

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

Acceptance of LUT in place of BG extended by customs till 30.06.2021

CBIC issues circular restoring the facility of LUT in lieu of BG up to 30.06.2021. The second wave of COVID-19 raging the world at present has turned out to be far more disastrous than the first wave that started in the beginning of 2020. The epidemic has wreaked havoc with all aspects of human lives.

In spite of all above, activities have to go on including imports and exports. DGFT and CBIC etc are doing their best to chip in to the extent possible.

On 3rd April 2020, CBIC issued a Custom Circular No. 17/2020-custom containing the facility of LUT (Legal Undertaking) in lieu of BG (Bank Guarantee) to five categories of importers and exporters including manufacturing/actual user importer. This relaxation ended on 30.04.2021.

Keeping in view the fact that epidemic is quite alarming at present, CBIC has issued another Custom Circular No. 09/2021-Customs dt 08.05.2021 restoring the lapsed relaxation from 08.05.2021, (copy reproduced below):

(Copy)

Custom Circular No. 09/2021-Customs dt 08.05.2021

Subject: Restoring the facility under Circular No.17/2020-Cus., dated 03.04.2020 namely, `Measure to facilitate trade during the lockdown period- section 143AA of the Customs Act, 1962?- reg.

Madam/Sir,

Representations from trade have been received by the Board citing difficulties faced in the ongoing lockdown/constraints imposed in different regions of India due to resurgence of COVID-19 pandemic with a request to accept undertaking in lieu of bond required in certain cases of Customs clearance, as was earlier done through Circular No.17/2020-Cus., dated 03.04.2020.

2. The matter has been examined. Taking cognizance of the difficulties reported by the trade and industry and the importance of facilitating the Customs clearance process, the Board has decided to restore the facility of acceptance of an undertaking in lieu of bond by Customs formations from the date of issue of this Circular till 30.06.2021. Importers/Exporters availing this facility shall ensure that the undertaking furnished in lieu of bond is duly replaced with a proper bond by 15.07.2021.

3. The terms and conditions underlined in Circular No.17/2020-Cus., dated 03.04.2020 as amended by Circular No. 21/2020-Cus., dated 21.04.2020 remain the same.

DGFT issues a Public Notice waiving late cut for applications for export made in 2019-20 on applications made on or before 30.09.2021.

Keeping in view the difficulties faced by the exporters on account of Covid epidemic, DGFT has issued a Public Notice No. 53/2015-20 dt 09.04.2021 containing a relaxation in late cut provision for shipping bills of the period 01-04.2019 to 31-03-2020, so that if such shipping bills are submitted on or before 30.09.2021, for a MEIS claim, no late cut would be applicable (copy reproduced below):

(Copy)

DGFT Trade Notice No. 36/2020-21, Dated 9th April 2021

Subject: Late cut for MEIS applications for exports made in the Financial Year 2019-20.

In exercise of powers conferred under paragraph 1.03 of the Foreign Trade Policy (20152020), the Director General of Foreign Trade hereby inserts in the Handbook of Procedures, 2015-20 at the end of para 3.15 (a) as below:

"Further, MEIS applications for Shipping bills with Let Export date from 01.04.2019 to 31.03.2020 can be submitted without any late cut up to 30.09.2021. However any such application submitted after 30.09.2021, the last date for submitting applications shall be as per para 3.15 (a) (i) above and late cut applied accordingly."

Effect of this Public Notice: A relaxation in the late cut provisions have been provided for Shipping bill (s) of the period 01.04.2019 to 31.03.2020, so that if such shipping bills are submitted on or before 30.09.2021, for an MEIS claim, no late cut would be applicable.

DGFT issues Trade Notice extending the validity of RCMC beyond 31.03.2021 and till 30.09.2021 (without endorsement of RCMC by EPCs).

In view of current situation due to the COVID-19 pandemic, DGFT has issued a Trade Notice No. 04/2021-22 dt 10.05.2021 extending the validity of RCMC beyond 31.03.2021 and till 30.09.2021 without such an endorsement on the RCMC by the EPCs (reproduced below).

The above is quite helpful action of DGFT.

