CHAPTER 8

FOREIGN TRADE POLICY



For the sake of brevity, Foreign Trade Policy has been referred to as FTP at many places in this Chapter.

LEARNING OUTCOMES

After studying this chapter, you would be able to:

- explain the legislation governing FTP, salient features of FTP, administration of FTP, contents of FTP and other related provisions.
- appreciate and explain the basic concepts relating to import and export of goods under FTP.
- analyse the basic concepts relating to export promotion schemes provided under FTP namely, duty exemption and remission schemes, RoDTEP scheme, EPCG scheme, EOU, EHTP, STP & BTP schemes, deemed exports.

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CHAPTER OVERVIEW

Salient Features of FTP	Administration of FTP	Contents of FTP
Trade Facilitation & Ease of doing business	Provisions regarding imports and exports	Duty Exemption and Remission Schemes
Export Promotion Capital Goods Scheme [EPCG]	EOU, EHTP, STP and BTP	Deemed Exports

UNIT – I: INTRODUCTION TO FTP

1. INTRODUCTION

In the era of globalization, international trade has become the lifeline of any economy. Today, international trade has begun to play a significant part in the Indian economy reflecting its increasing integration in globalisation.

International trade not only enables a nation to specialize in the goods which it can produce most cheaply and efficiently, but also to consume more than it would be able to produce with its own resources. International trade enlarges the potential markets for the goods of a particular economy.

Foreign Trade Policy is a set of guidelines or instructions issued by the Central Government which specifies policy for exports and imports viz., **foreign trade**. It's primary purpose is not merely to earn foreign exchange, but also to stimulate greater economic activity.

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Legislation governing foreign trade:

In India, Ministry of Commerce and Industry governs the affairs relating to the promotion and regulation of foreign trade.

The Foreign Trade Policy, 2023, (as updated) is notified by the Central Government, in exercise of powers conferred under **Section 5 of the Foreign Trade (Development & Regulation) Act, 1992** [FT(D&R) Act], as amended.

The main legislation concerning foreign trade is the **Foreign Trade (Development and Regulation) Act, 1992 FT(D&R) Act**. The FT(D&R) Act provides for the development and regulation of foreign trade by facilitating imports into, and augmenting exports from, India and for matters connected therewith or incidental thereto. As per the provisions of the Act, the Central Government: -



(i) may make provisions for facilitating and controlling foreign trade;

(ii) may prohibit, restrict and regulate exports and imports, in all or specified cases as well as subject them to exemptions;

(iii) is authorised to formulate and announce an export and import policy and also amend the same from time to time, by notification in the Official Gazette;



(iv) is also authorised to appoint a 'Director General of Foreign Trade' for the purpose of the Act, including formulation and implementation of the export-import policy.

Foreign Trade Policy: In exercise of the powers conferred by the FT(D&R) Act, the Union Ministry of Commerce and Industry, Government of India generally announces the integrated **Foreign Trade Policy (FTP)** with certain underlined objectives. The Foreign Trade Policy was earlier called as Export Import policy i.e., EXIM Policy. However, export import policy is now referred to as Foreign Trade

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Policy (FTP) of the country as it covers areas much beyond export and import. This policy is updated every year, in addition to changes that are made throughout the year.

The FTP, in general, aims at developing export potential, improving export performance, encouraging foreign trade and creating favorable balance of payments position. The policies are driven by factors like export led growth, improving efficiency and competitiveness of the Indian industries, ease of doing business etc.

2. SALIENT FEATURES OF FTP

The following are some of the key attributes of the FTP:

- Export-Import of goods and services is generally free unless specifically regulated by the provisions of the Policy or any other law for the time being in force.
- Export and import goods are broadly categorized as – (a) Free (b) Restricted (c) Prohibited.
- Some goods are 'free' for import and export but can be imported/exported only through State Trading Enterprises (STE).
- There are restrictions on exports and imports for various strategic, health, defence, environment, and other reasons. If the goods are restricted for import/export but not prohibited, the Government can give a permission/license for specific reasons.
- Exports are promoted through various promotional schemes.
- Goods and services to be exported but, not the taxes. Hence, any indirect taxes on exports are either exempted or refunded on both outputs and inputs, through application of various schemes in the form of Duty Exemption / Duty Refund (Drawbacks and Rebates), as the case may be.
- Capital goods can be imported at NIL duty for the purpose of exports under the scheme of EPCG.

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- For units undertaking to export all their production, there are special schemes so that they can avoid taxes at every stage under the scheme of EOU/SEZ.

FEATURES

- In certain specified cases imports get duty exemption/concession/remission for certain special purposes. In such cases, to enable domestic suppliers to compete with the international suppliers, the supplies of domestic suppliers are treated as deemed exports.

Foreign Trade Policy 2023 -The present Foreign Trade Policy, which was announced on 01.04.2023, is an integrated policy for relating to export and import of goods and services. It has come into force with effect from 1st April 2023 and shall continue to be in operation unless otherwise specified or amended.

WTO Provisions in respect of foreign trade – India is member of World Trade Organisation (WTO). The four main WTO guidelines are –

(i) Trade without discrimination

(ii) Predictable and growing market access

(iii) Promoting fair competition and

(iv) Encouraging development and economic reforms.

WTO promotes free trade by lowering tariffs, quotas, import restrictions, quantity restrictions etc. Countries should 'bind' their commitments so that stability and predictability and investment is encouraged.

WTO discourages direct export incentives or subsidies on goods or services exported, as it distorts free competition. However, goods and services can be made free of Indian taxes. Hence, all our export promotion schemes are designed to suit WTO stipulations.

3. ADMINISTRATION OF THE FTP

The FTP is formulated and announced by the Central Government under the FT(D&R) Act and is administered/implemented by the DGFT, an attached office of the Ministry of Commerce & Industry, Government of India. DGFT has several offices in various parts of the country which work on the basis of the policy formed by the headquarters at Delhi.

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DGFT issues **authorization** (earlier called as licence) for import/export. 'Authorization' means a permission in terms of the FTDR Act to import or export (which is applicable for only specified goods which are restricted). It also grants **Importer Exporter Code** (IEC) Number to importers and exporters. Import and Export without IEC number is not permitted, unless specifically exempted.

Decision of DGFT is final and binding in respect of interpretation of Policy, or provision in Handbook of Procedures, Appendices and Aayat Niryat Forms or classification of any item for import / export in the ITC (HS). A Policy Interpretation Committee (PIC) may be constituted to aid and advice DGFT.

Exemption from Policy/Procedures

DGFT may in public interest pass such orders or grant such exemption, relaxation or relief, as he may deem fit and proper, on grounds of genuine hardship and adverse impact on trade to any person or class or category of persons from any provision of FTP or any Procedures.

While granting such exemption, DGFT may impose certain conditions after consulting Norms Committees (for Fixation/modification of product norms under all schemes), EPCG Committee (Nexus with Capital Goods (CG) and benefits under EPCG Schemes) and Policy Relaxation Committee (PRC) (for all other issues).

If an importer/ exporter is aggrieved by any decision taken by PRC, or a decision/order by any authority in the DGFT, a specific request for Personal Hearing (PH) has to be made to DGFT. DGFT may consider request for relaxation after consulting concerned Norms Committee, EPCG Committee or Policy Relaxation Committee (PRC) and the decision conveyed in pursuance to the personal hearing shall be final and binding.

Government is committed to easy and speedy redressal of grievances from Trade and Industry.

The Settlement Commission[1] set up by the Department of Revenue has been empowered to settle matters of default in export obligation also.

[1] *Settlement Commission/ Interim Board provides the taxpayers a one-time opportunity to settle pending disputes related to customs duties in a speedy manner and avoid prolonged litigation. Said provisions are outside the scope of syllabus of Paper 5 -Indirect Tax Laws.*

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Other authorities involved: Though the FTP is formulated by DGFT, it is administered in close coordination with other agencies. Other important authorities dealing with FTP are:

(1) **Central Board of Indirect Taxes and Customs (CBIC):** CBIC comes under Ministry of Finance and its two Departments namely, Customs and GST facilitate in implementing the provisions of the FTP.

Customs Department is responsible for clearance of export and import goods after their valuation and examination. Customs authorities follow the policy formed by the DGFT while clearing the imported and export goods.

Since there is GST on almost all the goods and services (except petroleum products and alcoholic liquor), Central GST authorities need to be involved for all matters of exports, where goods have to be cleared with/without payment of GST.

(2) **Reserve Bank of India (RBI):** RBI is the nodal bank in the country which formulates the policies related to management of money, including payments and receipts of foreign exchange. It also monitors the receipt and payments for exports and imports.

(3) **State GST Departments:** To avoid dual control, some taxable persons are under jurisdiction of State GST authorities. In their case, State GST Authorities are controlling authorities.

4. CONTENTS OF FOREIGN TRADE POLICY

The contents of the FTP 2023 are as follows

(i) **FTP 2023:** having 11 Chapters giving basic policy. This has been notified by the Central Government on 01.04.2023.

(ii) **Handbook of Procedures 2023:** (HBP 2023) containing 11 chapters, covering procedural aspects of policy. This has been notified by Director General of Foreign Trade on 01.04.2023. It is amended from time to time as per requirements. Also, it contains **Appendices and Aayat Niryat Forms (AANF)** containing various appendices and forms relating to the procedural aspects provided under the policy and procedures and Standard Input-Output

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Norms[2] (SION) of various products notified from time to time. Based on SION, exporters are provided the facility to make duty-free import of inputs required for manufacture of export products under the Duty Exemption Schemes like Advance Authorisation and DFIA.

(iii) ITC (HS) classification of exports and import items: The Export Import Policy regarding import or export of a specific item is given in the Indian Trade Classification Code based on Harmonized System of Coding [ITC(HS)]. ITC-HS Coding was adopted in India for import-export operations. Indian customs uses eight digit ITC-HS Codes to suit the national trade requirements.



ITC-HS codes are divided into two schedules. **Schedule I - Import Policy – ITC(HS)** describe the rules and guidelines related to import policies whereas **Schedule II– Export Policy – ITC(HS)** describes the rules and regulation related to export policies. Presently, most of the goods can be imported without any authorization. Schedule II contains very few products, where export is prohibited or restricted. Excluding those items, export of all other goods is free. **SCOMET LIST** is also provided

Any changes or formulation or addition of new codes in ITC-HS Codes are carried out by DGFT (Directorate General of Foreign Trade).

