

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

Issue of Advance/EPCG Authorisations in physical form to be discontinued

DGFT issues Trade Policy Circular about discontinuation of physical copy of Advance/EPCG Authorisations with effect from 1st March, 2019, for EDI ports.

Difficulties (non-ease) of doing business in export and import directly impact the competitiveness of Indian exporters and importers vis-à-vis exporters of competing countries. To increase the ease of doing business in exports & imports, DGFT has been taking steps from time to time.

Now DGFT has issued a Trade Policy Circular No. 19/2015-20 dt 14.02.2019 stating therein that with effect from 01.03.2019 issue of Advance/EPCG

Authorisations in physical form shall be discontinued for EDI ports.

The above progressive step will improve the ease of doing business and improve online transaction.

Copy of the Policy Circular referred to above is reproduced below:

(Copy)

DGFT Policy Circular No. 19/2015-2020

Sub: **Discontinuation of physical copy of Advance /EPCG Authorisations issued from 01.03.2019 onwards, for EDI ports**

In order to improve ease of doing business and improving online transactions, it has been decided to discontinue issue of physical copy of Advance/EPCG Authorisations issued on or after 01.03.2019 by Regional Authorities, in respect of EDI ports

2. Applicants will continue to apply for Advance/EPCG Authorisations as per current practice on DGFT website (dgft.gov.in). Regional Authorities will not issue any hard copy of authorisation to the applicants. Instead, in case of approval by the RA, the applicant will get the following message on the Mobile and email address (as filled in the eCommunication for eAuthorisation window) that,

"Authorisation Nodated..... has been issued against RA File No No Authorisation on security paper is required to be issued. You can print/view Authorisation details online."

3. In order to take printout of the authorisation, the applicant needs to log on DGFT website (dgft.gov.in) choosing respective scheme. After login, in the first window, details of all applications submitted during the last one year will appear. For getting the status in respect of any particular file, applicant needs to double click on that file. In case authorisation has been issued by the RA, the applicant can print/save the Authorisation. On the basis of PDF copy of Authorisation, the exporter can approach the Customs Authority concerned at registered EDI port for execution of BG/LUT, as the case may be. In such cases the Customs Authority shall not insist for Authorisation on the security paper as was the practice so far.

4. Only the latest amended version of the Authorisation is available in the System in pdf format for print. Exporters are advised to print/save the Authorisation so issued/amended by the DGFT RA, on an immediate basis, at every stage [whether fresh issue or amendment] for their record/future use.

5. RA will continue to examine the application as per current practice and, after approval, shall take a print out of the Authorisation on plain paper and keep the same in the relevant file. DGFT RAs shall also, as is being done earlier, continue to send the Authorisation details to other Agencies/Departments wherever required [a system generated version may be used by the RA for this purpose].

It is being emphasized that henceforth Regional Authority shall ensure that all data/information (including additional conditions or endorsements, if any) relating to the AA/EPCG so issued is transmitted to DGFT server at the end of each working day through ECOM client server [as there is no scope for a paper copy]. Any amendment(s) made in AA/EPCG will be done by the Regional Authority on T + 2 working day [where T is the earlier transmission date for the Authorisation] to take care of the systems transmission lag.

6. The applicant intending to procure goods from domestic sources shall make request for issue of Invalidation/ ARO to the RA concerned. In such cases, as per the current practice, RA shall amend Authorisation making quantity and value invalid for direct import and issue the Invalidation Letter /ARO [endorsing one copy to supplier of goods and another copy to RA of the supplier]. In all such cases, this will also be done by the Regional Authority on T + 2 working day [where T is the earlier transmission date for the Authorisation] to ensure data transmission to the DGFT/Customs server without any error.

7. No TRA facility under such Advance/EPCG Authorisations issued from 01.03.2019 onwards will be available from EDI ports to non-EDI ports.

8. In case an applicant chooses a non EDI port as Port of Registration while filing application for Advance/EPCG Authorisation, existing system of printing of Authorisation on security paper will continue.

Impex # 2

Application form for export of goods through courier or foreign post office under 'Merchandise Exports from India Scheme' amended

[DGFT issues Public Notice and Trade Notice about amending the application form for claiming duty free scrips on exports through courier or foreign post offices.](#)

The provision in FTP about "Exports of goods through courier or foreign post office" is given in para 3.05 of the FTP of 2015-20.

