HIGHLIGHTS OF ANNUAL SUPPLEMENT (2013-14)

TO

THE FOREIGN TRADE POLICY 2009-14

ANNOUNCED BY

MINISTER FOR COMMERCE, INDUSTRY & TEXTILES

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On 18TH April, 2013

At

Vigyan Bhawan, New Delhi

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1. **Measures to revive investors' interest in SEZs.**

1.1 A package of measures has been formulated to revive investors' interest in SEZs and to boost exports. The salient features of the package are:-

(i) In view of the acute difficulties in aggregating large tracts of uncultivable land for setting up SEZs, while ensuring vacancy and contiguity, we have decided to reduce the **Minimum Land Area Requirement** by half. For Multi-product SEZ from 1000 hectares to 500 hectares and for Sector-specific SEZ from existing 100 hectares to 50 hectares.

(ii) To provide greater flexibility in utilizing land tracts falling between 50-450 hectares, it has been decided to introduce a **Graded Scale for Minimum Land Criteria** which would permit a SEZ an additional sector for each contiguous 50 hectare parcel of land. This will also bring about more efficient use of the infrastructure facilities created in such an SEZ.

(iii) Further flexibility to set up additional units in a sector specific SEZ is being provided by introducing **Sectoral broad-banding** to encompass similar / related areas under the same sector.

(iv) On the issues relating to **Vacancy of Land**, while the existing policy allows for parcels of land with pre-existing structures not in commercial use to be considered as vacant land for the purpose of notifying an SEZ, it has now been decided that additions to such pre-existing structures and activities being undertaken after notification would be eligible for duty benefits similar to any other activity in the SEZ.

1.2 IT Exports constitute a very significant part of India's exports and IT SEZs have a major contribution in it. Exports from IT SEZs during financial year 2012-13 have exceeded Rs. 1.40 lakh crore registering a growth of over 70% over the previous year's exports. We have specifically addressed issues to boost growth of this very important sector and also to give a fillip to employment and growth in Tier-II and Tier-III cities.

(i) The present requirement of 10 hectares of minimum land area has been done away with. Now there would be **no minimum land requirement** for setting up an IT/ITES SEZ. Only the **minimum built up area criteria** would be required to be met by the SEZ developers.

(ii) The minimum built up area requirement has also been considerably relaxed with the requirement of one lakh square meters to be applicable for the 7 major cities viz: Mumbai, Delhi (NCR), Chennai, Hyderabad, Bangalore, Pune and Kolkata. For the other Category B cities 50,000 square meters and for remaining cities only 25,000 square meters built up area norm will be applicable.

1.3 The present SEZ Framework does not include an **Exit Policy** for the units and feedback was that this was perceived as a great disadvantage. It has now been decided to permit transfer of ownership of SEZ units, including sale

2. Zero Duty Export Promotion Capital Goods (EPCG) Scheme

2.1 Foreign Trade Policy has two variants under this scheme, namely, Zero Duty EPCG for few sectors and 3% Duty EPCG for all sectors. During the last announcement on 5th June, 2012, a new Post Export EPCG Scheme was also announced which was notified on 18 February, 2013 by the CBEC. Based on the request of all stakeholders, Government has decided to harmonize Zero Duty EPCG and 3% EPCG Scheme into one scheme which will be a Zero Duty EPCG Scheme covering all sectors.

2.2 Following are the salient features of the Zero Duty EPCG Scheme:-

(i) Authorization holders will have export obligation of 6 times the duty saved amount. The export obligation has to be completed in a period of 6 years.

(ii) The period for import under the Scheme would be 18 months.

(iii) Export obligation discharge by export of alternate products as well as accounting of exports of group companies will not be allowed.

(iv) The exporters who have availed benefits under Technology Upgradation Fund Scheme (TUFS) administered by Ministry of Textiles, can also avail the benefit of Zero duty EPCG Scheme.

(v) The import of motor cars, SUVs, all purpose vehicles for hotels, travel agents, or tour transport operators and companies owning/operating golf resorts will not allowed under the new Zero Duty EPCG Scheme.