Foreign Trade Policy *vis a vis* tax laws: The Foreign Trade Policy is closely knit with the Customs, GST Laws and Excise/state laws of India. However, the policy provisions *per-se* do not override tax laws. The exemptions extended by FTP are given effect to by issuing notifications under the respective tax laws (e.g., Customs Tariff Act). Thus, actual benefit of the exemption depends on the language of exemption notifications issued by the CBIC. In most of the cases the exemption notifications refer to policy provisions for detailed conditions. Ministry of Finance/ Tax Authorities cannot question the decision of authorities under the Ministry of Commerce (so far as the issue of authorization etc. is concerned).

FTP, Handbook of procedures under FTP, CGST Act, SGST Act, IGST Act, Central Excise Act (for petroleum products and tobacco products), Customs Act and notifications issued hereunder form an integrated scheme of indirect taxation. All these statues have to be read as a whole and not in isolation, since they are series of statues relating to the related subject matter.

[2] *SION specify the quantity and value of inputs that can be used for the production of specific export items and the corresponding quantity of output that can be expected.*

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5. SCOPE OF FTP

The FTP covers the policies and regulations with respect to the following matters:

Chapter No.	Contents of Foreign Trade Policy
1	Legal framework and trade facilitation
2	General provisions regarding imports and exports
3	Developing districts as export hubs
4	Duty exemption remission schemes
5	Export promotion Capital Goods (EPCG) Scheme
6	Export Oriented Units (EOUS), Electronics Hardware Technology Parks (EHTPS), Software Technology Parks (STPS) and Bio-Technology Parks (BTPS)
7	Deemed exports
8	Quality Complaints and Trade Disputes
9	Promoting cross border trade in digital economy
10	Scomet: special chemicals, organisms, materials, equipment and technologies
11	Definitions

Provisions relating to Special Economic Zone (SEZ) are contained in a separate Act and are not part of FTP. However, provisions of SEZ are closely related to Foreign Trade Policy.

Handbook of Procedures (HBP 2023) has 11 corresponding chapters which mainly deal with procedural aspects of the foreign trade policy.

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6. TRADE FACILITATION AND EASE OF DOING BUSINESS

Since India ratified the World Trade Organization's Trade Facilitation Agreement (TFA), there's a special focus on implementing the international trade facilitation measures. DGFT, in consultation with Export Promotion Councils and Trade and Industry bodies, dedicatedly functions as a facilitator of exports and imports. National Committee on Trade Facilitation (NCTF) has been constituted to facilitate coordination and implementation of the TFA provisions. National Trade Facilitation Action Plan aims to achieve:

- Improvement in Ease of Doing Business through reduction in transaction cost and time
- Reduction in cargo release time
- A paperless regulatory environment
- A transparent and predictable legal regime
- Improved investment climate through better infrastructure

In view of the same, following trade facilitation measures are provided under FTP:

- Free passage will be provided to export consignment and there will not be any seizure of export related stock except in exceptional cases.
- Single window system to facilitate export of perishable agricultural produce.
- DGFT is implementing the Niryat Bandhu Scheme for mentoring new and potential exporter on the intricacies of foreign trade through counseling, training and outreach programmes including the 'Districts as Export Hubs[3]'.
- **DGFT online customer portal (https://dgft.gov.in)** provides information relating to export and import including Acts, rules, policy and procedures. Online facilities for e-RCMC/RC related processes, e-Certificate of Origin (e-CoO) and Quality Control and Trade Disputes (QCTD) are also available on said common digital platform.

[3] *The concept of 'Districts as Export Hubs' has been discussed subsequently.*

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- DGFT has undertaken a number of IT Initiatives to enable a paperless, contactless and transparent environment for availing benefits under the export promotion schemes.
- A dedicated 24 X 7 Helpdesk facility has been put in place to assist the exporters in filing online applications on the DGFT portal and other matters pertaining to FTP.
- A large number of Trade Facilitation measures have been taken by Customs Department[4].

Trade facilitation measures introduced with an option available to the Central Government for consultation with relevant stakeholders to seek their views and also providing the mechanism on best endeavour basis, to inform reasons for not accepting views concerning the formulation or amendment of the FTP.

Consultation with Stakeholders

The Central Government, in the course of formulation of FTP, as and when it deems reasonable to do so, may seek views/ suggestions/ comments/ feedback from relevant stakeholders, including importers/exporters/industry experts with regard to formulation, incorporation of specific provision(s) or amendments in the FTP, and to the extent possible, 30 days' time-period may be provided to such relevant stakeholders for submission of their views/ suggestions/comments/feedback.

However, Central Government reserves the right to suo moto formulate, amend or incorporate any specific provisions, without seeking views, suggestions, comments, or feedback from stakeholders.

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[4] Some of these measures are 24X7 customs clearance in specified seaports and airports, Single Window Interface for Trade (SWIFT) under customs which allows importers and exporters, the facility to lodge their clearance documents online at a single point only, E-Sanchit or E-Storage and Computerized Handling of Indirect Tax documents facilitates traders with paperless processing, TURANT Customs (faceless assessment), Compliance Information Portal (CIP) which is one stop solution for information on all clearance related procedures, duties, fee and charges for import/export of any goods, etc.

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Soliciting of views, suggestions, comments or feedback

If the views, suggestions, comments or feedback are not incorporated in the FTP, the Central Government may to the extent possible and if deems reasonable to do so, provide, to the relevant stakeholders, including importers/exporters/industry experts the reasons for not considering their views etc. while formulating, amending or incorporating specific provisions in the FTP.

However, Central Government is not obliged or mandated to disclose reasons for not incorporating views etc., that

(i) has the potential to or will adversely affect trade relations with any foreign country.

(ii) would adversely affect food, economic or national security of India;

(iii) is in conflict with any government policies, strategic programs, international obligations or commitments or long-term plans and would undermine the objectives of such policies or programs;

(iv) addresses matters unrelated to trade or serve narrow, private or special interests to the detriment of or contrary to the broader public interest, good; or

(v) would require the disclosure of confidential or classified information Nothing shall confer any legal right whatsoever on any person to seek reasons for his views comments, opinions or feedback, not being incorporated in the FTP thereof.

Further, no legal right shall be conferred on any person to seek reasons for his views, comments, opinions or feedback, not being incorporated in the FTP thereof.

AUTHORIZED ECONOMIC OPERATOR (AEO)

Under AEO programme of Indian Customs, a business entity engaged in international trade is granted AEO status if it is approved by Customs as compliant with supply chain security standards. Such entities are considered as trusted trade partner of Indian customs.



AEO status holders get extensive benefits including preferential customs treatment in terms of reduced examination and faster processing and clearance of cargo, deferred payment of duty,

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direct port delivery/entry, enhanced border clearance privileges in Mutual Recognition Agreement (MRA) partner countries, greater facilitation and self-certification. AEO programme is based on WCO's SAFE Framework of Standards (FoS).

TOWNS OF EXPORT EXCELLENCE (TEE)

Selected towns which are contributing handsomely to India's exports by producing goods of specified amount may be granted recognition as TEE. They will be provided targeted support and infrastructure development to maximize their export competitiveness and enable them to move up the value chain and also to tap new markets by granting specified privileges to them.



STATUS HOLDERS

Status Holders are exporter firms recognised as business leaders who have excelled in international trade and have successfully contributed to country's foreign trade. They are expected to not only contribute towards India's exports but also provide guidance and handholding to new entrepreneurs. All exporters of goods, services and technology having an import-export code (IEC) number shall be eligible for recognition as a status holder. Status recognition depends upon export performance**.



An applicant shall be categorized as status holder upon achieving the threshold export performance in the current and preceding three financial years[5], as indicated below:

[5] *However, with effect from 21.08.2026, for grant of One Star Export House Status, export performance in any 2 out of the 3 preceding financial years shall be sufficient. Further, separate provisions regarding Status Holder recognition are prescribed for Gems & Jewellery sector. FTP provisions relating to Gems & Jewellery sector are not relevant for examination purpose.*

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Status category	Export Performance Threshold In USD Million
One Star Export House	3
Two Star Export House	15
Three Star Export House	50
Four Star Export House	200
Five Star Export House	800

****Points which merit consideration while computing export performance for grant of status:**

- The export performance shall be counted on the basis of FOB of export earnings in freely convertible foreign currencies or in Indian Rupees
- For deemed export, FOR value of exports in Indian Rupees shall be converted in US$ at the exchange rate notified by CBIC, as applicable on 1st April of each Financial Year.



- For granting status, an export performance would be necessary in all the three preceding FYs[6].
- Export performance is not transferrable among IEC holders.
- Exports made on re-export basis shall not be counted for recognition.
- Export of items under authorization, including SCOMET items, would be included for calculation of export performance.

[6] *However, with effect from 21.08.2026, for grant of One Star Export House status, export performance in any 2 out of the 3 preceding financial years shall be sufficient.*

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- For calculating export performance for grant of One Star Export House Status category,
  - exports by IEC holders under Micro and Small Enterprises,
  - manufacturing units having ISO/BIS certification,
  - units located in Northeastern States including Sikkim and Union Territories of Jammu, Kashmir and Ladakh and
  - export of fruits and vegetables

  shall be granted double weightage once in any of these categories.

Privileges of Status Holders: Status holders are eligible for privileges as under:

(a) Authorisation and custom clearances for both imports and exports on self-declaration basis.

(b) Fixation of Input Output Norms on priority i.e. within 60 days by Norms Committee[7].

(c) Exemption from compulsory negotiation of documents through banks. Exception are remittance/ receipts.

(d) Exemption from furnishing of Bank Guarantee in Schemes under FTP unless otherwise specified.

(e) Two Star Export Houses and above are permitted to establish export warehouses.