Now DGFT has issued a Public Notice No. 72/2015-20 dt 05.02.2019 amending the ANF 3 D for E-commerce exports under para 3.05 of the FTP of 2015-20 (copy reproduced below).

(Copy)

DGFT Public Notice No. 72/2015-2020, New Delhi, Dated: 5th February 2019

Subject: **Amendments in the ANF 3D for E commerce exports under para 3.05 of the FTP 2015-20**

In exercise of powers conferred under paragraph 1.03 of the Foreign Trade Policy 2015--2020, the Director General of Foreign Trade hereby amends the ANF 3D, issued earlier by this Directorate, vide Public Notice 01/2015-20 dated 01.04.2015.

2. The Amended ANF 3D may be seen as the Annexure to this Public Notice.

Effect of Public Notice: The format for claiming MEIS benefits under para 3.05 of the FTP 2015-20, ANF 3D has been changed, for all applications under the ANF 3D for exports made since 01.04.2015.

AFD-3D

Application Form for Export of goods through courier or foreign post offices under Merchandise Export from India Scheme (MEIS)

DGFT has also issued a Trade Notice No. 46/2018-19 dt 06.02.2019 about activation of ANF 3 D (Copy reproduced below):

(Copy)

DGFT Trade Notice No. 46/2018-19 Dated: 6th February 2019

Subject: **Activation of ANF 3D under the E-com module for applying for MEIS for courier/postal shipments under Para 3.05 of the FTP and Para 3.02 of the HBP**

This Directorate has notified the form ANF 3D, vide Public Notice 01/2015--20 dated 01.04.2015 as the application Form for Export of goods through courier or foreign post office using e-Commerce under Merchandise Exports for India Scheme (MEIS). This has been amended vide Public Notice No. 72/2015-20 Dated 05.02.2019.

2. All the RAs and the members of trade are also being informed that the E com module at the DGFT portal www.dgft.gov.in for applying for MEIS for E-commerce/courier shipments based on the newly notified ANF 3D has

been made operational. There is no application fees for applying for MEIS under ANF 3D and for exports made till the date of publication of the amended ANF 3D, late cut provisions shall apply counting the date of exports for all previous shipments as the date of publication of the amended ANF 3D.

Impex # 3

Detailed and consolidated information on 'Interest Equalisation Scheme'

DGFT issues a Trade Notice containing at one place detailed information on "Interest Equalisation Scheme" on pre & post shipment rupee export credit.

On persistent demand of the exporters and their EPCs Council that the interest rates on export credit should be reduced to enable the exporters to be competitive in world markets, the RBI introduced an interest subsidy scheme known as 'Interest Equalisation Scheme' with effect from April 1, 2015 and valid for five years.

To begin with the rate of subsidy was 3% which was subsequently increased to 5% with effect from 02.11.2018. From Jan 2, 2019, merchant exporters were also made entitled to the benefit at the rate of 3%.

Now DGFT has issued a Trade Notice No. 45/2018-19 dt 1st Feb, 2019, containing detailed information on the subject in the Trade Notice (copy reproduced below).

(Copy)

DGFT Trade Notice No. 45/2018-19, Dated 1st February 2019

Sub: **Interest Equalisation Scheme (IES) for pre and post Shipment Rupee Export Credit and its expansion**

Trade and industry is already aware that the Interest Equalisation Scheme (IES) for pre and post Shipment Rupee Export Credit is being implemented by this Directorate through the RBI and its network of banks. **The scheme came into effect from 1.4.2015 and is for a period of 5 years.** Under the scheme, interest equalisation @ 3% per annum was made available to eligible exporters which included manufacturer exporters for exports in the identified 416 four digit tariff lines and all MSME exporters across all their merchandise exports

2. Subsequently w.e.f. November 02, 2018, **Interest Equalisation rate has been increased from 3% to 5% in respect of exports by the Micro, Small & Medium Enterprises (MSME) sector manufacturers** under the Interest Equalisation Scheme on Pre and Post Shipment Rupee Export Credit.

3. **W.E.F. January 2, 2019, merchant exporters have also been included** under the ongoing Interest Equalisation Scheme allowing the equalization rate of 3% per annum for export of products covered under 416 tariff lines identified under the Scheme.

