Mechanism at District Level

Every district has products and services which are being exported, and can be further promoted, along with new products / services, to increase

production, grow exports, generate economic activity and achieve the goal of AtmaNirbhar Bharat, Vocal for local and Make in India.

DGFT Regional Authorities will be engaging with all the relevant State and Central agencies to take forward this initiative in each district.

District Export Action Plans for Each District

The District Export Action Plan (DEAP) may be prepared for each district. 2-3 high potential products/services from the districts may be prioritised and comprehensive plan for their export growth may be prepared. It may include the support required by the local industry in boosting their manufacturing and exports with impetus on supporting the industry from the production stage to the exporting stage.

State/UT Export Promotion Committees

To synergise the efforts of the Department of Commerce/ DGFT and the State/UT governments in promotion of exports from the State, each State shall constitute a State Export Promotion Committee (SEPC) headed by Chief Secretary of the State. The designated Regional Authority of DGFT shall be the co-convenor of the committee.

Online Monitoring of District Export Action Plans

DGFT would develop an online monitoring portal that may be accessed on the DGFT website to enable the States/ DGFT RAs to upload all information related to the products/services with export potential of every District. The portal may also help in monitoring the progress of District Export Action Plan and DEPC meetings in all the Districts. Each DGFT Jurisdictional RA to be primarily responsible for updating the information/progress made in implementing Export Action Plan for each District under their Jurisdiction. The information and reports may also be available in public domain for the benefit of the exporters.

Export Promotion Activities in Districts

Support in the form of product/sector specific training and development needs of local industries, dissemination of information through outreach activities including buyer seller meets, trade fairs, workshops etc. may be provided in each District. The training and development needs of District

industries may be identified and trainings may be coordinated with other departments. DGFT RAs through DEPCs may facilitate such buyer-seller meets, exhibitions, trade fairs etc. in the District to encourage the industries to showcase their products/services to the world.

FAQs

1. What is an export hub?

Ans. An export hub is a concentrated geographic area that has been identified for the facilitation of exports. An export hub leverages the unique strengths and resources of a specific region and provides local manufacturers and exporters with the support necessary to streamline export processes, enhance competitiveness, and contribute to the overall economic development of the area.

2. What is the District Export Action Plan (DEAP)?

Ans. The District Export Action Plan is a strategic roadmap formulated to boost exports from a particular district. It involves comprehensive planning, coordination, and implementation of initiatives to enhance infrastructure, skill development, market diversification, innovation, and policy support within the district, fostering a conducive environment for export-oriented businesses.

3. What is the Districts as Export Hubs (DEH) initiative?

Ans. The Districts as Export Hubs (DEH) initiative is a government-led effort aimed at establishing specialized export hubs within districts to harness each district's export potential. It involves the creation of a District Export Promotion Committee (DEPC) to coordinate and support export-related activities. The initiative focuses on enhancing infrastructure, developing skills, promoting innovation, diversifying markets, and providing policy support to artisans, farmers, small industries, and MSMEs within the district.

Chapter 11

Market Access Initiatives (MAI)

The Market Access Initiative (MAI) Scheme is a program devised by the Indian government to promote and facilitate India's exports. It provides financial assistance to various eligible entities, including Export Promotion Councils (EPCs), Industry and Trade Associations (ITAs), and Indian Commercial Missions abroad, for undertaking export promotion activities. The scheme's objective is to serve as a catalyst for sustained export growth by supporting initiatives focused on specific countries, products, and market development.

Key Aspects of the MAI Scheme

Financial Assistance:

MAI provides financial support for a diverse range of activities, including participation in international trade fairs, organizing buyer-seller meetings, conducting market studies, and establishing showrooms and warehouses in foreign markets.

Focus on Specific Markets and Products:

The scheme emphasizes supporting export promotion activities in focus countries and for identified products, often based on market analysis and trade priorities.

Cost-Sharing Basis:

Funding is typically provided on a cost-sharing basis, with the government contributing a percentage of the total project cost.

Eligibility:

Eligible entities encompass Export Promotion Councils (EPCs), Industry and Trade Associations (ITAs), agencies of state governments, Indian Commercial Missions abroad, and other national-level institutions.

Promotion of Startups and New Exporters:

The scheme also incentivizes participation from start-ups and new exporters by providing support for activities such as airfare assistance.

Streamlining Export Promotion:

MAI guidelines are designed to streamline the process of providing support and ensuring that the benefits are accessible to a broader spectrum of exporters.

Maximum Participation:

There are restrictions on the number of times an entity can avail assistance for the same event, with a general limit of three participations.

Focus on Innovation:

The scheme also supports initiatives that foster innovation and develop trade and market intelligence.

Activities Eligible for Financial Assistance under the MAI Scheme

The Market Access Initiative (MAI) scheme provides financial assistance to export businesses, agencies, and institutes to enhance their operations and establish a robust presence in emerging markets. The following activities are eligible for financial support under the scheme:

1. Capacity Building
2. International Marketing Projects
3. Project Development
4. Support for Statutory Compliance
5. Support for Cottage and Handicrafts Units
6. Development of a Foreign Trade Facilitation Web Portal

Types of Financial Assistance Provided Under the MAI Scheme

- (a) **Market Study:** This assistance is provided to conduct surveys for specific markets to gain in-depth analysis and develop a marketing strategy accordingly.
- (b) **Showrooms and Warehouses:** Assistance is provided to set up warehouses and showrooms in lease or rental accommodations based on the market study conducted.
- (c) **Display in International Departmental Stores:** This offers assistance for local exporters and distributors to collaborate with major international stores to promote Indian products.
- (d) **Brand Campaign:** Assistance is provided with intensive publicity campaigns to enhance brand identity.
- (e) **Participation in Trade Fairs Abroad:** Assistance is provided for participation in trade fairs and exhibitions at potentially regions abroad based on the focus country-product basis.
- (f) **Assistance to Cottage and Handicrafts Units:** This assistance is provided for critical activities and the development of a website for virtual exhibition.
- (g) **Research and Product Development:** This assistance is provided to selective exporters, EPCs, and trade promotion organizations for product research purposes.
 - Eligible Agencies
 - Departments of the Central Government and the Organisation of Central/State Governments
 - Indian Missions abroad
 - Export Promotion Councils
 - Registered Trade Promotion Organisations
 - Commodity Boards
 - Apex Trade Bodies recognized under the Foreign Trade Policy of the Government of India

- Recognized Industrial and Artisan Clusters
- Individual Exporters (for statutory compliance, etc.)
- National Level Institutions (e.g., Indian Institutes of Technology (IITs), Indian Institutes of Management (IIMs), National Institute of Design (NIDs), NIFT, etc.)
- Research Institutions
- Universities
- Recognized laboratories, etc.

Eligibility Criteria for MAI Grant

To be eligible for the MAI grant, applicants must meet the following criteria:

1. **Comprehensive Project:** Eligible agencies must develop a well-defined project plan that focuses on market access. The project should adopt a focus-country and focus-product approach.
2. **Product Study:** A specific product in a targeted market should be thoroughly studied for a duration of two to three years to obtain optimal results.
3. **Originality:** Project findings must not be duplicated or replicated by any existing organization or activity within the same field.
4. **Exclusion of Previously Supported Activities:** The scheme will not provide assistance to activities that have already received funding under the Marketing Development Assistance (MDA) program.
5. **Cost Sharing:** Project funding will be structured on a cost-sharing basis.

Transport and Marketing Assistance Scheme

The Transport and Marketing Assistance (TMA) scheme is designed to provide financial support for the international transportation and marketing of specified agricultural products. Its primary objective is to address the challenges faced by Indian exporters due to elevated freight costs, thereby enhancing the competitiveness of Indian agricultural exports in the global market.

Key Features of the TMA Scheme:

- **Financial Assistance:** The scheme offers financial support for the international component of freight and marketing, specifically focusing on mitigating the higher costs associated with transporting agricultural products, particularly those requiring trans-shipment.
- **Eligible Products:** Primarily, products under Chapters 1 to 24 of the Harmonized System (HS) Codes are eligible for assistance.
- **Revised Scheme:** The scheme has undergone revisions, with the latest version applicable to exports affected on or after April 1, 2021, and expiring on March 31, 2022.
- **Dairy Products Inclusion:** Previously excluded, dairy products are now eligible for assistance under the revised scheme.
- **Enhanced Rates:** The revised scheme provides enhanced assistance to assist exporters in managing rising freight and logistics costs.
- **Application Process:** The Directorate General of Foreign Trade (DGFT) will disseminate specific procedures for obtaining assistance under the revised scheme.
- **Brand Recognition:** The scheme also aims to promote brand recognition for Indian agricultural products in designated overseas markets.
- **Eligible Countries:** The scheme covers a diverse range of countries, including Australia, New Zealand, the United Arab Emirates, and several other nations across Asia, Europe, and the Americas.
- **Standard Rates:** Standard rates for sea and air transport are applicable, with additional rates applicable for reefer containers in sea transport.
- **IEC Requirement:** An Importer-Exporter Code (IEC) is mandatory for applying for TMA assistance.

HB on Foreign Trade Policy - Incentives, Schemes & Related FAQs

Flowchart for Transport and Marketing Assistance (TMA) application process:

STARTs



Check Exporter Eligibility

- Must have IEC
 - Export goods covered under TMA
 - Export to eligible destinations
-



Register on DGFT Portal

- Login with IEC + DSC
 - Update AD code, Bank Details
-



Export Goods & Maintain Documents

- Export Invoice
 - Freight Bills
 - GST Returns
 - eBRC
-



Apply Online for TMA

- Fill application form
 - Upload required documents
-



DGFT Scrutiny & Verification



TMA Claim Approval



Disbursement of Assistance

Terms and conditions to be considered under the TMA Scheme

The TMA Scheme

The TMA Scheme provides freight cost reimbursements for Twenty-foot Equivalent Unit (TEU) containers.