(f) Manufacturers who are also status holders (Three Star/Four Star/Five Star) will be enabled to self-certify their manufactured goods (as per their Industrial Entrepreneurs Memorandum (IEM)[8] / Industrial License (IL)[9] /Letter of Intent

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[7] *Norms Committee in the DGFT is for the approval of adhoc input – output norms in cases where SION does not exist and recommends SION to be notified in DGFT.*

[8] *Industrial undertakings exempted from the requirements of Industrial Licensing under the Industries (Development And Regulation) Act I (D&R), 1951 are required to file information relating to setting up of industries is known as IEM (Industrial Entrepreneur Memorandum).*

[9] *An industrial license is a legal authorization or permission granted by the government to establish and operate an industrial enterprise in certain sectors or for specific activities.*

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(LOI)[10]) as originating from India with a view to qualify for preferential treatment under specified agreements.

(g) Status holders shall be entitled to export freely exportable items[11] on free of cost basis for export promotion subject to a specified annual limit.

(h) The status holders would be entitled to preferential treatment and priority in handling of their consignments by the concerned agencies.

Skilling and mentorship obligations of Status Holders

Status Holders (other than One Star Export House) are being made "partners" in providing mentoring and training in international trade to specified number of trainees each year based on status they achieve.

7. OTHER MISCELLANEOUS PROVISIONS

DEVELOPING DISTRICTS AS EXPORT HUBS

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 Atma Nirbhar Bharat, Vocal for local and Make in India. Products/services (GI products, agricultural clusters, toy clusters etc.) with export potential in each District have to be identified and institutional mechanism in the form of District Export Promotion Committees (DEPCs) at the district level is to be created to provide support for export promotion and address the bottlenecks for export growth in the districts. A District Export Action Plan (DEAP) may be prepared for each district. 2-3 high potential



[10] *Letter of Intent (LOI) refers to provisional/interim approval issued by the Government [through the Secretariat for Industrial Assistance, under the Department for Promotion of Industry and Internal Trade (DPIIT)], indicating the Government's intent to grant a full Industrial License to an applicant, subject to the applicant fulfilling specified conditions within a stipulated time period; such as arranging the requisite means of finance, securing land or obtaining other regulatory clearances. Once these conditions are satisfied, the LOI is converted into a regular Industrial License.*

[11] *excluding Gems and Jewellery, Articles of Gold and precious metals*

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products/services from the districts may be prioritised and comprehensive plan for their export growth may be prepared and implemented. DGFT Regional Authorities will be engaging with all the relevant State and Central agencies to take forward this initiative in each district.

QUALITY COMPLAINTS AND TRADE DISPUTES

In case of import/export, owner is liable to state the value, quality and description of the goods/services/technology to the best of his knowledge and belief, in the Bill of Entry or the Shipping Bill or any other prescribed document. In case of export, certification regarding quality and specification of the goods/ services/technology being in accordance with the terms of export contract is also required.

Necessary action is prescribed against the erring exporters/importers under the FT(D&R) Act, as amended and under Foreign Trade (Regulation) Rules, 1993. Further, a mechanism has been laid down to resolve complaints/ trade disputes between foreign buyer/supplier and Indian exporter/importer in respect of quality of goods/services/technology supplied or unethical commercial dealings including non-supply/ partial supply/ wrong supply/ non- payment; non-adherence to delivery schedules, etc.

Committee on Quality complaints and Trade Disputes (CQCTD) will be responsible for enquiring and investigating into all quality related complaints and other trade related complaints falling under the jurisdiction of the respective RAs. It will take prompt and effective steps to redress and resolve the grievances of the importers/ exporters and overseas buyers/ suppliers.

SCOMET: SPECIAL CHEMICALS, ORGANISMS, MATERIALS, EQUIPMENT AND TECHNOLOGIES



India is a signatory to international conventions on disarmament and non-proliferation and is a member of major multilateral export control regimes. Resultantly, export of dual-use items, including software and technologies, having potential civilian/ industrial applications as well as use in weapons of mass destruction is regulated under FTP. It is either prohibited or is permitted under an Authorization unless specifically

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exempted. SCOMET list is our National Export Control List of dual use items munitions and nuclear related items, including software and technology and is aligned to the control lists of the all the multilateral export control regimes and conventions.

8. PROVISIONS REGARDING IMPORTS AND EXPORTS

A. GENERAL PROVISIONS APPLICABLE TO IMPORT AND EXPORT OF GOODS

Before entering into a transaction of import or export, one needs to ascertain whether the specific item is 'free' or 'restricted' or 'prohibited' for import or export, and whether it is required to be traded exclusively through a State Trading Enterprise (STE). Prohibitions / restrictions on import or export can be imposed by the DGFT through a notification for specified reasons which are essentially the public interest factors. If there is a restriction, an authorisation is required for export/ import; and the import authorisations are for the 'actual user' only, unless this condition is specifically dispensed with by the DGFT. Authorisation can be applied for on the portal of the DGFT, dgft.gov.in by using the applicant's IEC number.

Prohibitions on import and export have been imposed for specified countries, organisations, groups, individuals etc. Further, product specific prohibitions are also imposed. Special schemes may be devised to promote and regulate trade and strengthen economic ties with neighbouring countries.

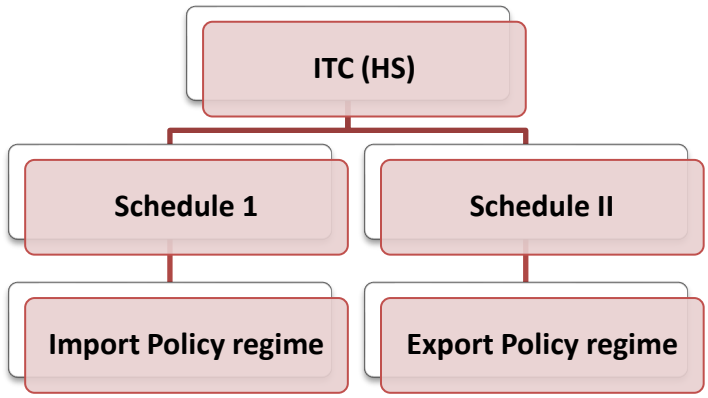
Imported goods are required to comply with all domestic laws applicable to domestically produced goods, unless exempted. In addition, the DGFT may prescribe procedures by means of a public notice, to be followed by an importer or exporter.

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Other general provisions regarding export and import have been outlined as follows:

1. **ITC(HS) [Indian Trade Classification (Harmonised System)]:** The information regarding status of the goods being free/restricted/prohibited / traded through STE, for import/export is available in the ITC(HS), i.e. import/export policies for all goods are indicated against each item as per its ITC(HS). In addition to this status under the FTP, import or export may be subject to restrictions or conditions under any other law.

   International Harmonised System goods nomenclature was adopted in India for import-export operations. Indian custom uses eight-digit ITC-HS codes to suit the national trade requirements. The same system is used for classifying goods in the Customs Tariff. The classification schedule under ITC (HS) is referred for import or export status and restrictions, while the classification schedule under the Customs Tariff, read with relevant exemption notifications, is referred for rate(s) of customs duty on the goods.



   As seen above, the ITC(HS) is structured into two schedules: Schedule 1, which lays down the Import Policy regime and Schedule 2, which lays down the Export Policy regime for each item. Within Schedule 2, a specific list called SCOMET (Special Chemicals, Organisms, Materials, Equipment and Technologies), items with dual civilian and strategic/military use, is separately notified as Appendix-3, indicating which such items are prohibited or restricted for export and require specific authorisation before shipment.

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2. **State Trading Enterprises:** ITC(HS) specifies against certain goods that they can be imported/exported only through 'State Trading Enterprises' notified by DGFT. State Trading Enterprises (STEs) are governmental/non-governmental enterprises, including marketing boards, which deal with goods for export and /or import. However, DGFT has the discretion to issue authorisation to other entities to import or export goods that are notified for exclusive trading through STEs.

   Some of the STEs are Food Corporation of India, Oil and Natural Gas Corporation Ltd, National Fertilizers Limited, Indian Rare Earth Ltd., National Dairy Development Board, National Agricultural Cooperative Marketing Federation of India (NAFED), State Cooperative Marketing Federation, etc.

3. **Importer-Exporter Code (IEC):** A person can undertake export or import activity only after obtaining Importer-Exporter Code (IEC) unless specifically exempted. It is a ten-character alphanumeric number allotted to an entity. It is the same number as the applicant's PAN but is issued separately by the DGFT. An online application has to be filed for IEC. Specified categories of importers or exporters are exempted from obtaining IEC. IEC details have to be electronically updated every year, even if there are no changes; failing which it will be de-activated till updation.



4. **Mandatory documents:**

   - **For export,** the following documents are mandatory:
     1. Bill of Lading/ Airway Bill/ Lorry Receipt/ Railway Receipt/Postal Receipt
     2. Commercial Invoice cum Packing List (or separate invoice and packing list)
     3. Shipping Bill/Bill of Export/ Postal Bill of Export
   - **For import,** the following documents are mandatory:
     1. Bill of Lading/Airway Bill/Lorry Receipt/ Railway Receipt/Postal Receipt

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2. Commercial Invoice cum Packing List (or separate invoice and packing list)

3. Bill of Entry

For import/export of specific goods or in specific cases of export or import, additional documents may be notified/sought.

5. Penal action and placing of an entity in Denied Entity List (DEL)

(a) Penal action

In following situations, a person shall be liable to penal action under FT (D&R) Act and rules and orders made thereunder, FTP and any other law for time being in force:

(i) authorisation holder:

- violates any condition of such Authorisation
- fails to fulfill export obligation
- fails to deposit the requisite amount within the period specified in demand notice

(ii) any information/particulars furnished by applicant subsequently found untrue/incorrect[12]

(b) Denied Entity List (DEL)

A firm may be placed under DEL, by the concerned Regional Authority (RA) of the DGFT. In such a case:

(i) firm may be refused grant or renewal of a licence/authorization /certificate/scrip/any instrument bestowing financial/fiscal benefits, and

[12] *With a view to raising ethical standards and for ease of doing business, DGFT has provided for self-certification system under various schemes in FTP. In such cases, applicants is expected to undertake self-certification with sufficient care and caution in filling up information/ particulars.*

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(ii) all new licences, authorisations, scrips, certificates, instruments etc. will be blocked from printing/ issue/renewal.

A firm's name can be removed from DEL, by the concerned RA for reasons if the firm completes Export Obligation/ pays penalty/ fulfils requirement of demand notice(s) issued by the RA/submits documents required by the RA.