4. Eligible category and equalisation rate, presently, is as follows'

Export items	Eligible category	Rate of equalization
416 four digit tariff lines listed in the scheme	Large sector manufacturers from 1.4.2015 and Merchant exporters from 2.1.2019 onwards	3% per annum
All tariff lines	MSME sector manufacturers	3% per annum from 1.4.2015 and 5% per annum w.e.f. 2.11.2018

5. Operative guidelines have been issued by RBI from time to time. Relevant RBI notifications are as follows

DBR.Dir.BC.No.62/04.02.001/2015-16 dated December 4, 20151

DCBR.CO.SCB.Cir.No.1/13.05.000/2015-16 dated February 11, 2016

DBR.Dir.BC.No.09/04.02.001/2018-19 dated November 29 2018 and

DBR.Dir.BC.No.22/04.02.001/2018-19 dated January 11, 2019

6. Trade is requested to make maximum use of this scheme and any difficulties faced in this regard may be brought into notice of this Directorate.

DGFT issues Public Notice containing fifteen amendments on "Facility of Clubbing of Authorisations".

'Clubbing of Authorisations' is a facilitation measure wherein the deficit of one authorisation can be adjusted against the surplus of another authorisation(s). The scope and procedure of clubbing is given in para 4.38 of H.B. of Procedure (Vol. 1) of 2015-20.

Now DGFT has issued a Public Notice No. 70/2015-20 dt 30th Jan, 2019 making fifteen amendments in the para (copy reproduced below).

(Copy)

DGFT Public Notice No. 70/2015-2020, New Delhi, Dated 30 January, 2019

Sub: **Amendments in Hand Book of Procedures of FTP 2015-2020, related to Facility of Clubbing of Authorisations.**

In exercise of powers conferred under Para 1.03 of the Foreign Trade Policy 2015-2020, as amended from time to time, the Director General of Foreign Trade, in public interest, makes the following amendments in Hand Book of Procedures 2015-2020:

2. Para 4.38 of HBP 2015-10 is amended to read as under:

Para 4.38 Facility of Clubbing of Authorisations:

- (i) No clubbing of Authorisations issued on or before 31st March, 2009 shall be allowed.
- (ii) Request for clubbing shall be made in ANF - 4C to the concerned RA who has issued the Authorisations.
- (iii) Facility of clubbing of Advance Authorisations shall be available only for redemption / regularisation of such Authorisations and no further import or export shall be allowed.
- (iv) Facility of clubbing shall also be available for Advance Authorisations for Annual Requirement issued during Foreign Trade Policy period 2009-14 and 2015-20, wherever exports and imports have taken place as per Standard Input Output Norms (SION) notified.
- (v) Only Authorisations under which similar duty exemption has been availed shall only be allowed to be clubbed. Such Authorisations may pertain to different financial years.
- (vi) Only such Authorisations shall be clubbed which have been issued within 18 months from the date of issue of earliest authorisation that is sought to be clubbed, whether such authorisations are valid or not. This is further subject to condition that upon clubbing only imports made within 30 months from the date of issue of earliest authorisation shall be considered. Any imports made beyond 30 months of earliest authorisation shall be regularised under Para 4.49 of the HBP.
- (vii) Exports made during initial or extended EO period of individual authorisations (after payment of composition fee as per provisions of Para 4.42 of HBP) shall be clubbed.
- (viii) Upon clubbing, if shortfall in value or quantity is noticed, the same shall be regularized under the provisions of Para 4.49 of HBP 2015-20.
- (ix) Clubbing of Authorisations issued with different EO periods shall also be allowed.
- (x) 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.
- (xi) Minimum value addition as prescribed in FTP and Procedures for the export product will be required to be maintained on clubbing.
- (xii) After clubbing, Authorisations shall for all purposes, be deemed to be one Authorisation. The value addition would be calculated on the basis of total CIF and total FOB arrived at after clubbing the Authorisations.

- (xiii) All cases clubbed, as per earlier provisions would not be reopened.
- (xiv) No clubbing shall be permitted in respect of Authorisations where misrepresentation / fraud have come to the notice of RA. Further, no clubbing of Authorisations, where EODC/redemption letter has already been issued or adjudication orders have already been passed by RA/Customs Authority, shall be permitted.
- (xv) Additional provisions for clubbing of Authorisations covered under Appendix-30A (issued under FTP 2009-14) / Appendix-4J (issued under FTP 2015-20) and Authorisations issued with EOP less than 18 months:
 - (a) Export obligation period of clubbed Authorisations shall be reckoned from the date of earliest import in any of the Authorisations proposed to be clubbed.
 - (b) Clubbing of such Authorisations shall be allowed provided all exports are completed within initial/extended Export Obligation period reckoned from date of earliest import in any of the Authorisations proposed to be clubbed.