Benefits Eligibility

Benefits under the TMA Scheme are not applicable to LCL containers, which are less than container loads, or vessels that contain both eligible and ineligible cargo. The TMA is also inapplicable for bulk or break-bulk shipments.

Conversion of Forty-foot Containers

A forty-foot container is equivalent to two TEUs.

Assistance for Export Products

Assistance for export products shipped by air is based on a per kilogram basis. Payments for exports are received in Foreign Exchange through standard banking channels, which is the sole condition for eligibility.

Exports Permissible under the TMA Scheme

Exports permissible under the TMA Scheme are those made through Electronic Data Interchange (EDI) Ports.

Reimbursement for Freight

Assistance under the TMA Scheme is delivered in cash through a direct bank transfer as part of the reimbursement for the freight paid by the exporter.

Benefits for No-Freight Exports

Benefits under the TMA Scheme are not applicable to no-freight exports, such as FOB supplies.

Categories ineligible under the TMA Scheme Products

- Exported from SEZs/ EOUs/ EHTPs/ STPs/ BTPs/ FTWZs
- SEZ/EOU/EHTPs/STPs/BTPs/FTWZs products exported through DTA units
- Export of imported goods, covered under paragraph 2.46 of the FTP
- Exports through trans-shipment, i.e., exports that are originating in the third country but trans-shipped through India
- Exported items are restricted or prohibited for export under Schedule-2 of Export Policy in ITC (HS) unless specifically notified
- Export of goods through courier or foreign post offices using e-Commerce

Eligibility of the Products

The assistance will be provided on export of all agricultural products covered in HSN Chapters 1 to 24 including marine and plantation products except those mentioned in Annexure (1) as under.

Annexure-1

Chapter	HS Code	Description
Chapters 1, 2 & 5	All HS Codes	— Live animals — Meat and edible meat offal — Products of animal origin, not elsewhere specified or included
Chapter 3	030617	— Other shrimps and prawns:
Chapter 4	0401	— Milk and cream, not concentrated nor containing added sugar or other

Market Access Initiatives (MAI)

		sweetening matter.
	0402	— Milk and cream, concentrated or containing added sugar or other sweetening matter.
	0403	— Buttermilk, curdled milk and cream, yogurt, kephir, and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter or flavored or containing added fruit, nuts or cocoa.
	0404	— Whey, whether or not concentrated or containing added sugar or other sweetening matter, products consisting of natural milk constituents, whether or not containing added sugar or other sweetening matter, not elsewhere specified or included.
	0405	— Butter and other fats and oils derived from milk; dairy spreads
	0406	— Cheese and curd
Chapter 7	0703	— Onions, shallots, garlic, leeks, and other alliaceous vegetables, fresh or chilled
Chapter 10	1001, 1006	— Wheat and Meslin — Rice
Chapter 13 & 14	All HS Codes	— Lac; gums, resins and other vegetable saps and extracts — Vegetable plaiting materials; vegetable products not elsewhere specified or included
Chapter 17	1701, 1703	— Cane or beet sugar or chemically pure sucrose, in solid form-raw sugar not containing added flavoring or colouring matter — Molasses resulting from the extraction or refining of sugar
Chapters 22 and 24	All HS Codes	— Beverages, spirits and vinegar — Tobacco and manufactured tobacco

HB on Foreign Trade Policy - Incentives, Schemes & Related FAQs

		substitutes
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Pattern of Assistance

- Assistance under TMA would be provided in cash through direct bank transfer as part of reimbursement of freight paid.
- The assistance shall be admissible only if payments for the exports are received in free foreign exchange.
- The scheme covers freight and marketing assistance for export by air as well as by sea (both normal and reefer cargo).

Differential rate of assistance under TMA (Amount in Indian Rupees) [Annexure-3]

<i>Region</i>	<i>Amount per TEU (Normal)</i>	<i>Amount per TEU (Refer)</i>	<i>By Air Amount per kilogram</i>
West Africa	11200	19600	0.84
East Africa	11200	21000	0.84
EU	9800	21000	1.120
Gulf	8400	14000	0.70
North America	21000	28700	2.80
ASEAN	5600	12600	0.70
Russia & CIS	12600	22400	0.70
Far East	8400	12250	0.84
Oceania	16800	24500	2.80
China	0	12600	0.84
South America	23800	31500	3.50

List of regions and export destinations/countries in each region eligible for assistance under TMA are as under:

Eligible Countries [Annexure-2]

Region	Country Name
West Africa	Benin, Mali, Burkina Faso, Mauritania, Ivory Coast, Niger, Cape Verde, Nigeria
EU	Albania, Andorra, Austria, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Kosovo, Latvia, Liechtenstein, Lithuania, Luxembourg, Macedonia, Malta, Monaco, Montenegro, Netherlands, Norway, Poland, Portugal, Romania, San Marino, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, United Kingdom, Vatican City
Gulf	Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates
North America	Antigua and Barbuda, Bahamas, Barbados, Belize, Canada, Costa Rica, Cuba, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Trinidad and Tobago, United states of America
ASEAN	Brunei, Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam
Russia & CIS	Armenia, Azerbaijan, Belarus, Estonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan
Far East	Japan, North Korea, South Korea
Oceania	Australia, Fiji, Kiribati, Marshall Islands, Micronesia, Nauru, New Zealand, Palau, Papua, New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu

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China	PRC China, Hong Kong, Taiwan
South America	Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Peru, Paraguay, Suriname, Uruguay, Venezuela

Conditions

1. TMA claim would be available on shipment basis.
2. All claims for shipments made in a particular quarter should be bunched together and submitted as a single application.
3. Import export code (IEC Code) is a must.

FAQs on TMA scheme

1. What is TMA Scheme?

Ans. The scheme is for exporters. The Transport and Marketing Assistance (TMA) Scheme aims to reimburse the part amount of freight paid (sea and air) by the exporter and also the marketing costs involved in the promotion of the product.

2. How does the TMA Scheme work?

Ans. It aims to provide less expensive transportation of goods, referred to as freight. Under TMA scheme, the cost of transportation required to export some specific agricultural products including marine and plantation products have been lowered. Under TMA, freight cost up to a specific limit will be reimbursed by the Government to make Indian agricultural products competitive in the Global market. It also provides benefits for the marketing of agricultural products, which helps to promote the brands and help them attain the recognition for Indian agrarian products in the overseas markets.

3. What is the benefit of TMA Scheme?

Ans. It is expected to boost exports of specified commodities to certain countries in Europe and North America.

4. How to check the TMA Scheme benefit for my shipments?

Ans. Applicants can refer to Public Notice. 82/2015-20/ dated 29.03.2019 to check the TMA Scheme benefits.

5. How to claim rewards under TMA Scheme?

Ans. The applicant has to file an online application at <http://dgft.gov.in>. The TMA application will be made on a quarterly basis.

6. How should the exporter apply for the TMA Scheme?

Ans. The applicant has to create an online application on a quarterly basis at DGFT site. The claim is available on the CIF shipments basis. There are no late cut provisions applicable for this scheme.

7. What is the fee for claiming benefits under the TMA Scheme?

Ans. An applicant has to pay online to the Government a fee of Rupees 1,000/- for each application.

8. How much time does it take to get the TMA Scheme benefit from DGFT?

Ans. After submission of manual application, the RA of DGFT may check application, and may approve the application within 15 to 30 days. Once DGFT approves the application and if funds are available with the DGFT, then payment will be credited immediately to the exporter's account, or if funds are not available with DGFT, then RA will issue the pre-receipt letter. Once payment is available with DGFT, then the refund will be credited to the exporter's account.

9. What is time limit to apply for claim under TMA scheme?

Ans. The applicant needs to apply for a claim within one year from the completion of the quarter. For example, if the export was made in the quarter January to March 2020, the claim should be filed by 31.03.2021.

10. Whether export through non-EDI port is eligible under TMA scheme?

Ans. No, only exports made through EDI port is eligible under TMA scheme.

11. Whether TMA scheme is allowed only for sea cargo or also allowed for air cargo?

Ans. TMA scheme is available for sea as well as for air cargo; in case of air cargo the benefit is available per kilogram but in case of sea cargo incentive is available per TEU (twenty-foot equivalent unit).

12. Whether TMA Scheme is available where the consignment is exported under FOB basis i.e. where no freight is paid by the exporter?

Ans. FOB supplies where no freight is paid by Indian exporter, are not eligible for incentive under the TMA Scheme.

13. Whether any scrip is issued under TMA Scheme or the incentive is in cash?

Ans. The incentive under TMA Scheme is in cash and paid through direct benefit transfer.

14. Whether products exported under Chapter 85 of Customs Tariff is eligible for TMA benefits?

Ans. No. Only the products exported under Chapters 1 to 24 are eligible for TMA benefits except few items as mentioned in Annexure-1 above.

15. How long the scheme is available?

Ans. The Scheme is available from 01.03.2019 to 31.03.2021 for specified products exported under Chapters 1 to 24.

Chapter 12

Export Oriented Units (EOUs)

Background

Export Oriented Units (EOUs), Electronics Hardware Technology Parks (EHTPs), Software Technology Parks (STPs), and Bio-Technology Parks (BTPs) are all government-supported schemes in India designed to boost exports and promote specific industries. EOUs are a broad category for units focused on exporting their entire production, while EHTPs, STPs, and BTPs are specialized schemes focused on electronics hardware, software, and biotechnology, respectively.