B. PROVISIONS RELATING TO IMPORT OF GOODS

1. **'Actual user' condition:** Goods which are importable freely without any 'restriction' may be imported by any person. However, if such imports require an authorisation, actual user alone may import such good(s) unless said condition is specifically dispensed with by DGFT.

2. **Import of specific categories of goods**

(a) Samples: Import of samples of even 'restricted' items, is allowed without import authorisation. Exceptions are defence / security items, seeds, bees, and new drugs; these need authorisation.

Duty free import of samples upto ₹ 3,00,000 for all exporters shall be allowed subject to terms and conditions of customs notification[13] as amended.

(b) Gifts: Import of gifts (including those purchased from e-commerce portals) through post / courier, where customs clearance is sought as gifts, is prohibited. Exceptions are 'rakhi' and life-saving medicines. Gifts, however, can be imported upon payment of applicable customs duties. If duty leviable on rakhi is upto ₹ 100, no duty will be collected on the same.

(c) Passenger baggage: Following are allowed to be imported as part of passenger baggage without an authorisation subject to the Baggage Rules, 2016:

- ❑ Bona-fide household goods and personal effects
- ❑ Samples of items freely importable under FTP*

[13] *Notification No. 154/94 Customs dated 13.07.1994*

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- Drawings, patterns, labels, price tags, buttons, belts, trimming and embellishments required for export, imported as part of the passenger baggage of exporters coming from abroad, upto prescribed value limit.

**Any item(s) including Samples/Prototypes of items whose import policy is "restricted" or "prohibited" or is channelised through STEs are not permitted as part of passenger baggage except with a valid authorization.*

(d) Re-import of repaired goods: Capital goods, equipment, components, parts and accessories, whether imported or indigenous, except those restricted under ITC (HS) may be sent abroad for repairs, testing, quality improvement or upgradation or standardization of technology and re-imported without an Authorisation.

(e) Goods used in projects abroad: Project contractors after completion of projects abroad, may import without an Authorisation, goods including capital goods used in the project, provided they have been used for at least one year.

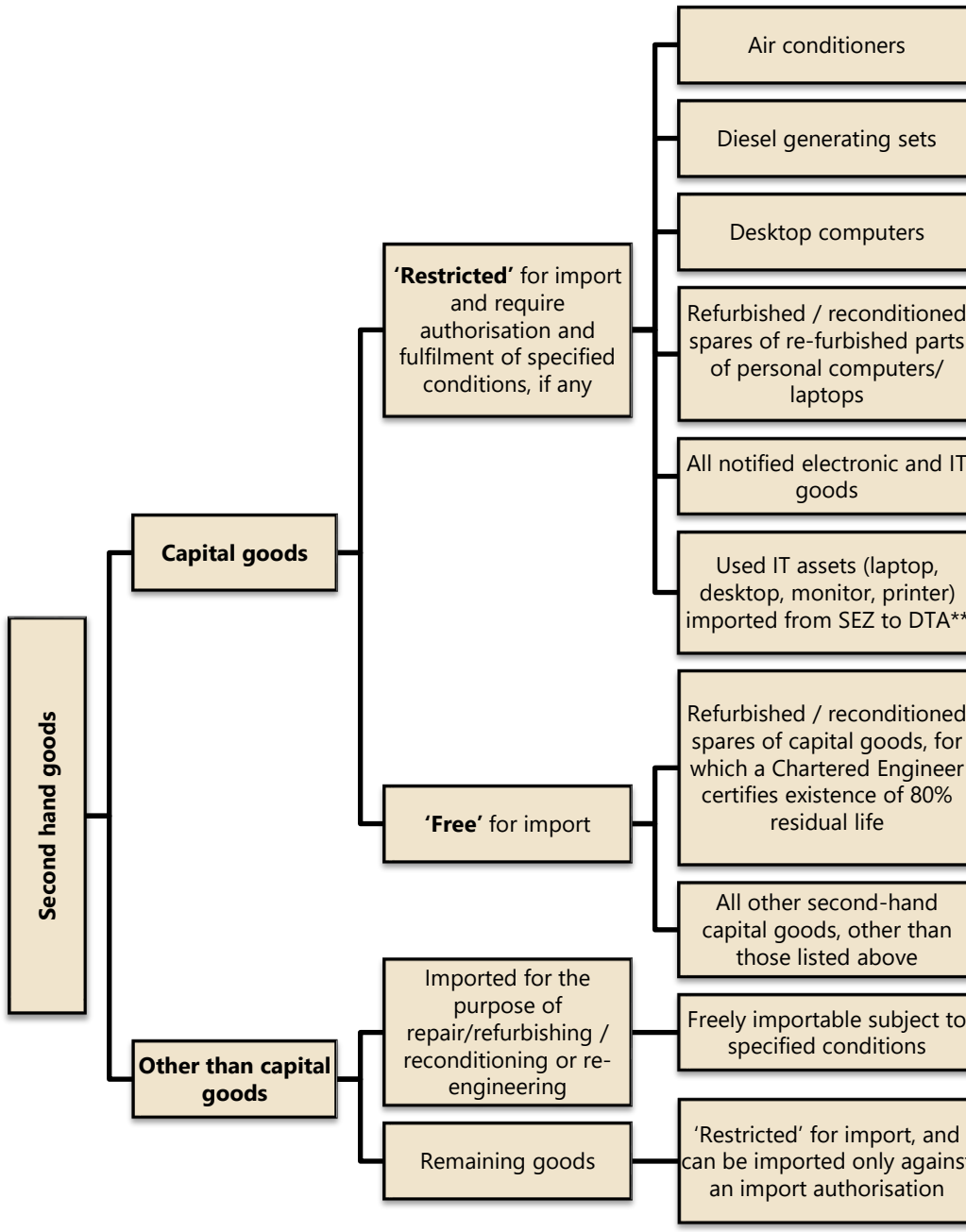
(f) Prototypes: New / second hand prototypes / second hand samples may be imported without an Authorisation on the following conditions:

- The importer is an Actual User (industrial)
- He is engaged in production of, or having industrial license / letter of intent for research in an item for which prototype is sought for product development or research, as the case may be,
- The importer files a self-declaration to that effect, to the satisfaction of Customs authorities.

(g) Metallic waste & scrap: Import of any form of metallic waste, scrap will be subject to the condition that it will not contain hazardous, toxic waste, radioactive contaminated waste / scrap containing radioactive material, any type of arms, ammunition, mines, shells, live or used cartridge or any other explosive material in any form either used or otherwise.

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(h) Second hand goods: Import policy for second hand goods is as follows:



**Import policy of used IT assets (laptop, desktop, monitor, printer) imported from SEZ to DTA, subject to fulfilment of specified conditions, has been notified in the FTP. The said import is restricted and requires authorization.

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3. Import of items under Advance Authorisation/EOU/SEZ enabled without compliance to mandatory Quality Control Orders (QCO)

Quality Control Orders (QCOs) are regulatory mandates issued by the Indian government to ensure that products meet specific quality standards. These orders, typically issued by the Bureau of Indian Standards (BIS) under the BIS Act, 2016, apply to a wide range of products to protect consumer safety, health, and environment. Domestic manufacturers as well as importers need to ensure that products covered by QCOs must not be manufactured/imported without compliance with specific standards.

Enabling provisions have been incorporated in FTP for exempting inputs imported by Advance Authorisation holders, EOUs and SEZ from mandatory Quality Control Orders (QCOs). However, import of inputs under Advance Authorisation/EOU/SEZ without compliance to the mandatory QCOs, shall be subjected to the following conditions:

(i) For Advance Authorisation:

(a) Import of inputs under the Advance authorization without compliance to the mandatory QCOs shall be with pre import condition. Such inputs shall be utilised in the manufacturing of the export product (making normal allowance for wastage) and shall be exported under the same authorization. Unutilized imports shall not be transferred to DTA, even after regularization of default in fulfilment of export obligation. It shall be destroyed in the presence of jurisdictional GST/Customs authorities or may be re-exported. In addition, such unutilised imports shall be liable to payment of effective duty along with interest to customs authorities and specified composition fee to DGFT.

(b) Said Exemption shall be specifically endorsed in the advance authorization, upon the request of the authorization holder.

(c) The exemption from QCO will be available for physical exports only and such exemption will not be allowed for deemed exports for Advance Authorisation Holders.

(d) Import of Inputs without compliance to the mandatory QCOs under DFIA scheme is not allowed.

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(ii) For EOUs

Exemption from applicability of mandatory QCOs issued under the BIS Act, 2016, shall be provided to EOU on import of inputs which are required for export production. No DTA clearance of such inputs or goods manufactured made out of such inputs, are allowed.

An undertaking to that effect will be submitted to the Customs authorities by the EOU at the time of importation and a copy of the same shall also be submitted to the Development Commissioner concerned. The exemption from QCO will be available for physical exports only and such exemption will not be allowed for deemed exports.

(iii) For SEZ

Exemption from applicability of mandatory QCOs issued under the BIS Act, 2016, shall be provided to SEZ on import of inputs which are required for export production. No DTA clearance of such inputs or goods manufactured made out of such inputs, are allowed.

An undertaking to that effect will be submitted to the concerned Development Commissioner of the SEZ by the SEZ Unit at the time of importation. The exemption from QCO will be available for physical exports only.

Above exemption shall be applicable only for the list of notified Ministries/Departments whose notifications on mandatory QCOs are exempted by the DGFT for goods to be utilised/consumed in manufacture of export products.

4. **Miscellaneous provisions regarding import:** Some of the provisions to be noted are –

- Goods for import into India can be sold on the high seas, subject to FTP/other laws in force.
- Merchanting trade means shipment of goods from one foreign country to another foreign country without touching Indian ports, involving an

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Indian intermediary. This is allowed, subject to RBI guidelines, except for goods in the CITES[14] and SCOMET lists.

- Further, merchanting trade carried out within one specific foreign country is also permitted, subject to RBI guidelines, except for goods in the CITES and SCOMET lists.
- Import of capital goods under lease financing does not require any specific permission from the DGFT.
- For imported goods, **Bank Guarantee / Letter of Undertaking/ Bond (BG/ LUT /Bond)** is to be executed with customs in case of duty-free import or otherwise required, before clearance of goods. For indigenously sourced goods, an authorisation-holder has to execute LUT/BG/Bond with the RA concerned, before sourcing such material.