Effect of Public Notice: Para related to Clubbing of Authorisations has been amended.

Impex # 5

Questions & Answers

Question : What is 'third party exports'?

Answer : The definition of 'third party exports' is given in para 9.60 of the FTP of 2015-20 and is reproduced below:
9.60 "Third-party exports" means exports made by an exporter or manufacturer on behalf of another exporter(s).

In such cases, export documents such as shipping bills shall indicate name of both manufacturing exporter/manufacturer and third party exporter(s). Bank Realisation Certificate, Self Declaration Form (SDF), export order and invoice should be in the name of third party exporter.

Question : Is export to Iran under RPM eligible for benefits like MEIS?

Answer : Receivable from Iran under RPM is treated at par with free foreign exchange under the Foreign Trade Policy and thus exporters using RPM are eligible for MEIS and discharge of EO under Advance Authorisation and EPCG scheme. Similarly services exporters are eligible for SEIS benefits under such mechanism.

Question : Can we supply goods to EOU from DTA without paying GST?

Answer : Under GST, there is no exemption available to supplier of goods to EOU. So IGST, CGST and SGST, as applicable are payable by supplier of goods to EOU. However, there are two options to offset GST paid on goods received from suppliers - (1) To take input tax credit of GST paid and utilize the same towards supplies made by EOU to DTA or (2) To claim refund of the GST paid. You can exercise either of the options.

Question : Is GST payable on supply of goods by an EOU to domestic market?

Answer : When an EOU supplies admissible goods to a DTA unit, it is required to pay applicable GST on such supply. Only in case of 'zero rated' supplies, as defined under section 16 of the IGST Act, an EOU is exempted from payment of GST. However, supplies made by an EOU to Special Economic Zone (SEZ) developer or SEZ unit are exempted from GST.

Question : We are supplying goods from our EOU to another EOU. Can we claim exemption from GST on such supply?

Answer : When goods are supplied by on EOU to another EOU, such supply would be treated as any other supplies under the GST law and hence GST would be payable on the same as payable under any other supplies.

News from 'Print Media'

US considers withdrawal of zero tariffs for India

INDIA
New Delhi, February 13

India could lose a vital US trade concession, under which it enjoys zero tariffs on \$1.2 billion of exports to the United States, over a winding dispute over its trade and investment policies, people with close knowledge of the matter said.

A move to withdraw the Generalized System of Preferences (GSP) from India, if the world's largest beneficiary of a scheme that has been in force since the 1970s, would be the strongest punitive action against India since President Donald Trump took office in 2017, marking its return to the US deficit with large economies.

Trump has repeatedly called out India in high tariffs. Indian Prime Minister Narendra Modi has counter-attacked by imposing a 10% tariff on US steel and aluminium, and India has a manufacturing and service deficit of \$20 billion to the US.



US President Donald Trump signs the National Security Presidential Memorandum to benefit the "America's Global Development and Prosperity" initiative, Jan 26, Thursday

Trump, for his part, has pushed for US manufacturing to return home as part of his Make America Great Again campaign. The trigger for the latest decision to shed the GSP from India is a US trade mission to India in January, which was cancelled because of higher tariffs on electronic products and smartphones, left a broader trade package for two sides were making as through last year's talks.

The US has also been developing a new trade package and since the stalled shop deal, the US has

been considering withdrawal of the GSP from India. The US Trade Representative (USTR) is looking for a way to reduce the GSP from India and an agreement was expected over the next two weeks, they said.

"The two sides were trying to sort out the trade package, but were not able to actually finish the deal. In the meantime these other things, data localisation and e-commerce have come along," one of them said. "In a sense the US compromise has tilted in the upside."

India and the US have developed close political and economic ties. The bilateral trade, which stood at \$78 billion in 2017, is widely seen to be performing as a major partner of the bilateral US Commerce Secretary Wilbur Ross in this. New Delhi last week when he is expected to announce about the e-commerce policy and data localisation, officials said.

High cost of credit worries exporters as growth space shrinks

INDIAN EXPORTERS
New Delhi, February 13

An uptick in trade tensions has already led to a decline in exports, but the high cost of credit, continuing inflationary growth, and operational difficulties remain among the top complaints of exporters at the last board of Trade trust of the current regime.