The provisions of EOU Scheme are contained in Chapter 6 of the Foreign Trade Policy (FTP); Chapter 6 of Handbook of Procedures (HOP), Vol. I and Public Notices /Circulars issued by the Department of Commerce. Establishment of units and their performance is monitored by the jurisdictional Development Commissioner (DC) in accordance with the FTP provisions.

1. **Export Oriented Units (EOUs):**

- EOUs are units that undertake to export their entire production of goods and services (with some permissible sales in the Domestic Tariff Area).
- They aim to enhance foreign exchange earnings, attract investment for export production, and generate employment.
- The EOU scheme is part of India's Foreign Trade Policy and is a key component of the country's export strategy.

2. **Electronics Hardware Technology Parks (EHTPs):**

- EHTPs are specifically designed for the development and export of electronic hardware.
- They offer various incentives, tax exemptions, and facilitation measures to promote electronics manufacturing in India.
- The scheme aims to make India a competitive player in the global electronics market by boosting exports and generating employment.

3. Software Technology Parks (STPs):

- STPs focus on the development and export of computer software, including services.
- They are 100% export-oriented schemes, meaning the entire production is meant for export.
- The scheme supports the export of software through data communication links or physical media.

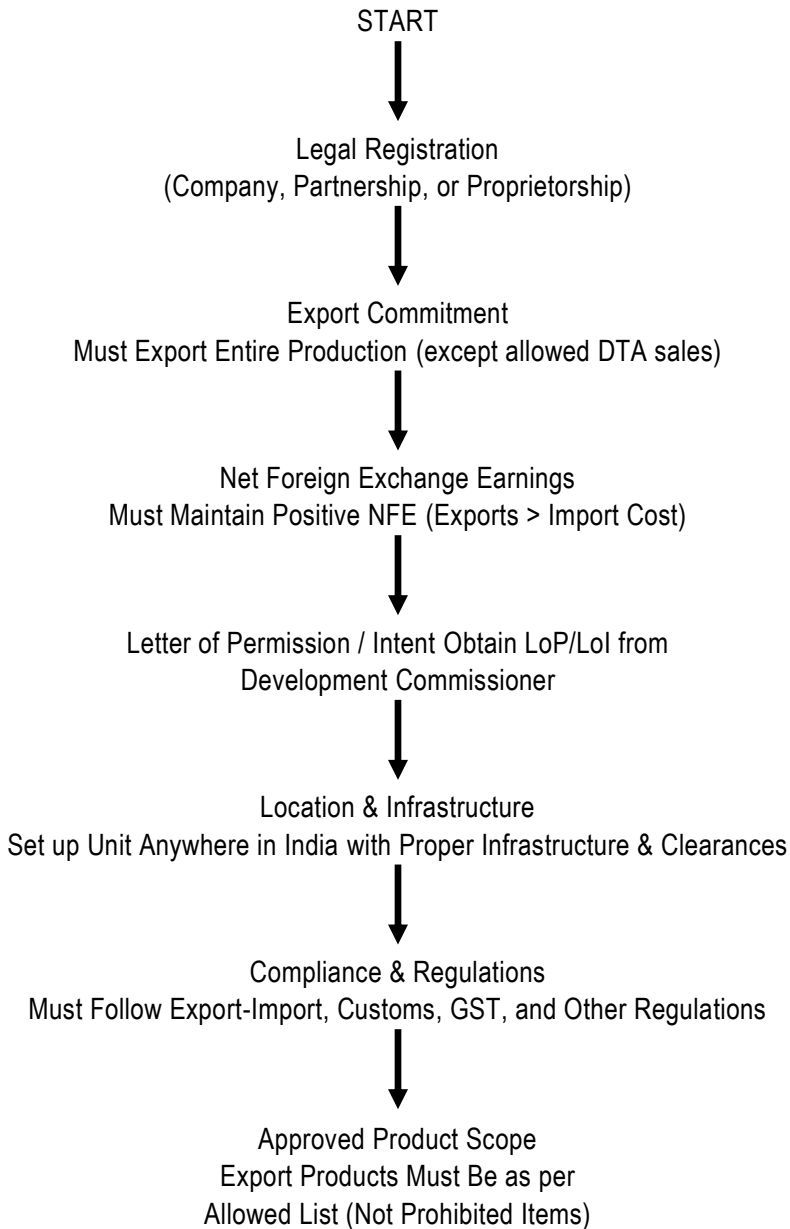
4. Bio-Technology Parks (BTPs):

- BTPs are for the development and export of products and services related to biotechnology.
- These parks are set up by the government (central or state), public or private sector undertakings.
- Applications for setting up BTPs are submitted to the Department of Bio-Technology and approved based on specific guidelines.

Main Objectives

- (a) Boosting exports
- (b) Earning foreign exchange
- (c) Attracting foreign investment
- (d) Generating employment
- (e) Backward and forward linkage by way of sourcing of raw material from and supply of finished goods to DTA
- (f) Attracting latest technology into the country
- (g) Upgrading the skill and creating source of skilled man-power
- (h) Development of backward area.

Eligibility Criteria for an Export Oriented Unit (EOU)



Purpose of EOU

Unit under EOU scheme may be set up for

- Manufacture of goods
- Repair
- Re-making
- Reconditioning
- Re-engineering
- Rendering of services
- Development of software
- Agriculture including agro-processing, aquaculture, animal husbandry, biotechnology, floriculture, horticulture, pisciculture, viticulture, poultry and sericulture.

Export and Import of Goods

1. An EOU / EHTP / STP / BTP unit may export all kinds of goods and services except items that are prohibited in ITC (HS). However, export of gold jewellery, including partly processed jewellery, whether plain or studded, and articles, containing gold of 8 carats and above up to a maximum limit of 22 carats only shall be permitted. The export of findings like posts, push backs, locks which help in collating the jewellery pieces together, containing gold of 3 carats and above up to a maximum limit of 22 carats only shall be allowed.
2. Export of Special Chemicals, Organisms, Materials, Equipment and Technologies (SCOMET) shall be subject to fulfillment of conditions contained in the Chapter 10 of the FTP (new Chapter for SCOMET).
3. Procurement and supply of export promotion material like brochure/literature, pamphlets, hoardings, catalogues, posters etc. upto a maximum value limit of 1.5% of FOB value of previous year's exports shall also be allowed.
4. An EOU / EHTP/ STP/ BTP unit may import and / or procure, from DTA or bonded warehouses in DTA / international exhibition held in India, all types of goods, including capital goods, required for its activities, provided they are not prohibited items of import in the ITC (HS).

5. State Trading regime shall not apply to EOU manufacturing units. However, in respect of Chrome Ore/Chrome concentrate, State Trading Regime as stipulated in export policy of these items will be applicable to EOUs.
6. EOU/EHTP/STP/BTP units may import/procure from DTA, with or without payment of duties/taxes.
7. An EOU engaged in agriculture, animal husbandry, aquaculture, floriculture, horticulture, pisciculture, viticulture, poultry or sericulture may be permitted to remove specified goods in connection with its activities for use outside the premises of the unit.
8. Gems and jewellery EOUs may source gold / silver / platinum through nominated agencies on loan / outright purchase basis. Units obtaining gold / silver / platinum from nominated agencies, either on loan basis or outright purchase basis shall export gold / silver / platinum within 90 days from date of release of such metals by the nominated agencies.
9. EOU/EHTP/STP/BTP units, other than service units, may export to Russian Federation in Indian Rupees against repayment of State Credit/ Escrow Rupee Account of buyer subject to RBI clearance, if any.
10. Procurement and export of spares / components, upto 5% of FOB value of exports, may be allowed to same consignee / buyer of the export article, subject to the condition that it shall not count for NFE and direct tax benefits.
11. Development Commissioner /Designated Officer in EOU/EHTP/STP/ BTP units may allow, on a case to case basis, EOU / EHTP / STP/ BTP units in sectors other than Gems & Jewellery, for consolidation of goods related to manufactured articles and export thereof along with manufactured article. Such goods may be allowed to be imported / procured from DTA by EOU with or without payment of duty and/ or taxes.

Second hand Capital Goods

Second hand capital goods, without any age limit, may also be imported with or without payment of duty/ taxes.

Leasing of Capital Goods

- An EOU / EHTP/STP/BTP unit may, on the basis of a firm contract between parties, source capital goods from a domestic / foreign leasing company with or without payment of duties/taxes.
- An EOU/ EHTP/STP/BTP unit may sell capital goods and lease back the same from a Non-Banking Financial Company (NBFC), subject to few conditions.

Sector not covered under EOU concept

Trading units

Location for EOU

EOUs can be set up anywhere in the country.

Conversion from Existing Domestic Unit to EOU unit

- (a) Existing DTA units may also apply for conversion into an EOU / EHTP / STP / BTP unit.
- (b) Existing EHTP / STP units may also apply for conversion / merger to EOU unit and vice-versa. In such cases, units will avail exemptions in duties and taxes as applicable.
- (c) Applications for conversion into an EOU / EHTP / STP / BTP unit from existing DTA units, having an investment of Rs. 50 crores and above in plant and machinery or exporting Rs. 50 crores and above annually, shall be placed before BOA for a decision.

Sale of surplus power

- (i) Whenever the Development Commissioner receives proposal for sale of surplus power, it would be examined in consultation with the State Government including State Electricity Board. This shall, however, not apply to sale of power within the SEZ. The Development Commissioner will report the norms of raw materials and consumables required for generation of a unit of power for consideration and approval by the Board of Approval.
- (ii) No duty/tax shall be required to be paid on sale of surplus power from an EOU/SEZ unit to another EOU/SEZ unit subject to GST provisions. Development Commissioner of SEZ concerned would be informed in

writing of such supply and proper account of the consumption of raw material would be maintained by the supplying unit. The value of imported inputs and consumables shall be taken into account for NFE calculations of the supplying unit.