2.3 Reduced EO for Domestic Sourcing of Capital Goods

The quantum of specific Export Obligation (EO) in the case of domestic sourcing of capital goods under EPCG authorizations has been reduced by 10%. This would promote domestic manufacturing of capital goods.

2.4 Reduced EO for units in the State of Jammu & Kashmir

In order to encourage manufacturing activity in the State of Jammu & Kashmir, it has been decided to reduce the specific export obligation (EO) to 25% of the normal export obligation. Earlier, this benefit was announced on 5th June, 2012 in respect of units located in North

Eastern Region and Sikkim. This provision is now being extended to J&K.

3. Widening of Interest Subvention Scheme

3.1 At present, 2% interest subvention scheme is available to certain specific sectors like Handicrafts, Handlooms, Carpets, Readymade Garments, Processed Agricultural Products, Sports Goods and Toys. The scheme had been further widened to include 134 sub-sectors of engineering sector. Government had also announced that the benefit of this scheme of 2% interest subvention could be available upto 31.03.2014.

3.2 Government has now decided to further widen the scheme to include items covered under Chapter 63 of ITC (HS) (other made up textile articles, sets, rags) and additional specified tariff lines of engineering sector items under the scheme. These sectors would be able to avail benefit under this scheme during the period from 01.05.2013 to 31.03.2014.

4. Widening the Scope of Utilization of Duty Credit Scrip

4.1 Duty Credit Scrips issued under Focus Market Schemes, Focus Product Scheme and Vishesh Krishi Gramin Udyog Yojana (VKGUY) can be used for payment of service tax on procurement of services within the legal framework of service tax exemption notifications under the Finance Act, 1994. Holder of the scrip shall be entitled to avail drawback or CENVAT credit of the service tax debited in the scrips as per Department of Revenue rules.

4.2 All duty credit scrips issued under Chapter 3 can be utilized for payment of application fee to DGFT for obtaining any authorization under Foreign Trade Policy. This benefit shall be available only to the original duty credit scrip holders. Duty credit scrip can also be paid for payment of composition fee and for payment of value shortfalls in EO under para 4.28 (b) of Hand Book of Procedure Vol. 1.

5. Market and Product Diversification

5.1 Norway has been added under Focus Market Scheme and Venezuela has been added under Special Focus Market Scheme. The total number of countries under Focus Market Scheme and Special Focus Market Scheme becomes 125 and 50 respectively.

5.2 Approximately, 126 new products have been added under Focus Product Scheme. These products include items from engineering, electronics, chemicals, pharmaceuticals and textiles sector.

5.3 About 47 new products have been added under Market Linked Focus Product Scheme (MLFPS). These products are from engineering, auto components and textiles sector. 2 new countries i.e., Brunei and Yemen have been added as new markets under MLFPS.

5.4 MLFPS is being extended from 01.04.2013 to 31.03.2014 for exports to USA and EU in respect of items falling in Chapter 61 and Chapter 62 of ITC(HS).

5.5 Exports of High Tech products would be incentived and it would be separately notified by 30th June, 2013.

5.6 The towns of Morbi (Gujarat) and Gurgaon (Haryana) have been added to the existing list of towns of export excellence for ceramic tiles and apparel exports respectively. These towns shall be eligible to get benefit under ASIDE Scheme.

6. Incremental Exports Incentivisation Scheme

6.1 Government has announced Incremental Export Incentivisation Scheme on 26.12.12 for the exports made during January 2013 to March 2013. This scheme is available for exports made to USA, EU and Asia. It has been agreed to extend this scheme for the year 2013-14. The calculation of the benefit shall be on annual basis under the extended scheme.

6.2 The Government has also agreed to include additional countries under Incremental Exports Incentivisation Scheme. 53 countries of Latin America and Africa have been added with the objective to increase India's share in these markets. The present exports to each of these markets is less than US $ 100 million.

7. Facility to close cases of default in Export Obligation

7.1 Requests have been received for grant of relief to close cases where there is default in export obligations pertaining to advance authorizations and EPCG authorizations. It has been decided to allow a facility to close such cases after payment of required duty, along with applicable interest. The duty + interest have to be paid within a limited period of six months from the date of notification of this scheme. The total payment shall not exceed two times the duty saved amount on default in Export Obligation.