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As compared to China and South Korea, where the cost of credit is 3-4 per cent, Indian exporters have to pay a cost of 4-7 per cent, said the board. The board of Trade trust of the Confederation of Indian Industry's National Commission on Export.

India's credit rating has been downgraded to Baa1 by Standard and Poor's, and the board of Trade trust of the current regime, which met on the other hand, mostly listed issues for the highest of 2018, including a 12 percent increase in US goods, 10 percent increase in Chinese goods, and a 23 percent increase in global goods.

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Exporters' board

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Business Standard 09.02.2019

Business Standard 16.02.2019

Tech scheme for MSMEs gets three-year extension

PRESS TRUST OF INDIA
New Delhi, February 13

THE GOVERNMENT ON Wednesday approved a three-year extension of the Credit Linked Capital Subsidy and Technology Upgradation Scheme for MSMEs with a total outlay of ₹2,900 crore. The scheme has been approved for continuation beyond the 12th five-year plan for three years from 2017-18 to 2019-20.

The decision was taken at a meeting of the Cabinet Committee on Economic Affairs. "The scheme would be demand driven. But its coverage has been made more inclusive," an official statement said.

It will facilitate technology upgradation to MSMEs, improvement in quality of products, enhancement in productivity, reduction in waste and will promote a culture of continuous improvement.

The scheme aims at improving competitiveness of MSMEs by integrating various current schematic interventions, aimed at upgrading technology through credit linked capital subsidy, hand holding for zero-defect, zero-effect manufacturing, increasing productivity through waste reduction, design intervention, cloud computing, facilitation of intellectual property and nurturing new ideas.

Financial Express
14.02.2019

Exporters seek more credit, timely GST refunds

PE BUREAU

New Delhi, February 13

THE PERSISTENT DECLINE in bank lending for exporters, delay in refund of input tax credit and the fear of a withdrawal of duty-free export benefits by the US under the so-called

China's GDP regime dominated the discussion at a meeting of the Board of Trade trust on Friday. Customs about exports to Iran, and the government's decision for the Islamic republic following the US sanctions, and incentives for shipments to neighbouring nations, were also discussed upon in the meeting, chaired by commerce and industry minister Suresh Prabha.

In a statement, the ministry said the issue was addressed by senior officials and will be taken up in the upcoming meeting of the Committee of Experts and the GST Council. Media reports have suggested that India could lose the so-called generalised system of

preferences (GSP) countries, under which Europe's exports to the US are valued at \$5.6 billion of exports to the US a year, in the strongest positive action against New Delhi under US President Donald Trump.

The Federation of Indian Export Organisations (FIEO) president Gaurav Kumar Gupta said, although the recently announced interest equalisation benefit has helped MSME manufacturers and merchant exporters of specified products, the bigger concern is the flow of credit. "The recent data by RBI shows a credit decline of over 30% which is bound to affect the flow of exports adversely. The liquidity is further tightened by the GST regime (which provides for a refund mechanism), as the proposed e-wallet scheme is nowhere in sight," Gupta said.

Gupta said the government should introduce a scheme for providing brand credit, enhancing budget for organisa-

tion, trade fairs and improving infrastructure.

Industry body CII stressed the need to address issues related to trade financing, incentives and logistics, to improve the competitiveness of exporters.

Export credit collapsed by 34.9% as of December 21 from a year before, while the overall priority sector lending rose 8.3% during the period, showed the RBI data.

Addressing board members, commerce secretary Anoop Wadhawan said exports have been growing on a consistent basis since 2016-17 for almost three years and are likely to reach a new peak this fiscal.

Financial Express
16.02.2019

CBIC sets up 3 working groups to facilitate exports, curb tax evasion

PRESS TRUST OF INDIA
New Delhi, February 23

THE CBIC HAS set up three working groups to suggest ways to facilitate exports, especially through e-commerce, and improve compliance by way of curbing tax evasion.

"Central Board of Indirect Taxes and Customs (CBIC) has constituted three Working Groups to study and recommend measures to facilitate trade, promote exports and improve compliance," the

board said in a statement.

The working groups will focus on export promotion and facilitation with emphasis on boosting exports through e-commerce, addressing the trade facilitation barriers faced in India's export market and improving the quality of logistics services for exporters.

It will focus on enhancing compliance, plugging loopholes to improve customs revenue collections and curb integrated GST (IGST) refund frauds, CBIC said.

Financial Express
24.02.2019