C. PROVISIONS RELATING TO EXPORT OF GOODS

All goods may be exported without any restriction except to the extent that such exports are regulated by ITC(HS) or any other provision of FTP or any other law for the time being in force.

1. **Benefits for supporting manufacturers:** Supporting manufacturer is one who manufactures goods/products or any part/ accessories/ components of a good/ product for a merchant exporter/manufacturer exporter under a specific Authorisation. For any benefit to accrue to the supporting manufacturer, the names of both supporting manufacturer as well as the merchant exporter must figure in the concerned export documents, especially in tax invoice / shipping bill / bill of export/ airway bill.

2. **Third Party Exports:** Third party exports is allowed under FTP. Third-party exports means exports made by an exporter/manufacturer on behalf of another exporter(s). In such cases, export documents such as shipping bills shall indicate names of both manufacturer exporter/manufacturer and third-

[14] *CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora) is an international agreement between governments. Its aim is to ensure that international trade in specimens of wild animals and plants does not threaten the survival of the species.*

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party exporter(s). Bank Realisation Certificate (BRC), Self-Declaration Form (SDF), export order and invoice should be in the name of third-party exporter.

3. **Samples:** Exports of trade and technical samples of goods of freely importable items are allowed without any limit.

4. **Gifts:** Goods including edible items, of value not exceeding ₹ 5,00,000 in a licensing year (1st April-31st March), may be exported as a gift. However, items mentioned as restricted for exports in ITC(HS) shall not be exported as a gift, without an authorisation.

5. **Passenger baggage:** Bona-fide personal baggage may be exported either along with passenger or, if unaccompanied, within 1 year before or after passenger's departure from India. However, items mentioned as restricted for exports in ITC(HS) shall not be exported as a gift, without an Authorisation. Samples that freely exportable can be exported as part of passenger baggage. Authorisation will be required for restricted items.

   Samples of freely exportable items may be exported as part of passenger baggage without an authorisation.

6. **Import for export**

   - Goods that are freely importable as well as freely exportable can be imported and then exported in same or substantially the same form, without any authorisation.
   - Goods including capital goods (both new and second hand) can be imported under customs bond and then cleared for export against freely convertible foreign currency provided they are freely exportable. This includes goods that are 'restricted' for import.
   - Capital goods that are freely importable and freely exportable can be imported for export upon execution of LUT/BG with the customs authorities.
   - Notwithstanding the above, goods of other than Indian origin that are 'restricted' for export (other than 'prohibited' or SCOMET items) but 'free' for import can be imported for exports in same or substantially the same form. Such goods shall be kept in bonded warehouse and re-

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exported from there subject to provisions of section 69 of the Customs Act, 1962.

- Goods that are imported against payment in freely convertible foreign currency can be exported only against payment in freely convertible foreign currency, unless otherwise notified.

7. Payments and Receipts on Imports / Exports:

(a) Denomination of Export Contracts: Export contracts may be denominated either in Indian rupees or freely convertible currency, but export proceeds should be realised in freely convertible foreign currency[15]. However, in specified cases, exports proceeds may be realized in rupees subject to fulfilment of specified conditions.

(b) Non-realisation of export proceeds: If an exporter fails to realize export proceeds within time specified by RBI, he shall be liable to return all benefits/ incentives availed against such exports and shall be liable to penal action under FT (D&R) Act and the FTP. However, if such non-realization is for reasons beyond his control, he may approach RBI for writing off the unrealized amount.

(c) Export Credit Agencies (ECAs): ECAs provide financial support to exporters. They support exports by insurance, guarantee and also direct lending. For instance, Export Credit Guarantee Corporation of India Ltd. (ECGC), Exim Bank, etc.

8. Export Promotion Councils: Export Promotion Councils (EPCs) are organizations of exporters, set up to promote and develop Indian exports. Each Council is responsible for promotion of a particular group of products/ projects/services. EPCs are also eligible to function as Registering Authorities to issue **Registration-cum-Membership Certificate (RCMC)**. RCMC is required to be furnished by any person, applying for an Authorisation to import/ export under the FTP (except 'Restricted' items) or applying for any other benefit or concession under FTP.

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[15] Freely convertible foreign currency refers to a currency that can be exchanged or converted into other currencies without significant restrictions or limitations imposed by the government or regulatory authorities.

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9. *Self-certification of origin of goods:*

(a) Issuance of Certificates of Origin: ***Only agencies authorized by DGFT can issue CoOs for exports from India. These agencies follow the manner/process prescribed by DGFT. All IEC holders availing must use the same invoice number on both the CoO and the Shipping Bill, so the two can be matched/verified automatically.***

(b) Approved Exporter Scheme for Self-Certification of Certificate of Origin: ***Normally, CoOs for preferential trade (under PTAs, FTAs, CECAs, CEPAs[16]) are issued by the designated agencies. To cut transaction cost, a new optional self-certification system is being introduced.***

Manufacturers who are also Status Holders are eligible to become "Approved Exporters" and will be entitled to self-certify their own manufactured goods as "originating from India" to claim preferential treatment under above trade agreements, but only for goods that are manufactured as per the IEM/IL/LOI[17].

DGFT grants this "Approved Exporter" status based on the exporter having prescribed infrastructure capacity and trained staff.

This scheme (including its penalty provisions) will come into effect only once India specifically includes self-certification in a specific trade agreement and DGFT notifies it accordingly and even then, it must follow that specific FTA/PTA's conditions under which self-certification is permitted.

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[16] *Preferential Trade Agreements [PTA], Free Trade Agreements [FTAs], Comprehensive Economic Cooperation Agreements [CECA] and Comprehensive Economic Partnerships Agreements [CEPA]*

[17] *Industrial Entrepreneurs Memorandum (IEM)/Industrial License (IL)/Letter of Intent (LOI)*

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UNIT – II : BASIC CONCEPTS RELATING TO EXPORT PROMOTION SCHEMES UNDER FTP

Export promotion schemes

Exports of a country play an important role in the economy. Government always endeavors to encourage exports by introducing various export promotion schemes.

1. DUTY EXEMPTION & REMISSION SCHEMES

The Duty Exemption and Remission Schemes are the most important schemes in the Foreign Trade Policy as they are most widely utilized.

Objective

Duty exemption and remission schemes enable duty free import of inputs for export production, including replenishment of inputs or duty remission.

Schemes[18]

(A) Duty exemption schemes: Duty exemption schemes enable duty free import of inputs required for export production.

The two duty exemption schemes are as follows: -

1. Advance Authorization Scheme (which will include Advance Authorisation for Annual Requirement).
2. Duty Free Import Authorization Scheme (DFIA)

(B) Duty remission schemes: Duty Remission Scheme enables post export replenishment / remission of duty on inputs used in export product. Duty Drawback (DBK) Scheme , administered by Department of Revenue is designed for this purpose.

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[18] *Separate provisions have been prescribed for duty exemption/remission schemes applicable for Gems & Jewellery Sector. FTP provisions relating to Gems & Jewellery Sector are not relevant for examination purpose.*

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(C) Scheme for Remission of duties and taxes on exported products (RoDTEP): This scheme has been notified by Department of Commerce and administered by Department of Revenue.

(D) Scheme for Rebate on State and Central Taxes and Levies (RoSCTL), as notified by the Ministry of Textiles[19].

A Duty exemption schemes

(1) ADVANCE AUTHORISATION SCHEME

❑ **Items which can be imported duty free against advance authorization:**

- Input that is physically incorporated in export product (making normal allowance for wastage).
- Fuel, oil, catalyst which is consumed / utilized in the process of production of export product.

❑ **Eligible Applicant / Export**

(a) Advance Authorisation can be issued either to a manufacturer exporter or merchant exporter tied to supporting manufacturer.

(b) Advance Authorisation for pharmaceutical products manufactured through Non-Infringing (NI) process shall be issued to manufacturer exporter only.

❑ **Eligible Supply**

Advance Authorisation is issued for procurement of inputs for the following kinds of supply:-

- Physical export (including export to SEZ)
- Intermediate supply; and/or
- Deemed exports[20]

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[19] *This scheme has not been discussed in detail and not relevant from examination point of view.*

[20] *The provisions relating to Deemed exports has been discussed subsequently.*

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- Supply of 'stores' on board of foreign going vessel / aircraft, subject to condition that there is specific SION in respect of item supplied.

❑ Basis of issuance of Advance Authorisation

Advance Authorisation is issued for inputs in relation to resultant product, on the following basis:



- As per Standard Input Output Norms (SION) notified); or
- On the basis of self declaration or
- Applicant-specific prior fixation of norm by the Norms Committee or
- On the basis of Self Ratification Scheme

❑ Self-Ratification Scheme

Where there is no SION/valid Adhoc Norms for an export product or where SION has been notified but exporter intends to use additional inputs in the manufacturing process, eligible exporter can apply for an Advance Authorisation under this scheme on self declaration and self ratification basis.

The expression "additional inputs" refers not to additionality in terms of quantity/value of an input specified in a norm, but to another additional input. Say, if the inputs specified in the norm are X1 and X2 only, then input Y would represent an additional input.

RA may issue Advance Authorisations and such cases need not be referred to Norms Committees for ratification of norms. Application under this scheme shall be made along with a Certificate from Chartered Engineer in the prescribed format.

❑ Eligiblity to opt for this scheme

An exporter (manufacturer or merchant), who holds AEO Certificate under Common Accreditation Programme of CBIC is eligible to opt for this scheme.

A status holder who is a manufacturer cum actual user and holds valid 2-star or above status and who has already submitted its application for grant of AEO on CBIC's AEO portal is also eligible to apply for this scheme subject to the specified conditions.

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However, DGFT may deny authorisation under this scheme to two star and above status holder based on its risk management principles. The scheme is not available for the specified export products as well as specified inputs.

❑ Pre-import condition

Imported inputs are subject to pre import condition and they should be physically incorporated in the export product (making normal allowance for wastage). In case of local procurement under invalidation/ARO, the inputs shall be procured prior to manufacture of export item and shall be physically incorporated in the export product.

Invalidation letter- Regional Authority shall issue Invalidation Letter when domestic supplier intends to **obtain duty free material for inputs through Advance Authorisation** for supplying resultant product to another Advance Authorisation / DFIA /EPCG Authorisation.