8. Served from India Scheme (SFIS)

8.1 Service providers are entitled to duty credit scrips under Served from India Scheme at the rate of 10% of free foreign exchange earned during a financial year. The entitlement shall now be calculated on the basis of net free foreign exchange earned (i.e., after deducting foreign exchange spent from the total foreign exchange earned during the financial year).

8.2 Limited transferability of SFIS scrips shall be allowed by the Regional Authority within group company of the status holder provided the group company is manufacturer.

8.3 Service exporters who are also engaged in manufacturing activity are permitted to use SFIS duty credit scrip for importing/domestically procuring capital goods as defined in para 9.12 of FTP including spares related to manufacturing sector business of the service provider.

8.4 Hotels, travel agents, tour operators or tour transport operators and companies owning/operating golf resorts having SFIS scrip can import or domestically procure motor cars, SUVs and all purpose vehicles using SFIS scrips for payment of duties. Such vehicles need to be registered for "tourist purpose" only.

9. VKGUY Scheme

9.1 There is a limiting provision which restricts benefit of VKGUY to a reduced rate of 3% when a particular item avails drawback at more than 1% rate. It has been decided to delete para 3.13.3 of FTP.

9.2 Limited transferability of the Agri Infrastructure Incentive Scheme (AIIS) scrip from status holder to the supporting manufacturer (of the status holder exporter) who is neither a status holder nor has a unit in a Food Park (and is not a developer) shall be allowed. Such transfer from the status holder would be endorsed by the Regional Authority.

10. Status Holder Incentive Scheme (SHIS)

10.1 Status Holder Incentive Scheme (SHIS) was extended for the year 2012-13. The scheme will not be available for the year 2013-14. Regional Authority shall allow limited transferability of SHIS scrip within group company of the status holder provided the group company is a manufacturer.

11. Recredit of 4% SAD

11.1 Utilization of recredited 4% SAD scrips shall be allowed upto 30.09.13 as a trade facilitation measure. However, no further extension shall be considered by Government and this would be the last such opportunity. The importers are advised to make the initial payment of 4% SAD in cash in future if they want a refund.

12. Duty Free Import Authorization Scheme (DFIA)

12.1 Anti Dumping Duty and Safeguard Duty was exempted under DFIA Scheme. Exemption from payment of Anti Dumping Duty and Safeguard Duty shall henceforth not be available after endorsement of transferability of such authorizations

13. Import of Cars

13.1 Import of cars/vehicles is permitted through designated ports only. Now import of cars/vehicles would also be allowed at ICD Faridabad and Ennore Port (TN).

14. Improvement in quality and timeliness of Foreign Trade Data

14.1 Initiative been taken to improve quality and accuracy of foreign trade data. The release of Press Note relating to Quick estimates has been compressed to 15 days after completion of the month to which it relates. The period of reporting by DGCIS about data on principal commodity-wise has been reduced from 2 ½ months to 1 month. Further transaction level (8 digit level) data is now available within a period of 2 months.

14.2 It has been decided that items falling under chapter 3 schemes for export incentive would be aligned with ITC (HS). This task has been completed by DGFT and it has been uploaded on the website of DGFT to seek feedback from the trade. Tade is requested to give their feedback by 17th May, 2013.

15. Second Task Force on Transaction Cost in International Trade

15.1 The report on Transaction Cost was released in Feb 2011. Implementation of its recommendation resulted into estimated reduction of transaction cost of approximately Rs 2495 Crores. Second Task Force on Transaction Costs has been constituted. The Committee would submit its report in six months

16. Electronic Data Interchange Initiatives

16.1 e-BRC system allows Transmission of realization of export proceeds details from banks to DGFT in electronically secured format. The system has been made mandatory with effect from 17th August, 2012. Up to 16th April, 2013, 31.2 lakh e-BRC have been uploaded on the website of DGFT by 81 banks. e-BRC data is also of use to different ministries/departments of Central Government and State Governments who have expressed interest in obtaining this data from DGFT. Government of Maharashtra and Delhi has started the process, as first movers, to use e-BRC data for processing VAT refund claims of exporters. E-BRC will improve the productivity of DGFT, Banks, Central and State Government department dealing with exporter/importers and will lead to substantial reduction of transaction cost and time