(Copy)

DGFT Trade Notice No. 04/2021-2022, Dated 10th May, 2021

Subject: Extension of validity of Registration cum Membership Certificate (RCMC) beyond 31st March, 2021.

Under para 2.55 & 2.56 of FTP read with paras 2.91 - 2.95 of HBP, 2015-20, Export Promotion Councils (EPCs) have been issuing RCMCs to its members.

2. In view of the current situation due to the COVID-19 pandemic, in continuation of Trade Notice No. 60/2019-2020 dated 31st March, 2020, it has been decided that Regional Authorities (RAs) of DGFT will not insist on valid RCMC (in cases where the same has expired on or before 31st March, 2021) from the applicants for any incentive/authorizations till 30th September, 2021.

3. EPCs will collect the applicable fees for the year 2021-22 on restoration of normalcy.

DGFT issues a Trade Notice to announce the start of 'COVID-19 helpdesk' for international trade related issues.

The surge of COVID-19 cases have given rise to some problems by the importers and exporters in international trade. To seek suitable resolution to the above issues DGFT has issued Trade Notice No.02/2021-2022 dated 26-04-2021 containing the news of setting up 'COVID-19 helpdesk'(copy reproduced below).

The helpdesk would look into issues relating to Department of Commerce/DGFT, licensing issues, custom clearance delays, etc. as detailed in the Trade Notice.

(Copy)

Trade Notice No. 02/2021-2022, Dated: 26.04.2021

To,
All Exporters/Members of Trade
All Export Promotion Councils/Commodity Boards

Subject: Operationalisation of DGFT 'COVID-19 Helpdesk' for International Trade related Issues'

The Department of Commerce, Government of India and DGFT have undertaken to monitor the status of export and imports and difficulties being faced by trade stakeholders in view of the surge of COVID-19 cases. DGFT has accordingly operationalised a '**COVID-19 Helpdesk' to support and seek suitable resolutions to issues arising in respect of International Trade.**

2. This 'COVID-19 Helpdesk' would look into issues relating to Department of Commerce/DGFT, Import and Export Licensing Issues, Customs clearance delays and complexities arising thereon, Import/Export documentation issues, Banking matters etc. Helpdesk would also collect and collate trade related issues concerning other Ministries/Departments/Agencies of Central Government and State Governments and will co-ordinate to seek their support and provide possible resolution(s).

3. **EXIM community may submit information on the DGFT website** and submit information relating to their issues on which support is required using the following steps-

- i. Navigate to the DGFT Website (<https://dgft.gov.in>) - Services - DGFT Helpdesk Service
- ii. 'Create New Request' and select the Category as 'Covid-19'
- iii. Select the suitable sub-category, enter the other relevant details and submit.

Alternatively, you may send your issues to email id: dgftedi@nic.in with the subject header: Covid-19 Helpdesk or call at Toll Free No 1800-111-550

4. The status of resolutions and feedback may be tracked using the Status tracker under the DGFT Helpdesk Services. Email and SMS would also be sent as and when the status of these tickets are updated. Trade Community is requested to kindly make use of the given facilities suitably.

DGFT issues Trade Notice introducing an online e-EPCG Committee module for accepting applications seeking relaxation in Policy/Procedure.

EPCG Authorisations are issued with a number of conditions. Many exporters fail to fulfil all these conditions on account of

situations beyond their control. As per para 2.58 of the current Foreign Trade Policy, such exporters may seek relaxation of Policy/Procedure from the EPCG Committee in New Delhi in physical form.

These are the days of e-commerce and DGFT is quite alive to it. Now DGFT has issued a Trade Notice No.05/2021-22 dt 19th May, 2021 on the subject above (copy reproduced below) containing the details of the e-module.

(Copy)

DGFT Trade Notice No. 05/2021-22-DGFT, Dated 19th May, 2021

Subject: Introduction of an online e-EPCG Committee module for accepting applications seeking relaxation in Policy/Procedure in terms of para 2.58 of FTP 2015-20.

The members of trade are hereby informed that this Directorate is introducing an online e- EPCG Committee module on the DGFT website, a new module as a part of IT Revamp, for receiving applications for seeking relaxation in policy/procedure in terms of para 2.58 of FTP 2015-20.