Advance Release Order (ARO) - Regional Authority shall issue Advance Release Order if the domestic supplier intends to **seek refund of duties exempted through Deemed Exports mechanism**.

❑ Validity Period for Import

Validity Period of an advance authorization in two situations is as follows:

- Validity period of Advance Authorisation shall be **12 months** from the date of issue of Authorisation. This means that import under the authorisation must be made within this period. Re-validation for another period of 12 months can be allowed once only. Application for re-validation can be made online.



- Validity of Advance Authorisation for supplies under deemed exports shall be co-terminus with contracted duration of project execution or 12 months from the date of issue of Authorisation, whichever is later.

❑ Advance Authorisation for Annual Requirement and Eligibility Condition

- Advance Authorisation for Annual Requirement shall only be issued for items notified in SION. And it shall not be available in case of adhoc norms under Self-Declared Authorisations where SION does not exist.

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- Advance Authorisation for Annual Requirement shall also not be available in respect of SION where input is notified.
- Exporters having past export performance (**in at least preceding two financial years)** shall be entitled for Advance Authorisation 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 export in preceding financial year or Rs 1 Crore, whichever is higher.**

❑ Value Addition

Value Addition for the purpose of this Chapter shall be:-

VA = (A – B)/ B x100, 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 duty drawback is claimed or intended to be claimed.

❑ Minimum Value Addition[21]

Minimum value addition required to be achieved under Advance Authorisation is **15%.** However, in case of specified products (petroleum products etc), value addition could be less than 15%.



❑ Import of Mandatory Spares

Spares that are required to be supplied with the export product can be imported duty-free under the advance authorisation up to a value of **10% of the CIF value** of the authorisation.

Note: It may be noted that import of specified products is not permissible on self-declaration basis.

[21] *The separate rate of minimum value addition is prescribed in case of gems & jewellery sector, tea and spices.*

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Details of Duties exempted

Imports under Advance 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.

However, specified[22] deemed exports are not exempted from payment of applicable anti-dumping duty, countervailing duty, safeguard duty and transition product specific safeguard duty, if any.

Note: Imports under Advance Authorisation for physical as well as deemed exports are also exempt from whole of the Integrated Tax and Compensation Cess.

Actual User Condition for Advance Authorisation

- Advance Authorisation and / or material imported under Advance Authorisation is subject to 'Actual User' condition. **The same shall not be transferable even after completion of export obligation.** However, Authorisation holder will have option to dispose of product manufactured out of duty free input once export obligation is completed.



- If CENVAT/input tax credit facility on input has been availed for the exported goods, even after completion of export obligation, the goods

[22] *Deemed exports specified for this purpose are Supply of capital goods against EPCG authorisation and supply of goods to UN or international organisations for their official use or supplied to projects financed by them.*

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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).

- Waste / Scrap arising out of manufacturing process, as allowed, can be disposed off on payment of applicable duty even before fulfillment of export obligation.

❑ Free of Cost Supply by Foreign Buyer

Advance Authorisation is also available where some or all inputs are supplied free of cost to exporter by foreign buyer. In such cases, notional value of free of cost input is added in the CIF value of import and FOB value of export for the purpose of computation of value addition. However, realization of export proceeds will be equivalent to an amount excluding notional value of such input.

❑ Export Obligation Period and its Extension

"Export Obligation" means obligation to export product or products covered by Authorisation or permission in terms of quantity, value or both, as may be prescribed or specified by Regional or competent authority.



Period for fulfilment of export obligation and its extension under Advance Authorisation shall be as pre-scribed in Handbook of Procedures.

The Export Obligation Period (EOP) of Advance Authorisations issued for **items otherwise prohibited for export** shall be **90 days** from the date of clearance of import consignment and no extension in EOP shall be allowed. Such import shall be subject to actual user condition and no transfer of imported raw material, for any purpose, including job work, shall be permitted.

❑ Admissibility of Drawback

Duty drawback as per rate determined and fixed by Customs authority is available for duty paid imported or indigenous inputs (not specified in the norms) used in the export product. For this purpose, applicant shall indicate clearly details of duty paid input in the application for Advance Authorisation.

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❑ Audit/Special audit

Concerned Norms Committee may conduct audit of the manufacturer. Concerned Norms Committee may also initiate special audit, considering the nature and complexity of the case and revenue of government, if he is of the opinion at any stage of scrutiny/enquiry/investigation that the norms have not been claimed correctly or the excess benefit has been availed. Special audit can be conducted even if the manufacturer has already been audited before.

(2) DUTY FREE IMPORT AUTHORISATION SCHEME (DFIA)

Provisions applicable to Advanced Authorisation are broadly applicable in case of DFIA. However, these Authorizations shall be issued **only for products for which Standard Input and Output Norms (SION) have been notified.**

(a) Duty Free Import Authorisation is issued to allow duty free import of inputs as well as of oil and catalyst which is consumed/ utilised in the process of production of export product.

(b) Import of Tyre under DFIA scheme is not allowed.

❑ Duties Exempted

- Duty Free Import Authorisation shall be exempted only from payment of Basic Customs Duty (BCD).
- Drawback as per rate determined and fixed by Customs authority shall be available for duty paid inputs, whether imported or indigenous, used in the export product.

❑ Eligibility

- Duty Free Import Authorisation shall be issued on **post export basis** for products for which SION have been notified.



- Application is to be filed with concerned Regional Authority **before starting export** under DFIA.
- Merchant Exporter shall be required to mention name and address of supporting manufacturer of the export product on the export document viz. Shipping Bill/ Bill of Export / Tax Invoice for export prescribed under the GST rules.

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❑ No DFIA for inputs with 'Actual User' condition

No DFIA shall be issued for an input which is subject to pre-import condition or where SION prescribes 'Actual User' condition or certain other specified inputs with pre import condition.

❑ Minimum Value Addition

Minimum value addition of **20%** shall be required to be achieved.



❑ Transferability of DFIA

Regional Authority shall issue **transferable DFIA.**

❑ Validity of DFIA

- Export shall be completed within 12 months from the date of online filing of application and generation of file number.
- DFIA is valid for 12 months from the date of issue.
- No further revalidation shall be granted by Regional Authority.

- Separate DFIA shall be issued for each SION.

Common provisions applicable to Advance authorisation and DFIA schemes

❑ Accounting of Input

- Where SION permits use of either (a) a generic input or (b) alternative input, the name/description of the input used (or to be used) in the Authorisation must match exactly with the name/description endorsed in the shipping bill. At the time of discharge of export obligation (issue of EODC) or at the time of redemption, Regional Authority shall allow only those inputs which have been specifically indicated in the shipping bill together with quantity.
- The above provisions will also be applicable for supplies to SEZs and supplies made under Deemed exports.

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❑ Importability / Exportability of items that are Prohibited/ Restricted / STE

Prohibited items

No export/import of an item shall be allowed under Advance Authorisation / DFIA if the item is prohibited. Export of a prohibited item may be allowed under Advance Authorisation provided it is separately so notified, subject to the conditions given therein.

STE

- Items reserved for **imports by STEs** cannot be imported against Advance Authorisation / DFIA. However, those items can be procured from STEs against ARO or Invalidation letter.
- Items reserved for **export by STE** can be exported under Advance Authorisation / DFIA only after obtaining a 'No Objection Certificate' from the concerned STE.

Restricted items

- **Import** of restricted items shall be allowed under Advance Authorisation/DFIA unless specifically disallowed.
- **Export** of restricted / SCOMET items however, shall be subject to all conditionalities or requirements of export authorisation or permission.

❑ Domestic Sourcing of Inputs

Holder of an Advance Authorisation / Duty Free Import 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.

Validity of Advance Release Order / Invalidation Letter shall be co- terminous with validity of Authorisation.

❑ Currency for Realisation of Export Proceeds.

Export proceeds shall be realized in freely convertible currency or in Indian Rupees, except otherwise specified. Provisions regarding realisation and non-realisation of export proceeds are already discussed in general provisions regarding imports and exports.

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- **Re-import of exported goods under Duty Exemption/ Remission Scheme**

  Goods exported under advance authorisation/ duty free import authorisation may be re-imported in same or substantially same form subject to the specified conditions.

B Duty remission schemes

DUTY DRAWBACK (DBK)

- Various schemes like Advance Authorisation, DFIA, manufacture under bond, EOU, SEZ, etc. are available to obtain inputs without payment of customs duty or obtain refund of duty paid on inputs. Suppliers who are unable to avail any of these schemes can avail "duty drawback".
- Here, the customs duty paid on inputs is given back to the exporter of finished product by way of "duty drawback".



- Duty drawback is granted when imported materials are used in the manufacture of goods which are then exported as well as when imported goods are re-exported as it is, and article is easily identifiable.
- It is important to note that the duty drawback is only of customs duty. There is no duty drawback in respect of GST.

C Scheme for Remission of Duties and Taxes on Exported Products (RoDTEP)

RoDTEP scheme is based on the globally accepted principle that taxes and duties should not be exported, and taxes and levies borne on the exported products should be either exempted or remitted to exporters.

The Remission of duties & taxes on exported Product (RoDTEP) scheme aims to refund such duties and taxes on exported products, as are otherwise not being refunded under other provisions of law.

The rebate under the Scheme shall not be available in respect of duties and taxes already exempted or remitted or credited.

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❑ Objective of the Scheme:

The objective of the scheme is to refund, currently unrefunded:

(i) Duties/ taxes/ levies, at the Central, State & local level, borne on the exported product, including prior stage cumulative indirect taxes on goods & services used in **production** of the exported product, and

(ii) Such indirect duties/taxes/levies in respect of **distribution** of exported products.

❑ Salient features of the scheme:

- Rebate amount is issued in the form of a transferable duty credit/electronic scrip (e-scrip), which will be maintained in an electronic ledger by the CBIC.
- Such duty credit shall be **used only to pay basic customs duty** on imported goods.
- The duty credit scrips are **freely transferable**, i.e. credits can be transferred to other importers.
- The rebate under the scheme **shall not be available** in respect of **duties and taxes already exempted or remitted or credited.**

❑ Reward under the scheme

Rebate would be granted to eligible exporters at a notified rate as **a % of FOB value with a value cap per unit** of the eligible exported product, wherever required, on export of items. However, for certain export items, **a fixed quantum of rebate amount** per unit may also be notified.