- (iii) The unit will obtain permission of the Assistant Commissioner of Customs/ Central Excise & GST for sale of surplus power in the DTA, after obtaining permission from the SEZs under the relevant statute. Duty/ tax on sale of power to the DTA shall be as per the notification of the Department of Revenue in this regard.
- (iv) Due care will have to be taken by the Development Commissioner/ Board of Approval while approving the power plants by EOU/SEZ units vis-à-vis their actual requirement.

Exit from EOU Scheme

1. With the approval of Development Commissioner (DC), an EOU may opt to exit out of the EOU Scheme. Such exit shall be subject to payment of applicable duties and taxes saved on imported inputs and capital goods. These applicable duties and taxes may also be discharged through advance authorization and EPCG or in cash.
2. An EOU / EHTP / STP / BTP unit may also be permitted by DC to exit from the Scheme at any time on payment of applicable duties and taxes and compensation cess on capital goods under the prevailing EPCG Scheme for DTA Units. This will be subject to fulfillment of positive NFE criteria under EOU scheme, eligibility criteria under EPCG scheme and standard conditions indicated in Hand Book on procedures.
3. An EOU / EHTP / STP / BTP unit may also be permitted by DC to exit under advance authorisation as one-time option. This will be subject to fulfillment of positive NFE criteria.

Consequence of exit from EOU

If the unit has not achieved the obligations, it shall also be liable to penalty at the time of exit. Further the EOU has to pay the import duties foregone and other benefits like GST (either claimed as refund by EOU or by the supplier, by way of paying GST on outward supply).

Incentives/facilities available to EOUs

- (i) Duty free imports or procurement from bonded warehouse /international exhibitions of inputs, consumables, office or other capital goods (including second-hand capital goods) etc.
- (ii) Procurement of goods from domestic tariff area without payment of central excise duty.
- (iii) Supplies by DTA manufacturer are eligible for deemed export benefits which include drawback, refund of terminal excise duty and issuance of advance authorisation enabling duty free import to the DTA supplier.
- (iv) Export income exempted from payment of income tax with a sunset clause.
- (v) DTA sale without any limit (including advance DTA sale) on payment of applicable GST and customs duties forgone as BCD/ADD/SGD.
- (vi) Only positive net foreign exchange earnings (NFE) to be achieved over a period of five years.
- (vii) Duty free goods (except capital goods) to be utilized over a period of 3 years.
- (viii) Export proceeds to be realized within a period of 12 months. Retention allowed upto 100% of export earnings in EEFC account.
- (ix) Supplies made in DTA under Paragraph 6.9 of FTP & supplies to other exporting units/bonded warehouse are counted for the purpose of fulfillment of positive NFE.
- (x) Goods allowed to be supplied duty free in DTA against advance authorization/ DFIA issued by DGFT.
- (xi) Job-work/sub-contracting for or from DTA permitted subject to fulfillment of certain conditions.
- (xii) Import/export of goods including precious goods permitted through personal carriage & Foreign Post Office.
- (xiii) FDI upto 100% permitted as per the guidelines of Department of Industrial Policy and Promotion.
- (xiv) Exemption from industrial licensing for manufacture of items reserved for SSI sector.

- (xv) Software units allowed to use computer systems for training purposes (including commercial training).
- (xvi) EOUs allowed to install one fax machine and two computers outside the bonded area of the unit.
- (xvii) Depreciation upto 100% permissible on capital goods. On de-bonding, the duty to be paid on the depreciated value of the capital goods.

DTA Sale by EOU

- (i) Units, other than gems and jewellery units may sell finished goods manufactured by them as specified in LoP (including by-products, rejects, waste and scraps arising in the course of production, manufacture, processing or packaging of such goods) which are freely importable under FTP in DTA, subject to fulfillment of positive NFE, on payment of excise duty, if applicable, and/ or payment of GST and compensation cess along with reversal of duties of custom leviable under First Schedule to the Customs Tariff Act, 1975 availed as exemption, if any on the inputs utilized for the purpose of manufacturing of such finished goods (including by-products, rejects, waste and scraps arising in the course of production, manufacture, processing or packaging of such goods).
- (ii) No DTA sale shall be permissible in respect of pepper & pepper products, marble and such other items as may notified from time to time.
- (iii) Such DTA sale shall also not be permissible to units engaged in activities of packaging/ labeling/ segregation/ refrigeration/ compacting/ micronisation/ pulverization/ granulation/ conversion of monohydrate form of chemical to anhydrous form or vice-versa.
- (iv) The DTA sale by EOU/EHTP/STP/BTP units shall be subject to payment of excise duty, if applicable, and/or payment of GST and compensation cess along with reversal of duties of custom leviable under First Schedule to the Customs Tariff Act, 1975 availed as exemption, if any on the inputs utilized for the purpose of manufacturing of such finished goods (including by-products, rejects, waste and scraps arising in the course of production, manufacture, processing or packaging of such goods). This reversal of customs duty

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would be as per prevailing SION norms or norms fixed by Norms Committee (where no SION norms are fixed).

- (v) Such DTA sale shall also be subject to refund of any benefits availed by the EOU/supplier as per FTP, on the goods used for manufacture of the goods cleared into the DTA.
- (vi) For services, including software units, sale in DTA in any mode, including online data communication, shall also be permissible up to 50% of F.O.B. value of exports and /or 50% of foreign exchange earned, where payment of such services is received in foreign exchange.
- (vii) Gems and jewellery units may sell upto 10% of F.O.B. value of exports of the preceding year in DTA, subject to fulfillment of positive NFE. The unit shall pay applicable GST and compensation cess along with reversal of duties of Customs leviable under First Schedule to the Customs Tariff Act, 1975 availed as exemption, on inputs used in such jewellery.
- (viii) Unless specifically prohibited in LoP, rejects may be sold in DTA on payment of excise duty, if applicable, and/or payment of GST and compensation cess along with reversal of duties of Customs leviable under First Schedule to the Customs Tariff Act, 1975 availed as exemption on inputs on prior intimation to customs authorities. Sale of rejects up to 5% of F.O.B. value of exports shall not be subject to achievement of NFE.
- (ix) Scrap / waste / remnants arising out of production process or in connection therewith may be sold in DTA, as per SION notified under Duty Exemption Scheme, on payment of applicable duties and/ or taxes and compensation cess. Such sales of scrap / waste / remnants shall not be subject to achievement of positive NFE. In respect of items not covered by norms, DC may fix *ad-hoc* norms for a period of six months and within these period, norms should be fixed by Norms Committee. Ad-hoc norms will continue till such time norms are fixed by Norms Committee. Scrap / waste / remnants may also be exported.
- (x) There shall be no duties / taxes on scrap / waste / remnants, in case same are destroyed with permission of customs authorities. The expression “no duties/taxes” shall not include applicable taxes and cess under the GST laws.

- (xi) By-products included in LoP may also be sold in DTA subject to achievement of positive NFE, on payment of excise duty, if applicable, and/or payment of GST and compensation cess along with reversal of duties of custom leviable under First Schedule to the Customs Tariff Act, 1975, if availed on inputs.
- (xii) In case of new EOUs, advance DTA sale will be allowed not exceeding 50% of its estimated exports for first year, except pharmaceutical units where this will be based on its estimated exports for first two years.

Sale of Unutilized Material

In case the EOU unit is unable to utilize goods and services, imported or procured from DTA, it may be:-

- (i) transferred to another EOU/EHTP/STP/BTP/SEZ unit, such transfer would be treated as import for receiving unit or
- (ii) disposed in DTA with intimation to customs authorities on payment of applicable duties, taxes and cess.

Applications for Setting up a Unit

- Application for setting up an EOU shall be considered by

In case of EOU	Unit Approval Committee (UAC) under chairmanship of Development Commissioner of Special Economic Zone.
In case of units under EHTP / STP schemes	Officer designated by Ministry of Communication and Information Technology, Department of Electronics & Information Technology
In case of Bio-Technology Parks (BTP)	Officer designated by Department of Biotechnology

- For setting up an EOU, three copies of application in Form ANF 6A shall be submitted to Development Commissioner.
- Applications for setting up units under EOU scheme shall be approved or rejected by Units Approval Committee within 15 days.

- Approved EOU / EHTP / STP / BTP unit shall execute an LUT with DC/Designated Officer concerned as in Appendix 6 E of Appendices & ANFs.
- All EOU / EHTP / STP / BTP units should have permanent e-mail address. No LUT for new units shall be executed unless unit has its permanent e-mail address and digital signature on said e-mail ID. In event of an EOU not having permanent e-mail address and digital signature, further imports and DTA sale shall not be permitted by DC.

Letter of Permission & Letter of Intent [LoP / Lol]

On approval of setting up, a letter is issued by Development Commissioner / Designated Officer to EOU / EHTP / STP / BTP unit. This letter is called letter of permission/ Letter of Intent. Thereafter, unit shall execute an LUT with Development Commissioner/ Designated Officer to ensure positive NFE and to abide the terms and conditions of LoP / Lol.