2. Henceforth, the applications for seeking relaxations In terms of para 2.58 of FTP 2015-20 under the EPCG Committee would be accepted through online mode only. No manual submission of applications for the same would be allowed. The members of trade can login to the portal, fill in the requisite details in the form, upload the necessary documents and submit the application after paying requisite fee. The system will generate a file number which can be used for tracking purposes through the portal. The Directorate would issue online deficiency letters calling for any additional information required and the exporter would be able to reply to the deficiency letters online. The entire processing of the applications and communication of the decision of the committee would be in online mode only.

3. The members of trade can file applications to e-EPCG Committee module through following navigation - <https://dgft.gov.in/> ? Login using registered user credentials for the IEC holder ? Services ? EPCG ? Apply for EPCG Committee.

4. The members of trade are advised to go through the Online Help Manual and FAQ documents before filing the applications under the module. The Online Help Manual and FAQ documents would be available under <https://dgft.gov.in/> > Learn > Application Help & FAQs.

5. In case any technical issue is faced, the same may be intimated to the DGFT Helpdesk by raising a CRM ticket on the portal or calling on the toll-free helpline @ 1800-111-550 or sending an email to dqftedi@qov.in.

Impex # 6 Recording of information about transfer of the DFIA Scrips and paperless issuance of the DFIA Scrips made mandatory

DGFT issues Trade Notice making mandatory recording of information about transfer of DFIA(Duty-Free Import Authorisation) Scrips and Paperless issuance of DFIA Scrips.

Making the trade paperless by use of electronics is a good facilitation measure.

In its TradeNotice No. 06/2021-22, it is stated that issuance of paper copy of DFIA Scrips (for EDI Ports) shall be discontinued with effect from 07.06.2021. Any transfer

of DFIA scrips on or after this date shall be mandatorily recorded in the online system. For this purpose a facility has been created on DGFT site to record the information about transfer of the DFIA scrips. Detailed procedure for

recording of transfer has been given in annexure. Copy of Trade Notice No.06 dt 25.05.2021 referred to above is given below (except annexure).

(Copy)

DGFT Trade Notice No. 06/2021-22, Dated 25th May, 2021

Subject: Mandatory recording of information about transfer of DFIA (Duty Free Import Authorization) Scrips and Paperless issuance of DFIA Scrips

In order to enable electronic, paperless transactions and facilitate trade, it is submitted that the recording of transferability of DFIA is being made online. In this regard, a facility has been created on DGFT website to record the information about transfer of DFIA scrips. The recording of given information would allow the transferee to apply for ARO/Invalidation against the said DFIA Scrip online. The given transfer of DFIA scrips, shall be recorded under the relevant module on the DGFT website (<https://dgft.gov.in>) - > Services - > AA/DFIA. Detailed procedure for recording of transfer of DFIA scrips is at Annexure.

2. Further, the issuance of paper copies of DFIA scrips (for EDI Ports) shall be discontinued with effect from 07.06.2021. Security Paper copies of DFIA Scrips shall continue to be issued for Non-EDI Ports. Any transfer of DFIA Scrips issued on or after this date shall be mandatorily recorded in the online system. The record of such transfers shall be mandatory for EDI ports as well as non-EDI Ports.

3. For cases where the DFIA scrip was issued prior to 07.06.2021 and an ARO/Invalidation is to be requested against the DFIA Scrip, the details of transfer of the said scrip (if any) would also be required to be recorded in the DGFT online system. For cases, where the ARO/invalidation is being requested by the original scrip owner no such record of transfer would be required. For cases where scrips were issued prior to 07.06.2021 and no request for ARO/Invalidation is to be made as on this date or after, the recording of any transfer of the given scrip shall not be mandatory.

4. The DFIA scrip owner shall 'transfer' the scrip to another IEC in the same manner as was being done by them earlier i.e. as per the independently negotiated terms & conditions between the buyer and the seller. However, the information about the new owner (transferee) has to be recorded on the DGFT website by the original owner (transferor), before the new owner (transferee) can utilize the scrip to obtain any ARO/ Invalidation. It is mandatory for both transferor and transferee to ensure that information regarding transfer is recorded. After the information is confirmed on the DGFT e-platform, the old owner cannot re-record the transfer, and only the new owner can record and further transfer/retransfer.