❑ Sale proceeds

Rebate would not be dependent on the realization of export proceeds at the time of issue of rebate. However, rebate will be deemed never to have been allowed in case of non-receipt of sale proceeds within time allowed under the Foreign Exchange Management Act, 1999.

❑ Ineligible supplies/ items/ categories under RoDTEP

Following categories of exports/exporters shall not be eligible for rebate under the scheme:

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Export of imported goods in same or substantially the same form
Exports through trans-shipment, meaning thereby exports that are originating in third country but trans-shipped through India
Export products which are subject to minimum export price or export duty
Products which are restricted/prohibited for export under FTP
Deemed Exports
Supplies of products manufactured by DTA units to SEZ/FTWZ units.
Products manufactured partly or wholly in a warehouse under section 65 of the Customs Act
Products manufactured or exported availing the benefit of *Notification No. 32/1997 Cus. dated 01.04.1997*[23] (job work and re-export of goods supplied by the foreign supplier)
Exports for which the electronic documentation in ICEGATE EDI has not been generated/ exports from non-EDI ports
Goods which have been taken into use after manufacture

Note: The support under RoDTEP scheme for export of products manufactured by DTA units is available till 30.09.2026[24].

- ***'Advance Authorisation' is not transferable. DFIA is transferable after export obligation is fulfilled.***
- ***Advance Authorisation scheme requires 15% value addition, while in case of DFIA, minimum 20% value addition is required.***
- ***The method of computing value addition for all the schemes is same.***

[23] *Goods which are imported for execution of an export order placed on the importer by the supplier of goods for jobbing are exempt from basic customs duty, IGST and GST compensation cess subject to conditions specified therein.*

[24] ***Notification No. 74/2025-26 dated 31.03.2026***

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2. EXPORT PROMOTION CAPITAL GOODS SCHEME (EPCG)

Objective of EPCG scheme

The objective of the EPCG Scheme is to facilitate import of capital goods for producing quality goods and services and enhance India's manufacturing competitiveness.

Export Promotion Capital Goods Scheme (EPCG) permits exporters to import capital goods (except specified goods) for pre-production, production and post-production at **zero customs duty** or procure them indigenously without paying duty in the prescribed manner. In return, exporter is under an obligation to fulfill the export obligation.

Eligible exporters:

Following are eligible for EPCG scheme:

- Manufacturer exporters with or without supporting manufacturer(s),
- Merchant exporters tied to supporting manufacturer(s), and
- Service providers including service providers designated as Common Service Provider (CSP) subject to prescribed conditions.

Eligible capital goods

- Capital Goods including capital goods in CKD/SKD condition
- Computer systems and software which are a part of the Capital Goods being imported
- Spares, moulds, dies, jigs, fixtures, tools & refractories
- Catalysts for initial charge plus one subsequent charge

Meaning of capital goods for purpose of FTP[25]

"Capital Goods" means any plant, machinery, equipment or accessories required for manufacture or production, either directly or indirectly, of goods

[25] *The definition of capital goods has been given only for information purpose and not relevant from examination point of view.*

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or for rendering services, including those required for replacement, modernisation, technological up-gradation or expansion.

It includes packaging machinery and equipment, refrigeration equipment, power generating sets, machine tools, equipment and instruments for testing, research and development, quality and pollution control.

Capital goods may be for use in manufacturing, mining, agriculture, aquaculture, animal husbandry, floriculture, horticulture, pisciculture, poultry, sericulture and viticulture as well as for use in services sector.

Applicability of IGST and compensation cess

Capital goods imported under EPCG Authorisation for physical exports are also exempt from IGST and Compensation Cess .

In case integrated tax and compensation cess are paid in cash on imports under EPCG, incidence of the said integrated tax and compensation cess would not be taken for computation of net duty saved provided, input tax credit is not availed.



Restricted import/export

Import of items which are restricted for import shall be permitted under EPCG Scheme only after requisite approval. Similarly, if the goods proposed to be exported under EPCG Authorisation are restricted for export, the EPCG Authorisation shall be issued only after requisite approval for issuance of Export Authorisation.

Actual User Condition

Imported capital goods shall be subject to Actual User condition till export obligation is completed and Export Obligation Discharge Certificate (EODC) is granted.

Validity

Authorisation shall be valid for import for **24 months** from the date of issue of Authorisation. Revalidation of EPCG Authorisation shall not be permitted.

24 months valid

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Indigenous Sourcing of Capital Goods and benefits to Domestic Supplier

A person holding an EPCG authorisation may source capital goods from a domestic manufacturer either through Invalidation letter or through Advance Release Order. Such domestic manufacturer shall be eligible for deemed export benefits. Such domestic sourcing shall also be permitted from EOUs.

Export Obligation

Export obligation means obligation to export product(s) covered by Authorisation/permission in terms of quantity or value or both, as may be prescribed/specified by Regional or competent authority.

Import under EPCG scheme shall be subject to an export obligation equivalent to **6 times of duties, taxes and cess saved on capital goods to be fulfilled in 6 years reckoned from the date of issue of authorization.**

Import/procurement under EPCG scheme shall also be subjected to Average Export Obligation (AEO)

Export obligation consists of average export obligation and specific export obligation

Specific export obligation (Specific EO) under EPCG scheme is equivalent to 6 times of duty saved on capital goods imported under EPCG scheme, to be fulfilled in 6 years reckoned from Authorization issue-date. Specific EO is over and above the Average EO.

Average export obligation(Average EO) under EPCG scheme is the average level of exports made by the applicant in the **preceding 3 licensing years** for the same and similar products. It has to be achieved within the overall EO period (including extended period unless otherwise specified).

The Average Export Obligation (AEO) shall be fulfilled every financial year, till export obligation is completed. Exports/supplies made over and above AEO shall only be considered for fulfillment of Export Obligation.

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❑ Conditions applicable to the fulfilment of the Export Obligation (EO):

EO shall be fulfilled by the authorisation holder through export of goods which are manufactured by him or his supporting manufacturer / services rendered by him, for which the EPCG authorisation has been granted.
For export of goods, EPCG Authorisation holder may export either directly or through third party(ies).
In case of **indigenous sourcing of capital goods**, **Specific EO** shall be **25% less than the EO** mentioned above, i.e. EO will be 4.5 times (75% of 6 times) of duty saved on such goods procured. There shall be **no change in average EO** imposed, if any.
Exports under Advance Authorisation, DFIA, Duty Drawback, RoSCTL and RoDTEP Schemes would also be eligible for fulfilment of EO under EPCG Scheme.
Exports made from DTA units shall only be counted for calculation and/or fulfillment of AEO and/or EO.
EO can also be fulfilled by the supply of Information Technology Agreement (ITA-1) items to DTA, provided realization is in free foreign exchange.
Both physical exports as well as specified deemed exports shall also be counted towards fulfilment of export obligation.

❑ Calculation of Export Obligation

In case of direct imports, EO shall be reckoned with reference to actual duty/Taxes/Cess saved amount. In case of domestic sourcing, EO shall be reckoned with reference to notional Customs duty /Taxes/Cess saved on FOR value.

❑ Incentives for early fulfillment of export obligation

In cases where Authorization 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 Authorization redeemed.

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3. EOU, EHTP, STP AND BTP

EOU, EHTP, STP and BTP stands for Export Oriented Unit (EOU) Scheme, Electronics Hardware Technology Park (EHTP) Scheme, Software Technology Park (STP) Scheme or Bio-Technology Park (BTP). Units **undertaking to export their entire production** of goods and services (**except permissible sales in DTA**), may be set up under these schemes for manufacture of goods, including repair, re-making, reconditioning, re- engineering, rendering of services, development of software, agriculture including agro-processing, aquaculture, animal husbandry, bio-technology, floriculture, horticulture, pisciculture, viticulture, poultry and sericulture. **Trading units** are **not covered** under these schemes.



Objectives of these schemes are to promote exports, enhance foreign exchange earnings, attract investment for export production and employment generation.

EOU/EHTP/STP/BTP units may **export all kinds of goods and services except items that are prohibited** in ITC (HS)[26]. 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[27], required for its activities, without payment of basic customs duty, additional duty (leviable u/s 3 of the Customs Tariff Act), IGST and compensation cess. However, procurement of goods covered under GST from DTA would be on payment of applicable GST and compensation cess. Units can also **import goods including capital goods** required for approved activity on a self-certification basis. Goods imported by a unit shall be with actual user condition and shall be utilized for export production.

State Trading regime shall not apply to EOU manufacturing units except for specified products.

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[26] *Export of gold jewellery, findings like posts, push backs, locks which help in collating the jewellery pieces together, SCOMET is governed by a separate procedure. The same is not relevant for examination.*

[27] *provided they are not prohibited items of import in the ITC (HS)*

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Supplies **from DTA to EOU/EHTP/STP/BTP units** for use in their manufacture for exports will be eligible for **"benefits under deemed exports"**. DTA supplier shall be eligible for relevant entitlements under deemed exports provisions of FTP, besides discharge of export obligation, if any, on the supplier. The refund of GST paid on such supply from DTA to EOU would be available to the supplier subject to specified conditions and documentations[28].

- **Other Entitlements:** Exemption from industrial licensing for manufacture of items reserved for micro and small enterprises. Export proceeds will be realized within 9 months. Units will be allowed to retain 100% of its export earnings in the EEFC (Exchange Earners' Foreign Currency) account. Unit will not be required to furnish bank guarantee at the time of import or going for job work in DTA subject to fulfilment of specified conditions. 100% FDI investment permitted through automatic route similar to SEZ units.



- **Net Foreign Exchange Earnings:**

  EOU/EHTP/STP/BTP unit shall be a **positive net foreign exchange earner**. Moreover, certain sector specific provisions have also been laid down where a higher value addition and other conditions are given. NFE Earnings shall be calculated cumulatively in blocks of 5 years (extendible in specifed cases), starting from commencement of production.

- **Applications & Approvals/Letter of Permission/ Letter of Intent and Legal Undertaking**

  Application for setting up an EOU shall be considered by **Unit Approval Committee (UAC)/ Board of Approval (BoA)** as the case may be.