Net Foreign Exchange Earnings

- EOU / EHTP / STP / BTP unit shall be a positive net foreign exchange earner.
- NFE earnings shall be calculated cumulatively in blocks of five years, starting from commencement of production.
- Positive NFE = A – B > 0

Where 'NFE' is net foreign exchange;

"A" is FOB value of exports by EOU / EHTP / STP / BTP unit;

"B" is sum total of CIF value of all imported inputs and CIF value of all imported capital goods, and value of all payments made in foreign exchange by way of commission, royalty, fees, dividends, interest on external borrowings / high sea sales during first five year period or any other charges. It will also include payment made in Indian Rupees on high sea sales. Any goods obtained from another EOU / EHTP / STP / BTP / SEZ unit, or procured from an international exhibition held in India, or bonded warehouses or precious metals procured from nominated agencies, value of such goods shall be included under "B". Value of imported capital goods financed through leasing companies

or obtained free of cost and / or on loan / lease basis, shall also be taken into account for purpose of calculation of NFE.

Maintenance of Accounts

- (a) EOU / EHTP / STP / BTP unit shall maintain proper account, and shall file digitally signed quarterly and annual report as prescribed in Annexure to Appendix 6E of Appendices & ANFs to DC / Designated Officer in MeitY / DoBT and Customs and Central Excise authorities. In addition, STP unit shall file, every month, report of services classified in Annexure V of Appendix 6E of Appendices & ANFs in the 'Service Exports Reporting Form (SERF)' prescribed in Annexure VI of Appendix 6E of Appendices & ANFs to the designated officer in STP. Use of SERF would be limited to capturing information on services exports from STPs.
- (b) Unit shall be able to account for entire quantity of each category of homogenous goods imported / procured duty and/or tax free, by way of exports, sales / supplies in DTA or transfer to other SEZ / EOU / EHTP / STP / BTP units and balance in stock. However, at no point of time, units shall be required to correlate every import consignment with its exports, transfer to other SEZ / EOU / EHTP / STP / BTP units, sales in DTA and balance in stock. Any matter for clarification as to whether goods are homogenous or not shall be decided by Units Approval Committee.

COMPARATIVE STUDY

Feature	EOUs (Export Oriented Units)	EHTPs (Electronics Hardware Technology Parks)	STPs (Software Technology Parks)	BTPs (Bio-Technology Parks)
Sector Focus	All sectors (manufacturing, services)	Electronics hardware and electronics goods	Software and IT services	Biotechnology (R&D, production)
Objective	Boost export of goods and services across industries	Promote electronics hardware manufacturing and export	Promote software and IT services export	Advance biotechnology R&D and exports

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Location	Anywhere in India	Specific designated EHTP zones	Specific designated STP zones	Specific designated BTP zones
Benefits	Duty-free import of raw materials, equipment and inputs	Duty-free import of electronics equipment, components	Duty-free import of hardware/software required for software export	Duty-free import of equipment required for biotech research and production
Approvals	Development Commissioner (under Ministry of Commerce)	Development Commissioner / STPI authorities	STPI authorities	Development Commissioner (Biotechnology)/ Ministry of Commerce
Compliance	Export commitments, NFE norms, regular returns	Export commitment as per scheme norms	Export commitment, NFE requirement	Export and R&D compliance
Focus Market	All international markets	Electronics export markets	Software export markets	Biotechnology export and services
Tax/Customs benefits	Exemption from customs duties, GST benefits	Similar benefits as EOUs	Similar benefits as EOUs	Similar benefits as EOUs
Ideal for	Manufacturing units with global markets	Electronics manufacturers, hardware firms	Software development firms, IT services	Biotech R&D firms, manufacturing firms
Examples	Garment units, engineering units	Electronics and hardware firms	IT service companies, SaaS firms	Pharma and biotech firms

FAQs on EOU

1. Whether service unit is allowed under EOU Scheme?

Ans. Yes, rendering of services is allowed. However, trading units are not allowed.

2. Whether second-hand capital goods allowed under EOU Scheme?

Ans. Yes, second-hand capital goods, without any age limit, may be imported.

3. What is the treatment of procurement under GST by EOU from DTA?

Ans. Goods supplied by the DTA units to EOU shall be regarded as deemed export and GST is to be paid on such supply, however due to deeming fiction either supplier or recipient by taking disclaimer certificate may apply for refund of such GST paid.

4. What procedure will be followed by EOU to import goods without payment of customs duty in the GST regime?

Ans. To avail such import benefits, EOUs will have to follow the procedure under the Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017.

5. Whether an EOU can clear goods to another EOU (inter-unit transfer). Whether an EOU can send goods for carrying out job work on such goods. In such situations, how will the tax liability be discharged?

Ans. Supply of goods from one EOU to another EOU will be treated as any other supply under GST Law. An EOU can send goods for job work as per section 143 of the CGST Act, 2017 and rule 45 of the CGST Rules, 2017 and the tax liability shall be discharged accordingly.

6. Can a SEZ be converted into EOU?

Ans. No such provision in SEZ Act, 2005.

7. Is there any time limit to give approval for EOU?

Ans. Applications for setting up units under EOU Scheme shall be approved or rejected by Units Approval Committee within 15 days, as per criteria indicated in the policy/procedures.

8. Is there any requirement to commence production/service activity within a specified period on approval of EOU?

Ans. On approval, a letter of permission (LoP) / letter of intent (LoI) shall be issued by DC / designated officer to EOU/ EHTP / STP /BTP unit. LoP/LoI shall have an initial validity of 2 years to enable the Unit to construct the plant and install the machinery and by this time the unit

should have commenced production. In case the unit is not able to commence production during the initial validity period of 2 years, an extension of one year may be given by the DC for valid reasons. Subsequent extension of one year may be given by the Unit Approval Committee subject to conditions. Further extension, if necessary, will be granted by the Board of Approval.

9. How long the approval for EOU valid?

Ans. Once an unit commences production, LoP / Lol issued shall be valid for a period of 5 years for its activities. This period may be extended further by DC for a period of 5 years at a time.

10. Can anyone start EOU in leased premise?

Ans. Yes. EOUs shall have separate earmarked premises for separate LoP. Similarly, EOUs may be approved on leased premises provided the lease has been obtained from Government Department / undertaking / agency. However, in case lease is obtained from private parties, it shall have a validity period of five years from date of LUT and DC shall satisfy himself of genuine nature of lease.

11. Can EOUs procure inputs/capital goods domestically?

Ans. Yes.

12. Can EOU procure second-hand capital goods domestically and/ or import?

Ans. Yes.

13. Can EOU export through other exporters?

Ans. Yes. An EOU / EHTP / STP / BTP unit may export goods manufactured / software developed by it through other exporter, or any other EOU / EHTP/ STP / BTP /SEZ unit subject to the following conditions:

- (a) Goods shall be produced in EOU / EHTP / STP / BTP unit concerned.
- (b) Level of NFE or any other conditions relating to imports and exports as prescribed shall continue to be discharged by EOU / EHTP / STP / BTP unit concerned.

- (c) Export orders so procured shall be executed within parameters of EOU / EHTP / STP / BTP schemes and goods shall be directly transferred from unit to port of shipment.
- (d) Fulfilment of NFE by EOU / EHTP / STP / BTP units in regard to such exports shall be reckoned on basis of price at which goods are supplied by EOUs to other exporter or other EOU / EHTP / STP / BTP / SEZ unit.
- (e) All export entitlements, including recognition as 'status holder' would accrue to exporter in whose name the foreign exchange earnings are realized.

However, such export shall be counted towards fulfilment of obligation under EOU / EHTP / STP / BTP scheme only.

14. Can an EOU set up show rooms or retail outlets for sale?

Ans. Yes. EOUs may set up showrooms / retail outlets at International Airports for sale of goods in accordance with procedure laid down by customs authorities. Items remaining unsold after a period of 60 days shall be exported or returned to respective EOUs.

15. Can an EOU supply or sell samples?

Ans. Yes.

- (a) EOU / EHTP / STP / BTP units may, on the basis of records maintained by them, and on prior intimation to customs authority, supply or sell samples in DTA for display / market promotion on payment of excise duty, if applicable, and/or payment of GST and compensation cess alongwith reversal of duties of customs leviable under First Schedule to the Customs Tariff Act, 1975, if availed on inputs.
- (b) Remove samples without payment of duty and/or taxes on furnishing a suitable undertaking to Customs authorities for bringing back samples within a stipulated period.

16. Can supplied to EOU by DTA unit treated as "Deemed Exports"?

Ans. Yes, as per notification number 48/2017- CT dated 18-10-2017.

Appendix and Aayat Niryat Form (ANF) applicable for EOU scheme

Appendix	Description
Appendix-6A	Criteria to be adopted for automatic approval of Units under EOU scheme
Appendix-6B	Sector specific requirement for EOUs
Appendix-6C	Board of approval Notification
Appendix-6D	Format of letter of permission
Appendix-6E	Form of legal agreement for EOU/EHTP/STP/BTP
Appendix-6F	Guidelines for monitoring the performance of EOU/EHTP/STP/BTP units
Appendix-6G	Guidelines for sale of goods in the domestic tariff area (DTA) by EOU/EHTP/STP/BTP units
Appendix-6H	Procedure to be followed for reimbursement of Central Sale Tax (CST) on supplies made to unit is EOU/EHTP/STP/BTP
Appendix-6I	Items permitted for import/domestic procurement by EOU units engaged in agriculture/horticulture with or without payment of duties and/or taxes for supplies to contract farmers in the DTA.
Appendix-6J	Jurisdiction of special economic zone
Appendix-6K	Guidelines for exit of EOU/EHTP/STP/BTP units
Appendix-6L	Guidelines for revival/exit of sick EOU units
Appendix-6M	Guidelines for conversion of domestic tariff area (DTA) unit into EOU/EHTP/STP/BTP
ANF-6A	Application for setting up of new EOU/EHTP/STP/BTP or conversion of existing DTA/ EOU/EHTP/STP/BTP units.
ANF-6B	Application for extension of LOP for export-oriented units.
ANF-6C	Application for DTA sale/advance DTA sale permission.
	Application for exit from EOU scheme

Quality Complaints and Trade Disputes

Objective

Exporters must project a positive image of their country abroad to enhance export growth. Establishing and maintaining long-term relationships with foreign buyers is crucial. In the event of complaints or trade disputes, they must be resolved amicably and promptly. Importers may also have grievances. To address complaints and disputes and foster a conducive business environment, a mechanism has been established to resolve such issues in a harmonious manner.