5. It should be noted that unless recorded on DGFT website, the new owner (transferee) will not be able to utilize the scrip. Therefore, the new owner (transferee) has to ensure that the scrip is recorded in his favour by the old owner (transferor). DGFT/Customs shall not be responsible for any lapse by the old or new owner or any dispute in this regard.

6. Applicants will continue to apply for DFIA as per online procedure and the Regional Authorities will continue to issue the DFIA scrips in online module. The applicant would also continue to apply for ARO/Invalidation as per online procedure. The applicant for ARO/Invalidation shall be the current owner of the scrip as recorded in the DGFT online system.

7. Difficulties, if any, in implementation of these provisions may please be brought to the notice of this Directorate immediately. For guidance on these new processes, the Help manual & FAQs may be accessed at

<https://dgft.gov.in> - > Learn - > 'Application Help & FAQs'. For any further assistance you may utilize any of the following channels -

- i. Raise a service request ticket through the DGFT Helpdesk service under Services - > 'DGFT Helpdesk Service'
- ii. Call the toll-free Helpdesk number
- iii. Send an email to the Helpdesk on dgftedi@gov.in.

Impex # 7

Rules of Origin (Non-Preferential) certificate fixed at Rs.200

DGFT issues Public Notice fixing a flat rate of Rs.200 (in place of discretionary rate) per certificate by notified agencies.

The details of 'Rules of Origin (Non-Preferential)' are given in para 2.108 of the current H.B.of Procedure (Vol.1). To establish the origin of exported goods a Certificate of Origin is issued by nominated agencies. They are authorised to charge a fee for the certificate. The present rate is not exceeding Rs.200 as may be prescribed by concerned agency.

Now DGFT has issued a Public Notice No. 5/2015-20 dt 27.05.2021 according to which the rate has been fixed at Rs.200. It means there will be no discretionary power with issuing agency to charge at a lower rate than Rs.200.

Copy of DGFT Public Notice dt 27.05.2021 referred to above is reproduced below:

(Copy)

DGFT Public Notice No. 5/2015-2020, Dated 27th May, 2021

Subject: Amendment in Para 2.108 (c) (iv) of Handbook of Procedure, 2015-20.

In exercise of powers conferred under paragraph 1.03 and 2.04 of the Foreign Trade Policy 2015-2020, the Director General of Foreign Trade hereby makes the following amendments in Para 2.108 (c) (iv) of Handbook of Procedure, 2015-20:

Existing Para 2.108 (c) (iv)	Revised Para 2.108 (c) (iv)
Fee not exceeding Rs.200/- per certificate as may be prescribed by concerned agency.	Fee of Rs.200/- per certificate.

2. Effect of this Public Notice: Fee of Rs. 200/- per Certificate is notified.

Impex # 8

Updation of change of IFSC and bank account number of the exporters in customs on account of merger of bank

Principal Commissioner of Customs, Nhava Sheva issues Public Notice for uploading of documents for approval of new AD code/IFSC of their banks due to merger of banks.

Sometime back government of India decided to merge some banks to achieve the objective of stronger banks and also ensure economies of scale. Some banks have already been merged. The merger had led to change of IFSC/A.D.code of these banks.

Exporters get refund of duty drawback/IGST in their bank accounts. The Principal Commissioner of Customs (NS -1) has issued a Public Notice No. 49/2021 dt 24.05.2021 asking exporters for updation of IFSC and bank account rejected by PFMS. Copy reproduced (without annexure) below. It contains details guidelines on the subject.