16.2 Reconciliation of export and bank documents at the time of closure of an Advance or EPCG Authorisation involved manual submission of many documents. Transmission of two key documents (Shipping bill from Customs and e-BRC from Banks) relating to Advance Authorization and EPCG Authorizations in secured electronic format to DGFT has established. Accordingly, DGFT has introduced the system of online Export Obligation Discharge certificate (EODC). Exporters can file EODC applications online. DGFT will also transmit all EODCs to DG Systems through a secured message exchange. This will obviate the need to have re- verification at the Custom's end. Reconciliation of export import/Closure of an authorization was document heavy process. With online EODC exporter can complete the formalities at DGFT online and may get quick clearances at the Customs on account of e-transmission of EODC from DGFT to Customs.

16.3 Message Exchange System for exchanging shipping data relating to Focus Product Scheme (FPS), Focus Market Scheme(FMS), Market linked Focus Product Scheme(MLFPS), Status Holder Incentive Scrip(SHIS), Served From India Scheme (SFIS)and Agri Infrastructure Scheme shall be established with DG Systems. This will allow exporters to quickly link (and not fill all details) Shipping bills received from Customs with their applications for quick processing.

16.4 System for online issuance of Registration Certificate for export of Cotton, Cotton Yarn, Non-Basmati Rice, Wheat and Sugar has been introduced. This will allow quick issuance of Registration Certificates and easy monitoring.

16.5 An online system to resolve EDI issues has been established. The system generates a key number for each complaint for follow up.

16.6 A new online complaint resolution system relating to EDI issues has been devised where users can file online complaint. A key number for each complaint will be generated which can be followed up by the users and DGFT officials for early resolution of issues.

17. Ease of Documentation and procedural simplification

17.1 Submission of physical copies of IEC and Registration-cum-Membership Certificate (RCMC) with individual application has been dispensed with.

17.2 It has been decided to dispense with submission of hard copy of EP copy of shipping bills in case of (a) advance authorization, (b) duty free import authorization for grant of Export Obligation Discharge Certificate (EODC) if exports are made through EDI ports.

17.3 Application fee can be paid either in cash or through demand draft or through EFT. Now exporters/importers would be allowed shortly to utilize their credit card for payment of such application fee.

17.4 Existing procedures contained in para 2.20A of Handbook of Procedures related to execution of bank guarantee / legal undertaking stands deleted.

17.5 In order to facilitate IT exports, we have extended the facility of 'work from home' to STPI / EOUs / BTPs / EHTPs.

18. Widening of items eligible for import for Handloom/Made ups and Sports Goods.

18.1 5 additional items (embroidery/sewing threads/poly/quilted bedding materials and printed bags) are included in the list of items which are allowed duty free within the existing limits upto 5% FOB value of exports of handloom made ups in preceding year or within the existing limit of upto 1% of FOB value of exports of cotton/man-made ups in preceding year.

(i) Similarly, 5 additional items have been added pertaining to sports goods exports. These 5 items are (i) PVC Leather Clot (to be used in the manufacture of Inflatable Balls & Sports Gloves), (ii) Latex Foam (to be used in the manufacture of Shin Guard & Goal Keeper Gloves & other Sports Gloves), (iii) Peva / Eva Foil (to be used in the manufacture of Shin Guard & Sports Gloves), (iv) Stitching Thread (to be used in the manufacture of Inflatable balls & Sports Gloves), (v)Printing Ink (to be used in the manufacture of Inflatable balls & Sports Gloves).

(ii) Item descriptions shall be amended, from Synthetic Rubber Bladder to PVC/Synthetic Rubber Bladders for Inflatable Balls and from PU Leather Cloth/PU laminated with cotton for Inflatable Balls to TPU/PU Leather cloth/TPU/PU laminated with cotton for Inflatable Balls, in Notification No.12/2012 – [Cus (Sl.No.521 (f) and (k)] in relation to sports goods exports.