Note: Complaints or disputes between two or more Indian entities are not covered by this mechanism. Similarly, complaints or disputes between two or more foreign entities are also not covered.

Scope of Complaints

- From foreign buyers about quality of goods/services from Indian exporters.
- From Indian importers about quality of goods/services from foreign suppliers.
- Cases of unethical dealings (e.g., non-supply, partial supply, incorrect goods, delayed deliveries, or non-payment).

Obligation on the part of Importer/ Exporter

- Exporters must declare quality, specifications, and value truthfully (Rule 11 of the FT Regulations).
- Exporters must adhere to mandatory quality controls and pre-shipment inspection when applicable.

Legal Framework for Action against Offenders

- FT (D&R) Act, 1992 & FT Regulations, 1993: DGFT can suspend/cancel IEC, licenses, or impose penalties for violations.

Mechanism for Redressal:

- A Committee on Quality Complaints and Trade Disputes (CQCTD) operates in DGFT Regional Authorities (RAs).
- CQCTD comprises the Head of Office and other designated members and aims to resolve complaints within three months, often with the help of Export Promotion Councils, FIEO, or Commodity Boards.

Approach:

- CQCTD proceedings are conciliatory, and parties can still pursue legal remedies.
- Export Inspection Agencies or technical authorities can assess quality complaints.
- Foreign complaints may be escalated to Indian Missions and DGFT if required.

Additional Oversight

- A Case Officer monitors complaints at the RA level.
- A Nodal Officer (Joint DGFT or higher) at DGFT HQ coordinates efforts between RAs, the Commerce Ministry, and Indian Missions.

ECGC Policy

The ECGC Policy (offered by Export Credit Guarantee Corporation of India) is an export credit insurance policy designed to protect exporters from payment risks associated with international trade. Its primary objective is to help exporters secure payments for goods and services exported from India.

The ECGC Policy covers:

Commercial Risks

- Insolvency or bankruptcy of the buyer
- Protracted delays in payments
- Repudiation of contract by the buyer

Political Risks

- War, civil disturbances, or political instability
- New import restrictions or cancellation of import licenses
- Transfer delays due to currency restrictions

Types of Policies Offered

1. **Standard Policies:** Cover short-term export shipments.
2. **Specific Shipments Policy:** Cover one-off shipments.
3. **Small Exporter Policy:** Tailored for small exporters with turnover restrictions.
4. **Buyer-wise Policy:** Cover shipments made to specific buyers.
5. **Consignment Export Policy:** Cover goods sent for sale on consignment basis.
6. **Services Policy:** Cover services exported (e.g., consultancy).
7. **Other Specialized Policies:** Cover project export, bank guarantees, etc.

Benefits for Exporters

- Protects against risk of non-payment.
- Enables access to better financing from banks (banks often ask for ECGC cover).
- Helps exporters tap new or risky markets with more confidence.
- Supports business expansion and growth.

How to Get an ECGC Policy?

1. Exporter applies for the relevant ECGC Policy online or through ECGC branches.
2. Provides details of buyers, transaction terms, and shipment details.
3. ECGC assesses risk and quotes premium rate.
4. Exporter pays premium and receives the policy.

FAQs

1. What is the objective of the Quality Complaints and Trade Disputes mechanism?

Ans. To protect India's image in international trade and ensure complaints/trade disputes between exporters and importers are resolved amicably and quickly.

2. What types of complaints are covered?

Ans. Quality-related complaints from foreign buyers about goods/services from India.

- Importer complaints about quality of goods/services from foreign suppliers.
- Unethical trade practices (non-supply, partial supply, wrong goods/services, delayed delivery, or non-payment).

3. What are the obligations of an exporter?

Ans. Exporters must:

- Declare accurate quality, specification, and value of goods/services in shipping documents.
- Follow mandatory quality standards and pre-shipment inspection requirements where applicable.

4. What penalties can be imposed for quality/trade violations?

Ans. Under the Foreign Trade (Development & Regulation) Act, 1992 and the FT (Regulation) Rules, 1993, penalties include:

- Suspension/cancellation of IEC (Importer Exporter Code).
- Refusal or cancellation of licenses/scrips/certificates.
- Fiscal penalties for contravention of rules.

5. What is the role of the Committee on Quality Complaints and Trade Disputes (CQCTD)?

Ans. The CQCTD:

- Operates within DGFT Regional Authorities.
- Inquires into and resolves quality complaints and trade disputes.

- Aims for quick resolution (preferably within three months).
- May seek help from Export Promotion Councils, FIEO, Commodity Boards, etc.

6. Are CQCTD proceedings binding?

Ans. No. The proceedings are conciliatory. Parties can still pursue legal remedies if needed.

7. What is the procedure for making a complaint?

Ans. The procedure is laid out in the Handbook of Procedures, which guides applicants on how to lodge a complaint or trade dispute.

8. What if the matter is not resolved amicably?

Ans. Action can be taken against the erring party under the FT (Development and Regulation) Act, 1992, and associated rules.

9. How are complaints against foreign entities handled?

Ans. Indian Missions abroad take up the matter with authorities in the relevant country. Cases of malafide behavior can be escalated to DGFT and circulated to EPCs, Commodity Boards, and other authorities.

10. Who monitors these complaints and disputes?

Ans. A Case Officer monitors proceedings at the RA level.

- A Nodal Officer (Joint DGFT or above) at DGFT HQ coordinates across RAs, the Commerce Ministry, and Indian Missions.

11. Why do I need an ECGC Policy?

Ans. It safeguards exporters from commercial and political risks like buyer insolvency, delayed payments, or war/political disturbances, and makes it easier to get financing from banks.

12. How does an ECGC Policy help in getting bank loans?

Ans. With an ECGC Policy, banks have **greater confidence** that the exporter will be able to recover the payment. As a result, banks can extend **better financing** (like packing credit and post-shipment credit) to the exporter.

13. Is the ECGC Policy available for services too?

Ans. Yes, ECGC offers policies for export of services such as consulting, engineering, and other services, covering both commercial and political risks.

14. What is the claim process?

Ans. If a buyer fails to pay, the exporter can lodge a claim with ECGC. Upon review and verification, ECGC will pay the claim as per the terms of the policy.

Chapter 14

Promoting Cross Border Trade in Digital Economy

Objective:

Promoting cross-border trade in the digital economy involves facilitating the exchange of goods and services between businesses and consumers across national borders through online platforms and digital technologies. This includes streamlining processes like customs, payments, and logistics, as well as addressing issues like data flows and cybersecurity.

Scope:

- E-Commerce Exports of Goods & Services: Done via online platforms, payments through authorized digital modes as per RBI guidelines.
- E-Commerce Platform: An online portal for buying and selling.
- E-Commerce Export Logistics Provider: Provides logistics services for e-commerce exports.

Export & Import Regulations:

- Export via courier/post is allowed (max value: Rs. 10 lakhs per consignment).
- Import via courier/post is also allowed, governed by FTP and ITC(HS) Policy.
- Export of precious metal jewellery via e-commerce is permitted, including re-import of returned goods.

Promotion of E-Commerce Exports:

- Through the Niryat Bandhu Scheme, DGFT and other authorities will organize outreach/workshops and create digital training material.

E-Commerce Export Hubs (ECEH):

- Created to provide favorable infrastructure for cross-border e-commerce.

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- May be set up by private initiative or in PPP mode.
- Will provide facilities like storage, packaging, testing, dedicated logistics connections, and support for both restricted and general goods.
- Capital goods can be brought into ECEHs with applicable duties and taxes.

Entitlements:

- ECEHs can access MAI scheme support for marketing, capacity building, and technological services (e.g., imaging, cataloguing, video creation).

Promotion through Postal Route:

- **Dak Niryat Kendras:** Will operate as hubs connected with Foreign Post Offices, facilitating artisans, MSMEs, and businesses in remote areas to access international markets.

Leveraging Digital Platforms:

- **Global Market Access:** Providing platforms for businesses to reach international markets and a wider customer base.
- **International Retailers:** Utilizing established e-commerce platforms (like Amazon, Alibaba) to facilitate cross-border sales.
- **SME Empowerment:** Enabling small and medium-sized enterprises (SMEs) to overcome geographical barriers and participate in global trade.

Fostering Collaboration and Innovation:

- **Public-Private Partnerships:** Encouraging collaboration between governments and private sector to drive digital trade initiatives.
- **International Standards:** Promoting the development of international standards to ensure interoperability and reduce regulatory friction.
- **Digital Innovation:** Supporting digital technology innovation to enhance competitiveness and efficiency in cross-border trade.

Key Considerations:

- **Consumer Protection:** Ensuring consumer safety and trust in online transactions.
- **Accessibility:** Promoting affordable internet access and bridging the digital divide.
- **Sustainable Growth:** Ensuring that digital trade contributes to inclusive and sustainable economic growth.

FAQs

1. Is export of precious metal jewellery via e-commerce allowed?

Ans. Yes, including re-import of returned shipments, as per Customs Act and prescribed procedures.

2. What are E-Commerce Export Hubs (ECEH)?

Ans. Designated areas providing infrastructure for cross-border e-commerce activities, including storage, packaging, testing, certification, and logistics connections.