(Copy)

Customs Public Notice No. 49/2021, Dated 24.05.2021

Sub: Updation of IFSC and Bank Account Rejected by PFMS

1. Kind attention of all Exporters, Importers, Custom Brokers & other stakeholders is invited to JNCH Public Notice No. 93/2020 dated 29.07.2020 detailing instructions for uploading of documents in E-Sanchit for approval of AD Code/IFSC with Bank Account in ICES.
2. Please also refer to recent PSU Bank mergers and amalgamations, for which Public Notice No. 21/2021 dated 09.03.2021 and Public Notice No. 40/2021 dated 03.05.2021 has been issued regarding updation of change of IFSC and bank account number due to bank merger.
3. For the benefit of stakeholders, a one-time drive is being launched by NhavaSheva Customs to address all the issues relating to non-validation on account of bank account at PFMS level and ensure that the Drawback/IGST refunds are successfully scrolled out to the stakeholders. A list of all cases requiring validation of bank account details at PFMS level is annexed herewith.
4. In this context, IEC holders appearing in the attached list are requested to update their new IFSC code/new Bank account number through online Export promotion Bank account management facility provided on ICEGATE website using the 'modify option', as per Public Notice No. 93/2020 dated 29.07.2020, 130/2020 dated 07.10.2020 and Public Notice No. 40/2021 dated 03.05.2021. A detailed guide on the same is also attached herewith.
5. Difficulty, if any, in implementation of these instructions should be brought to the notice of the Joint Commissioner (EDI) or Deputy Commissioner (EDI), JNCH on edi@jawaharcustoms.gov.in or on icegatehelpdesk@icegate.gov.in or contact EDI section, 2nd Floor, B wing, JNCH for any further assistance.

Impex # 9

Validity of AEO certificate extended due to Covid pandemic

CBIC issued circular by which the validity of all AEO certificates expired/expiring between 01.04.2021 and 31.05.2021 has been extended to 30.06.2021 except in eligible cases, considering the difficulties being faced by AEO entities in renewing existing certification due to Covid pandemic.

DGFT has a scheme known as 'Export House'scheme under which established exporters are given certain facilities to enable them to reduce transaction cost and increase ease of doing business. Similarly customs has a scheme known as 'AEO Program'(Authorised Economic Operator) under which the customs extend trust based compliance wherein extensive benefits including greater facilitation and self-certification has been provided to those entities who have demonstrated internal strong control system and compliance with CBIC. On account of difficulties being faced by AEO, the CBEC has issued a Circular No. 10/2021-Custom dt May 24, 2021 by which the validity of AEO certificates has been extended to 30.06.2021 (Copy reproduced below):

Subject: Extension of validity of AEO certification for ease of renewal process-reg.

1. Reference is drawn to Para 5.1 Circular No. 33/2016-Customs dated 22.07.2016 amended vide Para viii of Circular No. 03/2018-Customs dated 17.01.2018, which relates to "Validity of AEO Certificate" and reads as-

"The validity of AEO certificate shall be three years for AEO-T1 and AEO-T-2, and five years for AEO-T3 and AEO-LO,

2. Representations have been received by the field formations regarding the difficulties being faced by the AEO entities in renewing their existing certification owing to various degrees of restrictions/lockdown in different parts of the country due to COVID pandemic.

3. Accordingly, the Board has decided to extend the validity of all the AEO Certificates expired/expiring between 01.04.2021 and 31.05.2021 to 30.06.2021, except for the cases where the entity has been found ineligible for continuation under the AEO Programme.

4. Wide publicity may be given to this Circular by way of issuance of Trade/Public Notice. Difficulties, if any, in the implementation of this Circular may be brought to the notice of this office.

Impex # 10

Questions & Answers

Question : We are a Merchant Exporter. Can we take a supply from a manufacturer for exports at 0.1% and export it, without availing LUT facility, paying the applicable IGST rate of 18%?

Answer : CBIC has issued Notification No.3/2018 dated 23rd January, 2018 depriving the facility of exports on payment of IGST if goods were procured by a Merchant exporter at 0.1%. Therefore, in such cases, exports shall take place on LUT/Bond.

Question : We are manufacturers of exempted goods for export. We availed input stage rebate used in the manufacture of exported goods. How would we get a GST refund if our supply remains an exempt supply?

Answer : Under IGST Act, a person engaged in export of goods which is an exempt supply is eligible to avail input stage credit for zero rated supplies. Once goods are exported, refund of unutilized credit can be availed under Section 16 (3) (a) of IGST Act, 2017 and Section 54 of the CGST Act, 2017 and the rules made there under.

