

*This column is compiled by Consultant [EXIM Policy] of EPCH. It contains recent Public Notices, Notifications and Circulars of DGFT, CBEC and Department of Revenue. If a handicraft exporter has question[s] to ask on Foreign Trade Policy, he/she may please write / e-mail to EPCH at policy@epch.com*

Impex # 1

## Third Party Payments for Exports/Import Transactions

### RBI issues circular amending the condition of 'firm irrevocable order backed by a tripartite agreement'

One of the requirements in RBI's A.P. (DIR Series) Circular No. 100 dt. Nov 8, 2013 relating to 'Third party payments for export/import transactions' was that 'firm irrevocable order backed by a tripartite agreement should be in place'. The exporters/importers were finding it difficult to meet the requirement as mentioned above.

Taking note of the difficulty as detailed above, the RBI has issued RBI Circular A.P. (DIR Series) No. 100 dt. 04-02-2014 stating therein that condition in RBI Circular dt. Nov 8, 2013 as detailed above would not be insisted upon.

Copy of RBI's A.P. (DIR Series) Circular No. 100 dt. 04-02-2014 is reproduced below:

(copy)

### Third party payments for export/import transactions

Attention of Authorized Dealer Category-I banks is invited to A. P. (DIR Series) Circular No.70 dated November 8, 2013, in terms of which they have been permitted to allow third party payments for export of goods & software/ import of goods subject to the conditions stated therein.

2. In view of the difficulties faced by exporters/importers in meeting the condition "firm irrevocable order backed by a tripartite agreement should be in place" specified in the abovementioned Circular, it has been decided that this requirement may not be insisted upon in case where documentary evidence for circumstances leading to third party payments/name of the third party being mentioned in the irrevocable order/invoice has been produced. This shall be subject to conditions as under:

(i) AD bank should be satisfied with the bona-fides of the transaction and export documents, such as, invoice/ FIRC.

(ii) AD bank should consider the FATF statements while handling such transaction.

3. Further, with a view to liberalising the procedure, the limit of USD 100,000 eligible for third party payment for import of goods, stands withdrawn.

4. All other terms & conditions mentioned in the A.P. (DIR Series) Circular No.70 dated November 8, 2013 remain unchanged.

5. AD Category-I banks may bring the contents of this Circular to the notice of their constituents concerned.

6. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and are without prejudice to permissions/approvals, if any, required under any other law.

In DGFT Public Notice Hand Worked Sea Shells Within The General Description "CHANKS" added to Table No. 1 of Appendix 37-D of H.B. of Procedure (Vol.1) of 2009-14.

DGFT has issued a Public Notice No. 53(RE 2013/2009-14 dt. 27-02-2014 containing many amendments in the 'Reward/Incentive Schemes of FTP of 2009.

By one amendment in Appendix 37 D (Focus Product Scheme) of the current H.B. of Procedure, the 'item' Hand worked seashells within the general description "CHANKS" has been added at S.No. 1069 of Table-1 of 37-D.

Relevant extract of the addition as detailed below is reproduced below:

3. The following products are added in Table 1 of Appendix 37D (Focus Product Scheme) after SI.No. 1065 for export made with effect for 01.03.2014

S.No.	EFPS SL. No.	HS CODE	Description	Rate Percentage	Bonus Benefits
1069	1069	05080020	Hand worked Seashells within the general description 'CHANKS'	5%	-

**Question :** How long we can retain foreign exchange in EEFC Account to pay for imports?

**Answer :** All categories of foreign exchange earners are allowed to credit 100 per cent of their foreign exchange earnings in their EEFC Accounts with the condition that the sum total of the accruals in the account during a calendar month should be converted into Rupees on or before the last day of the succeeding calendar month after adjusting for utilization of the balances for approved purposes or forward commitments. Further, in case of requirements, EEFC account holders are permitted to access the forex market for purchasing foreign exchange.

**Question :** We sent goods to our buyer who is not keen to take the delivery of Goods. We have located an alternative buyer that wants to take the goods but wants 20 per cent reduction in prices. Do we require RBI approval?

**Answer :** Prior approval of the Reserve Bank of India is not required if, after goods have been shipped, they are to be transferred to a new buyer other than the original buyer in the event of default by the latter, provided the reduction in value involved does not exceed 25 per cent of the invoice value and the realization of export proceeds is not delayed beyond the period allowed for realization of export proceeds reckoned from the date of export.

**Question :** We would like to avail the facility of receipt of import documents from overseas suppliers directly. Can we do it under banking regulation?

**Answer :** Import documents should normally be received from the banker of the supplier by the banker of the importer in India, except in the following cases:

- i) Where the value of import bill does not exceed USD 300,000.
- ii) Import bills received by wholly owned Indian subsidiaries of foreign companies from their principals.
- iii) Import bills received by Status Holder Exporters, 100 per cent Export Oriented Units/Units in Special Economic Zones, Public Sector Undertakings and Limited Companies.