3. What is the role of Dak Niryat Kendras?

Ans. To enable rural artisans, MSMEs, and weavers to access international markets via a hub-and-spoke model with Foreign Post Offices.

Chapter 15

SCOMET: Special Chemicals, Organisms, Materials, Equipment and Technologies

Chapter 10 of the Foreign Trade Policy provides a comprehensive framework for controlling the export of dual-use goods, munitions, and nuclear-related items, including associated software and technology (SCOMET). These controls align with India's international obligations, including its commitments under the Chemical Weapons Convention (CWC), the Biological and Toxin Weapons Convention (BWC), United Nations Security Council Resolution 1540, and the guidelines of global export control regimes such as the NSG, MTCR, Wassenaar Arrangement, and Australia Group. Export of such items is regulated under the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005, incorporated within the Foreign Trade (Development & Regulation) Act, 1992.

What is SCOMET?

SCOMET stands for Special Chemicals, Organisms, Materials, Equipment, and Technologies. It is the national export control list of dual-use and munitions items, divided into nine categories (0–8), including areas like nuclear materials, aerospace equipment, toxins, micro-organisms, electronics, telecommunications, information security, sensors, and more. Export of these listed items is prohibited unless specifically authorized.

Licensing Authorities

Different departments govern the licensing:

- Department of Atomic Energy (DAE): Nuclear materials and related equipment.
- Directorate General of Foreign Trade (DGFT): Toxic chemicals, micro-organisms, aerospace equipment, electronics, telecommunications, special materials, and technologies.
- Department of Defence Production (DDP): Munitions and certain restricted defense technologies.

Additional Export Regulations

Even if an item is not listed in the SCOMET category, it can be brought under export controls if DGFT has reason to believe it could be used for weapons of mass destruction or terrorist activities (“catch-all controls”).

Export Authorization and Export Pathways

Various types of export authorizations are available, including:

- Export to end-user after verification
- Export for repeat orders
- Export for stock-and-sale arrangements
- Export of spare parts or after repair
- Temporary export for demonstrations, exhibitions, or trials
- Export of imported items back to the original supplier
- General authorizations for intra-company transfers (GAICT), chemical exports (GAEC), post-repair returns (GAER), telecommunication-related items (GAET), and information security items (GAEIS).

Each authorization type has specific conditions and is granted by DGFT Headquarters.

Additional Regulations and Compliance

- Export from Domestic Tariff Areas (DTA) to SEZ/EOU doesn't require authorization but must be reported within a week.
- Export from SEZ/EOU to another country needs a formal authorization.
- Export of imported SCOMET items from customs-bonded warehouses needs authorization.
- Export authorizations can be issued, amended, or re-validated by DGFT Headquarters.

Awareness and Compliance

The DGFT conducts outreach programmes to educate exporters about SCOMET regulations and best practices. Exporters are encouraged to make voluntary self-disclosures of any export control violations, allowing authorities to work with them and ensure compliance, as opposed to pursuing penalties.

Chapter 16

MOOWR Scheme

The Manufacturing & Other Operations in Warehouse Regulations (MOOWR) Scheme

The MOOWR Scheme stands for Manufacturing & Other Operations in Warehouse Regulations. Introduced in 2019 by the Central Board of Indirect Taxes & Customs (CBIC) under the Customs Act, it's designed to streamline and simplify customs procedures for manufacturers in India.

What is the MOOWR Scheme?

The MOOWR scheme permits manufacturers to import raw materials and capital goods into a bonded warehouse, conduct manufacturing or related processes, and defer payment of customs duty and IGST until the finished goods are cleared for domestic consumption. If the goods are exported, these duties are completely waived.

Key Features and Benefits

Duty & Tax Deferment

No upfront payment of Basic Customs Duty, IGST, or IGST + BCD on inputs and machinery. Duties apply only upon domestic clearance; exports are duty-free.

No Export Obligations

Manufacturers can sell 100% domestically or export—no minimum export target is required.

Flexible Warehouse Transfers

Goods can be moved between bonded facilities without payment—you defer the duty with the goods.

Unlimited Storage Time

No time limits for storing imported goods or machinery in the warehouse.

Long-term License

MOOWR license is valid indefinitely unless surrendered or withdrawn.

Lower Working Capital Needs

Delaying duty payments improves cash flow, potentially saving 1–3% of sales costs.

Who Can Apply?

- Anyone holding a bonded warehouse license under Section 58 of Customs Act

OR

- Entities applying simultaneously for a warehouse license and MOOWR permission under Section 65.

This includes new/existing manufacturers, job workers, and even trader-manufacturers, and there are no minimum investment thresholds.

Operational Workflow

1. Apply online (via Invest India or CBIC portal) and submit a bond and solvency certificate.
2. Customs inspects your facility.
3. License & warehouse code issued (typically within 4–7 weeks).
4. Import goods under warehousing status, store them in the facility.
5. Process/manufacture inside warehouse.
6. Clear finished goods:
 - For domestic sale: pay duties only on used inputs and capital goods.
 - For export: zero duties.
 - Compliance includes digital record-keeping, monthly returns, annual solvency/insurance renewals.

MOOWR vs. Other Duty Schemes

Parameter	MOOWR 2019 (Section 65 Unit)	Advance Authorization (AA)	Export Promotion Capital Goods (EPCG)
Governing Law & Scheme	Customs Act, 1962 – Section 65 & Section 58; MOOWR 2019 Regulations; CBIC Circulars (e.g. 34/2019, 36/2020). License as private bonded warehouse + manufacturing permission integrated.	Foreign Trade Policy (FTP) & Handbook of Procedures (HBP) Chapter 4; Section 25 Customs Act notifications (e.g. duty exemption notifications). Administered by DGFT under FT(D&R) Act, 1992.	FTP Chapter 5; HBP procedures; Customs notifications under Section 25 granting duty exemptions for capital goods (e.g. Notification 26/2023). Administered by DGFT (policy) and Customs (implementing zero duty import).
Purpose	Enable manufacturing in bond with duty deferral on imports. Flexible use for export and domestic markets – no compulsory export requirement. Meant to improve ease of doing business and reduce upfront import cost for manufacturers.	Allow duty-free import of inputs for producing a specified export product . Aims at making Indian exports competitive by exempting import duties on raw materials, subject to meeting a quantified Export Obligation (EO).	Facilitate import of capital goods at zero customs duty for producing quality goods/services. Boosts manufacturing competitiveness by requiring beneficiary to export goods/services worth multiple of duty saved (to “pay back” the concession).
Duties/Taxes on	No upfront duty on imported	Completely duty-free import of	Zero duty import of capital goods (BCD

Import	inputs/capital goods – they are warehoused under bond. Import duties (BCD, IGST, etc.) are deferred till clearance. If finished goods are exported, deferred import duties are waived (not payable). If cleared domestically, import duties on inputs become due via ex-bond filing. (Domestic purchases: GST paid, but GST credit available since unit is a regular GST registrant.)	inputs (exempt from BCD, IGST, etc.) as per relevant customs notifications. Imports must strictly conform to quantities of inputs allowed. If any inputs are procured domestically against AA, those are against invalidation and GST is exempted or refundable. No customs duty is ever paid if export obligation is met; non-compliance results in duty + interest payable as penalty.	exempt; IGST and cess also exempt for physical exports). Duty saved amount becomes the basis for export obligation. If conditions are met (export done), no duty is paid on the machines. If not, duty + 15% interest is payable on unfulfilled portion. Interim domestic procurement of capital goods is allowed via invalidation (treated as deemed export to supplier).
Export Obligation (EO)	No mandated EO. The unit <i>may export or sell domestically at its discretion</i> . There is no time-bound export commitment or minimum value addition requirement under MOOWR – providing flexibility. (However, exporting is beneficial to avoid	Yes – Mandatory. Export Obligation equals the value of export products to be achieved as per the norms (usually with 15% minimum value addition over input costs). Standard EO period is 18 months from authorisation issue, extendable in limited cases. Quantity-wise, inputs and outputs are	Yes – Mandatory. Must export goods (or earn foreign exchange) equivalent to 6 times the duty saved on capital goods within 6 years . Additionally, an Average Export Obligation (based on past 3 years exports of similar products) must be maintained each

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	duty payment on inputs; chronic DTA sales simply mean the firm eventually pays normal import duties, nullifying the deferral advantage.)	monitored through SION or self-declared norms. Failure to meet EO in time leads to payment of all exempted duties with interest, and possible penalties.	year. Fulfillment can be via direct exports, third-party exports, or deemed exports. Non-fulfillment by the end of the period results in duty and interest liability.
Validity / Utilization Period	Warehouse license and Section 65 permission are valid until surrendered or cancelled (no fixed validity as long as conditions are met). Inputs can be imported any time and stored/used; there is no expiration of the bond period prescribed in the regulations (practically, warehoused goods can remain as long as bond and license remain active). This is unlike normal warehouses which have limited warehousing periods – MOOWR units effectively enjoy an indefinite	Each AA is typically valid for 12 months for making imports (extendable by 6 months in some cases). All imports must be made within this validity. The EO must then be fulfilled in the specified period (18 months, as noted). In essence, AA operates in a short cycle: import within ~1 year, export within ~1.5 years. Extensions and regularizations are possible in case of defaults (with penalty).	EPCG Authorization is valid for 24 months for importing the capital goods (no revalidation allowed). The export obligation period is 6 years from issue date. Early fulfillment can earn concessions (like condonation of remaining EO if 75% specific EO is met in half the time). Extensions to EO period can be granted in certain cases (with payment of composition fees) as per HBP.