Question : How are the goods supplied under GST, if returned, treated? How can we adjust tax liability if the entire GST has already been paid?

Answer : You can issue a credit note in respect of the goods returned and adjust your tax liability if the person returning the goods has reversed the credit availed by him at the time of original supply. Such credit note cannot be issued after September of the following year or filing of annual return whichever is earlier."

Question : What are the recent changes made in filing of the Bill of Entry for imports through sea ports, ICDs and airports?

Answer : Consequent to amendments in Section 46 of the Customs Act, 1962 facilitating pre-arrival processing and assessment of Bills of Entry (BE) by mandating their advance filing thus leading to significant decrease in the Customs clearance time, an importer has to file a BE anytime from 30 days prior to the expected arrival of the vessel/aircraft/vehicle up to the ends of the day preceding the day of such arrival. However, realising the challenges in filing BOE a day before the arrival of ship from neighbouring countries or through aircraft, CBIC has come with pragmatic solution to provide relaxation in such cases allowing filing of BOE as per the tabular chart below:

Customs station	Bill of Entry is Required to be Filed latest by End of the day of arrival of the vessel/ aircraft/ vehicle	Bill of Entry is Required to be Filed latest by the End of day Preceding the day of arrival of the vessel/ aircraft/ vehicle
Sea Port	Imports consigned from following countries, viz. 1. Bangladesh 2. Maldives 3. Myanmar 4. Pakistan 5. Srilanka	Imports consigned from all countries other than those mentioned in previous column
Airport Land Customs Station (ICS)	All imports All imports	None None
Inland Container Depot (ICD)	None	All Imports

Question : What would be treatment of goods supplied under GST if returned? How would I adjust my tax liability if the entire GST has already been paid?

Answer : You can issue a credit note in respect of the goods returned and adjust your tax liability if the person returning the goods has reversed the credit availed by him at the time of original supply. Such credit note cannot be issued after September of the following year or filing of annual return whichever is earlier.

Question : Our buyer is supplying the fabric and buttons for job work and re-exports within three months of imports. Can we import such goods for jobbing without payment of duty?

Answer : Exemption to goods imported for execution of an export order placed on the importer by the supplier of goods for jobbing is governed by the Notification No. 32/97-Cus dated 1 April 1997. The notification exempts duty on goods imported for execution of an export order provided the said goods after jobbing work are re-exported to the supplier or to any other person which the supplier may specify, within six months from the date of clearance or within such extended period. Moreover, the importer was required to fulfill prescribed conditions/procedures. In the event of failure to fulfill the conditions the importer has to pay the duty leviable on the goods so imported. Further, as per clause (v) of the notification, the jobbing is to be undertaken in accordance with the procedure set out in the Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 1996.

Question : Our Export House certificate has expired on September, 2020. We understand that as per Public Notice No. 67 dated 31.03.2020, the validity of all exports house has been extended up to 31.03.2021. We request you to kindly clarify the same.

Answer : All certificates valid on 31st March, 2020 were initially extended till 31st March 2021 and since FTP validity got extended till 30th September, 2021, these certificates also have extended validity. Therefore a certificate expiring in September 2020 is also extended till 30th September, 2021.

News from 'Print Media'

SOPS FOR R&D

New FTP to retain key schemes despite WTO

SEZ, EoU schemes won't go; new incentives likely for R&D, market promotion and logistics

BANKINKAR PATTANABAK
New Delhi, May 23

THE GOVERNMENT WILL likely retain certain key export schemes, such as those relating to special economic zones (SEZs) and export-oriented units, in the next foreign trade policy as well, even though these programmes have been challenged at the World Trade Organization (WTO), sources told FE. However, any new schemes within the FTP will be designed in sync with WTO stipulations, one of the sources said.