	duty deferment until point of clearance.		
End-Use Restrictions	Flexible usage of inputs and outputs. Imported inputs/capital goods must be used for the declared manufacturing operations in the bonded premises, but output can be sold anywhere (export or home). No requirement that finished goods must be exported, and no "actual user" stipulation post clearance – once duties are paid, goods are free. However, until clearance, the warehoused goods (including finished goods) are under customs control and cannot be disposed outside the terms of Section 65 permission. Job work is permitted (inputs can be sent out for job work	Specific end-use tied to export product. The imported inputs can only be used for manufacturing the specified export goods (as per the Authorization). They cannot be diverted to any other product or sold in India unless the AA is canceled and duties with interest are paid. "Actual user" condition applies – inputs cannot be transferred to others. Some flexibilities exist: e.g. intermediate supplies, SEZ supplies, deemed exports count towards obligation, but the end use remains export-oriented. Surplus inputs, if unutilized, must be accounted for and either re-exported or cleared on duty payment with authorisation from DGFT.	Actual User condition for capital goods – the machinery imported under EPCG must be installed and used by the authorization holder (or supporting manufacturer) for production of goods/services. It cannot be sold or leased until the export obligation is fulfilled and the Export Obligation Discharge Certificate (EODC) is granted. Capital goods are intended to produce the export product or service specified; however, the firm's exports need not be of one product – any goods or services by the same entity (or its supporting manufacturers) can count, as long as they are not on the negative list. After EO completion, the

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	with permission). If goods or scrap are cleared improperly, they are deemed cleared for home consumption and duties become payable with penalties.		capital goods are free of restriction.
De-bonding / Exit	Exit by payment of duties: A MOOWR unit can choose to exit the scheme or remove particular goods from bond by filing an ex-bond Bill of Entry and paying applicable duties (and IGST) on remaining imported content. There is no additional penalty for exit (unless there were violations). Upon cancellation of license, the entity must either export or pay duty on all goods in stock. (Using another scheme to discharge the deferred duty, like EPCG, is not allowed as per AAR ruling.) The	Redemption/regularization: Once the export obligation is fulfilled, the AA is “redeemed” and closed by DGFT, and no duties are payable. If an AA holder cannot fulfill the obligation, they can regularize by paying the exempted duties with interest (and possibly a penalty) to Customs and obtaining closure. There is no concept of partial exit – the authorization conditions apply until complete fulfillment or payment. AA is a transactional license, so after completion or default and dues payment, it terminates.	Export Obligation Discharge: After exporting sufficient value, the firm applies for an EODC from DGFT , which certifies EO fulfilment. Then Customs will not pursue the duty. If the firm fails to meet the EO, it must pay proportionate duty and interest for shortfall. Early exit (before 6 years) is possible if full EO is met and EODC obtained – then the capital goods are free of bond. If a company wants to abandon the scheme mid-way, it needs to pay off all pending duties with interest; only then can the capital goods be debonded

	process is thus simply to “de-bond” goods through normal clearance.		freely.
Benefit for Service Sector	Limited (indirect) applicability. MOOWR is fundamentally meant for <i>manufacturing and processing of goods</i>. Service providers per se do not fit, since there must be tangible warehoused goods. (E.g. a software exporter cannot use MOOWR as there are no physical inputs to warehouse; a power generation unit was deemed ineligible for Section 65, as “<i>electricity</i>” can not be secured or removed under bond.) However, MOOWR can support service industries indirectly – e.g. a contract manufacturer producing goods for a service	Primarily for goods exports. A is geared towards manufacturers exporting goods. There is a variant for <i>intermediate supply and deemed exports</i>, but service exporters generally do not use AA for duty-free imports (since services do not have “inputs” in the same sense). Service providers have other schemes (e.g. duty credit scrips under SEIS earlier, now discontinued). AA can cover export of certain supply services (like training abroad) if those involve consumables, but in practice its scope for pure services is minimal.	Explicitly covers service providers. EPCG can be used by service providers who earn foreign exchange (e.g. hotels, hospitals, logistics, IT-BPO companies) to import capital goods duty-free. The EO can be fulfilled by export of services (foreign exchange earnings) and even by deemed exports of services. The FTP categorically includes service providers (including Common Service Providers in industrial clusters) under EPCG. Thus, EPCG is broad-based and extends the capital goods import benefit to service industries as well, unlike AA/MOOWR.

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	company, or repair operations on goods under bond could qualify as “other operations.”		
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Key FAQs

#	Frequently Asked Question	One-line Answer / Key Point
1	Who can apply for manufacturing/other ops in a bonded warehouse?	Any Indian-incorporated entity or citizen holding (or applying for) a S. 58 private-warehouse license may simultaneously seek S. 65 permission.
2	Can a factory that only serves India still opt for MOOWR?	Yes — eligibility is independent of export share; 100 % DTA sales are allowed.
3	Can an existing DTA factory migrate; how are old assets recorded?	Old DTA units may apply; capital goods/inputs already on site are logged as “DTA receipts” in the Annex-B ledger.
4	Is Section 65 permission possible in a public bonded warehouse (S. 57)?	No — MOOWR operations are restricted to private bonded warehouses under S. 58.
5	Will Customs exercise day-to-day physical control?	Routine physical control is absent; only risk-based audits apply.
6	Must premises be a fully built shed, or is fenced land enough?	A fully enclosed structure isn’t mandatory; secure boundary, access control and storage suitability suffice.
7	Do licenses/permissions require periodic renewal?	No renewal needed; they remain valid until surrendered or cancelled.
8	Can capital goods be imported duty-free; what about IGST and tenure?	Both BCD & IGST are deferred with no time cap or interest; duty is paid only on home-clearance or waived on export.
9	Is extra duty payable on finished	No—duty on capital goods is

	goods sold in DTA if cap-goods were duty-deferred?	separate; it doesn't load onto finished-goods duty.
10	Can inputs be imported duty-free; when/how is duty paid?	BCD & IGST are deferred; if finished goods export, duty is remitted, else paid (no interest) on DTA clearance.
11	Any interest on IGST when raw-material duty is finally paid?	No interest—duties are payable only at ex-bonding, interest-free.
12	Is a warehouse-keeper mandatory and will every removal be inspected?	Keeper is mandatory; routine ex-bond clearances don't need officer approval—inspection only if risk triggers.
13	How often will Customs audit a S. 65 unit?	Audit frequency is purely risk-based; no fixed schedule.
14	What forms govern movement of duty-deferred goods?	BoE-for-warehousing (port→unit); WGRR Form (warehouses. 65); MOOWR Form (S. 65→any warehouse); no escort.
15	Is depreciation allowed when used capital goods are cleared to DTA?	No—duty payable on full value; no depreciation benefit.
16	Depreciation if used capital goods are exported?	Export is duty-free; valuation per Customs Valuation Rules, not depreciation.
17	Can MOOWR units combine FTP or IGCR benefits?	Yes, if the other scheme permits—MOOWR itself imposes no bar.
18	Which inventory method—FIFO/LIFO—must be followed?	Any GAAP-compliant method like FIFO is acceptable.
19	Procedure for re-entry of customer-returned goods for repair?	Record as DTA receipt; after repair, treat as normal removal; re-imported exports follow re-import BoE norms.
20	How does one surrender a S. 65 licence?	Request in writing to Commissioner; licence cancelled after settling dues/clearing stock.

Chapter 17

Export Promotion Councils

Export Promotion Councils (EPCs) are non-profit, industry-specific organizations set up in India with the support of the Ministry of Commerce and Industry. Their primary role is to promote, support, and facilitate the export of goods and services from India.

How does EPC's Help

- To help exporters understand global market dynamics.
- To support them with export incentives, market information, and policy advocacy.
- To connect Indian businesses with international buyers.
- To represent exporters' interests to the Government.

What Do EPCs Do?

Issue Registration-Cum-Membership Certificate (RCMC) required for availing export benefits.

- Organize trade fairs, buyer-seller meetings, and business delegations.
- Collect and circulate market intelligence and trade statistics.
- Advise the Government on policies related to their sector.
- Resolve export-related grievances.
- Provide training and seminars for exporters.

Examples of EPCs in India:

Engineering Export Promotion Council (EEPC India): Focuses on promoting the export of engineering goods and services.

Federation of Indian Export Organisations (FIEO): Apex body representing various export promotion councils and organizations.

Gem & Jewellery Export Promotion Council (GJEPC): Promotes the export of gems and jewelry products.

Pharmaceutical Export Promotion Council (Pharmexcil): Focuses on the export of pharmaceutical products.

Export Promotion Council for EOUs and SEZ Units (EPCES): Supports the export promotion efforts of Export Oriented Units (EOUs) and Special Economic Zones (SEZs).

Services Export Promotion Council (SEPC): Promotes the export of various service sectors.

Indian Oilseeds and Produce Export Promotion Council (IOPEPC): Focuses on the export of oilseeds, oils, and oilcakes.

Handloom Export Promotion Council (HEPC): Promotes the export of handloom products.

Plastics Export Promotion Council (PLEXCONCIL): Focuses on the export of plastic products.

Why Should Exporters Join an EPC?

Get an RCMC, required for accessing benefits like RoDTEP or other incentives.

- Stay updated on export policies, trends, and regulations.
- Participate in trade shows and business delegations.
- Get help with dispute resolution and policy representation.
- Leverage their network for global market access.

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GST & Indirect Taxes Committee
The Institute of Chartered Accountants of India
ICAI Bhawan, A - 29, Sector - 62, Noida - 201 309
Phone : 0120 - 3045954
E-mail : gst@icai.in
Website : <https://icai.org/>, <https://idtc.icai.org/>

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