The new FTP for the next

POLICY PUSH

- New Delhi may choose to await WTO appellate body's verdict before altering some export schemes.
- New FTP to reflect Automotive Initiative and ease of doing trade.
- It will focus on greater integration with global supply chain, post-Covid.
- It may aim to reduce high logistics costs from 13% of GDP to 8% in 3 years.
- Incumbent, such as duty-free import of equipment, likely for R&D.
- Add to wider market coverage may be offered.

five years is expected to be rolled out from October 1. Given as it is in the wake of the unprecedented Covid-19 pandemic, the FTP would focus more on ways to ensure India's greater integration with the global supply chain, trimming elevated logistics costs, incentivising the much-needed research & development (R&D) and bolstering certain marketing support, one of the sources said.

Financial Express
23rd May 2021

TAX REFUND

Outlay for key export scheme to be raised

Total allocation may finally jump to about ₹25,000-30,000 cr for 2021-22

BANKINKAR PATTANABAK
New Delhi, May 26

THE GOVERNMENT WILL likely raise the allocation limits for key export tax refund scheme from the budgeted ₹13,000 crore for FY22, as the current outlay is expected to fall way short of the amount required to implement recommendations of the GK (India) panel, an official source told FE. While the revenue department will take a final call on the hike, sources said total allocation for FY22 may finally be up to about ₹25,000-30,000 crore.

The HMT committee was tasked with the job of recommending rates for the levies of Duties and Taxes on Exported Products (RoTEEP) scheme. It is expected to introduce various embedded levies (not admissible by the GST) [old outlay] commensurate to exports. The suggestions are being vetted by both the revenue and commerce departments. The RoTEEP rates are expected to be announced in two weeks.

However, the RoTEEP outlay is expected to be much

Bigger the better

Budgeted RoTEEP outlay of **₹13,000 cr** for FY22 inadequate to attract Nisipare suggestions

Sources say FY22 outlay may be raised to about **₹25,000-30,000 cr**

- Revenue Dept to take a final call on the hike.
- RoTEEP rates to be announced in two weeks.

lower than that for the Merchandise Exports from India Scheme (MEIS), which was replaced by this scheme. The government has approved ₹39,897 crore for MEIS for FY20. Of course, both the schemes are not strictly comparable. While RoTEEP is an export levy refund scheme, MEIS was typically an incentive programme.

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Financial Express
26th May 2021

From the Front Page

Tax refund: Outlay for key export scheme to be raised

IN MARCH, PILLAI, who was formerly commerce secretary, had told FE that "low budget outlay" was unlikely to be a constraint for meaningful implementation of the scheme. "The finance minister has already indicated that enough funds would be made available," he had added.

Since exporters themselves have no fool-proof data or even complete knowledge of all items eligible in the export portfolio, the committee has had a difficult task of determining the RoTEEP rates for as many as 4,000 tariff lines. The exercise has been done in a manner as comprehensive as possible by keeping with principle that taxes are not meant to be exported. Pillai had said, but added the scheme could still take 2-3 years to settle.

Sections of the exporters' community, however, apprehended that the government could reduce the RoTEEP

rates or the coverage of the scheme to limit the cost to the exchequer. Any such move, they have warned, will delay a recovery to exports, which have started to surge from March after maintaining a roller-coaster ride in the wake of the Covid-19 outbreak. The government, they said, should keep the RoTEEP outlay open-ended and not curtail the same to limit outlays to a certain annual budgetary outlay, if the idea is to keep exports truly zero-rated in sync with global best practices.

The RoTEEP replaced the "WTO-incompatible" MEIS from January 2021 but the refund rates are yet to be declared. Under MEIS, most exporters were getting up to 5% of the freight-on-board value of the shipment.

Merchandise exports staged a record 18% year-on-year in April, driven mainly by a favourable base. However, even in absolute terms, exports in April stood at \$30.6 billion, up almost 31% from the same month in 2019. Before the pandemic struck, parity on the back of improved underflow.

The government has now set an ambitious target of \$400 billion for FY22 against \$191 billion last fiscal. For this to be achieved, the government should try and address the liquidity woes of exporters, who have been avoiding the release of tons of merchandise in warehouses under the MEIS, exporters have said.

For its part, the government, faced with a revenue crunch and the urgent requirement of boosting healthcare spending to fight Covid-19, has already started processing the MEIS benefits, a senior official recently said.