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[28] *In addition, EOU/EHTP/STP/BTP units shall be entitled to following:-*

(i) Reimbursement of Central Sales Tax (CST) on goods manufactured in India, wherever applicable. Simple interest @ 6% per annum will be payable on delay in refund of CST, if the case is not settled within 30 days of receipt of complete application.

(ii) Exemption from payment of central excise duty on goods, falling in Fourth Schedule of Central Excise Act, procured from DTA on such goods manufactured in India.

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Investment Criteria

Only projects having a **minimum investment of ₹ 1 crore in plant & machinery** shall be considered for establishment as EOUs. However, this shall not apply to existing units, units in EHTP/STP/BTP, and EOUs in handicrafts/agriculture/floriculture/aquaculture/animal husbandry/information technology, services, brass hardware and handmade jewellery sectors. BoA may allow establishment of EOUs with a lower investment criteria.

Inter Unit Transfer

Transfer of manufactured goods/capital goods from one EOU/ EHTP/STP/BTP unit to another EOU / EHTP/ STP/ BTP unit is allowed on payment of applicable GST and compensation cess with prior intimation to concerned Development Commissioners of the transferor and transferee units as well as concerned Customs authorities as per the specified procedure. Goods supplied by one unit to another unit shall be treated as imported goods for second unit for payment of duty, on DTA sale by second unit.



Exit from the Scheme

With approval of DC/Designated officer of EHTP/ STP/BTP, an EOU/EHTP/STP/BTP unit may opt out of scheme. Such exit shall be subject to payment of applicable excise and customs duties and on payment of applicable IGST/ CGST/ SGST/ UTGST and compensation cess, if any, and industrial policy in force. If unit has not achieved obligations, it shall also be liable to penalty at the time of exit.

Conversion

Existing DTA units may also apply for conversion into an EOU / EHTP / STP/ BTP unit. 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.

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4. DEEMED EXPORTS

The objective of deemed exports is to provide a level-playing field to domestic manufacturers and to promote make in India, in certain specified cases i.e. to ensure that the domestic suppliers are not in disadvantageous position *vis-à-vis* foreign suppliers in terms of the fiscal concessions. The underlying theory is that foreign exchange saved must be treated at par with foreign exchange earned by placing Indian manufacturers at par with foreign suppliers.

Deemed Exports for the purpose of this FTP

It refers 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 FTP shall be regarded as "Deemed Exports" provided goods are manufactured in India.

Deemed Exports for the purpose of GST

It would include only the supplies notified under section 147 of the CGST/SGST Act, on the recommendations of the GST Council. The benefits of GST and conditions applicable for such benefits would be as specified by the GST Council and as per relevant rules and notification.

We will restrict our discussion to 'Deemed exports for the purpose for FTP' in this chapter.

Deemed exports broadly cover three areas.

a. Supplies to domestic entities who can import their requirements duty free or at reduced rates of duty.

b. Supplies to projects/ purposes that involve international competitive bidding.

c. Supplies to infrastructure projects of national importance.

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(I) CATEGORIES OF SUPPLIES CONSIDERED AS 'DEEMED EXPORT'

Supply by manufacturer	Supply by main/sub-contractors(s)
Supply of goods against Advance Authorisation/Advance Authorisation for annual requirement/ DFIA	Supply of goods to projects or turnkey contracts financed by multilateral or bilateral agencies/Funds notified by Department of Economic Affairs (DEA), under International Competitive Bidding (ICB).
Supply of goods to units located in EOU/ STP/ EHTP/ BTP.	Supply of goods to any project or for any purpose where import is permitted at zero basic customs duty provided supply is made against International Competitive Bidding.
Supply of capital goods against EPCG authorisation	Supply of goods to mega power projects
	Supply of goods to UN or international organisations for their official use or supplied to projects financed by them.
	Supply of goods to nuclear projects through national/international competitive bidding.

(II) BENEFITS FOR DEEMED EXPORTS

Deemed exports shall be eligible for any/ all of following benefits in respect of manufacture and supply of goods, qualifying as deemed exports, subject to specified terms and conditions:

a. Advance Authorisation/ Advance Authorisation for Annual requirement/ DFIA

b. Deemed Export Drawback

Refund of drawback on the inputs used in manufacture and supply under the deemed exports category can be claimed on **'All Industry Rate**' of Duty Drawback Schedule provided no CENVAT credit has been availed by supplier of goods on excisable inputs or on '**Brand rate basis'** upon submission of documents evidencing actual payment of basic custom duties.

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c. Refund of terminal excise duty for specified excisable goods

Supply of goods will be eligible for refund of terminal excise duty provided recipient of goods does not avail CENVAT credit/rebate on such goods and supply is eligible under that category of deemed exports.

(III) COMMON CONDITIONS FOR DEEMED EXPORT BENEFITS

(i) Supplies shall be made directly to entities listed in the point (I) above. Third party supply shall not be eligible for benefits/exemption.

(ii) In all cases, supplies shall be made directly to the designated Projects/Agencies/Units/ Advance Authorisation/ EPCG Authorisation holder. Sub-contractors may, however, make supplies to main contractor instead of supplying directly to designated Projects/ Agencies. Payments in such cases shall be made to sub-contractor by main-contractor and not by project Authority.

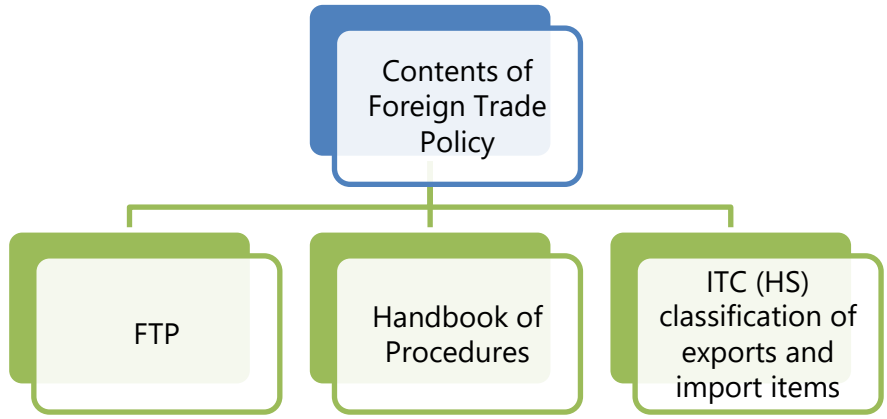


(iii) Supply of domestically manufactured goods by an Indian Sub-contractor to any Indian or foreign main contractor, directly at the designated project's/ Agency's site, shall also be eligible for deemed export benefit.

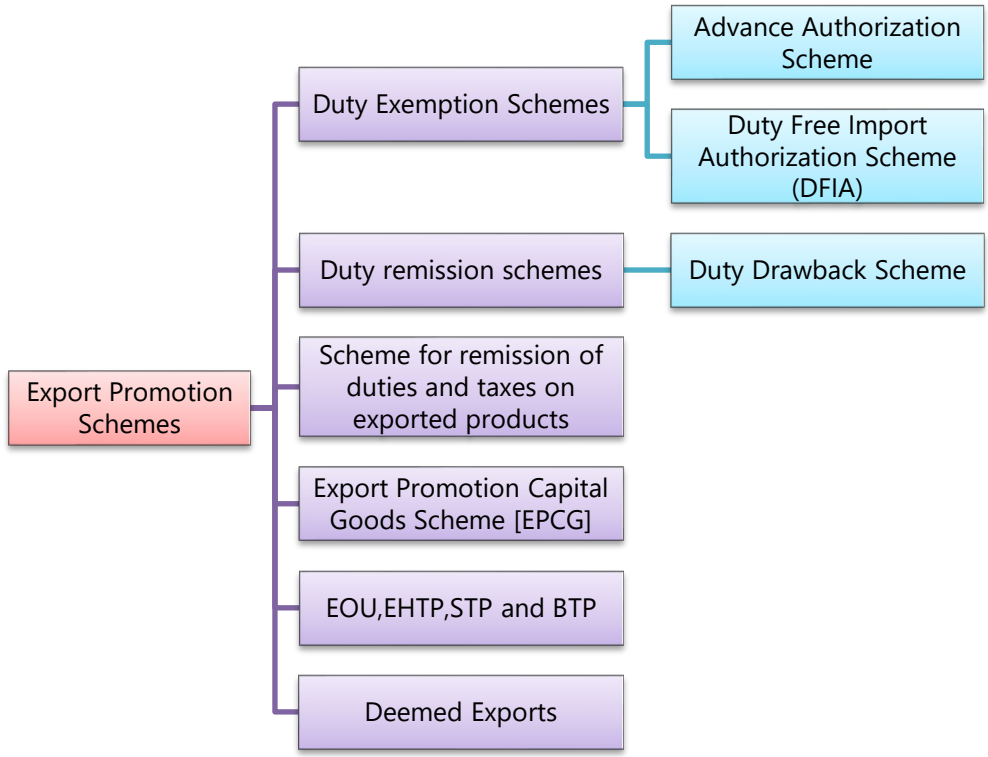
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LET US RECAPITULATE

Contents of FTP

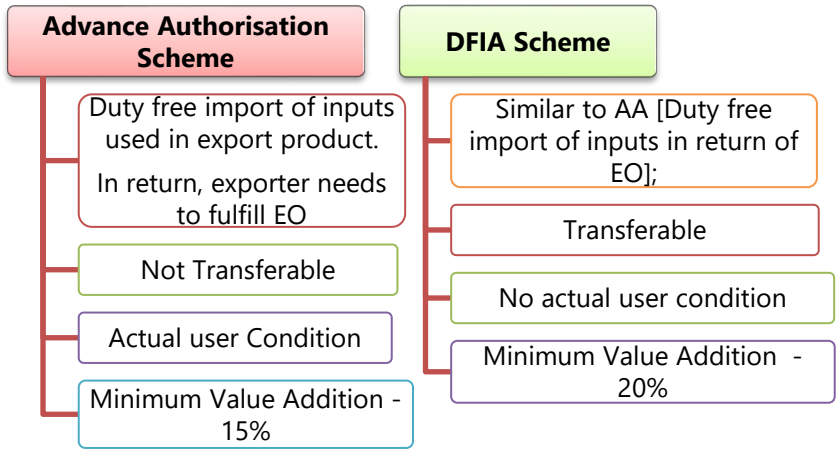


Export Promotion Schemes

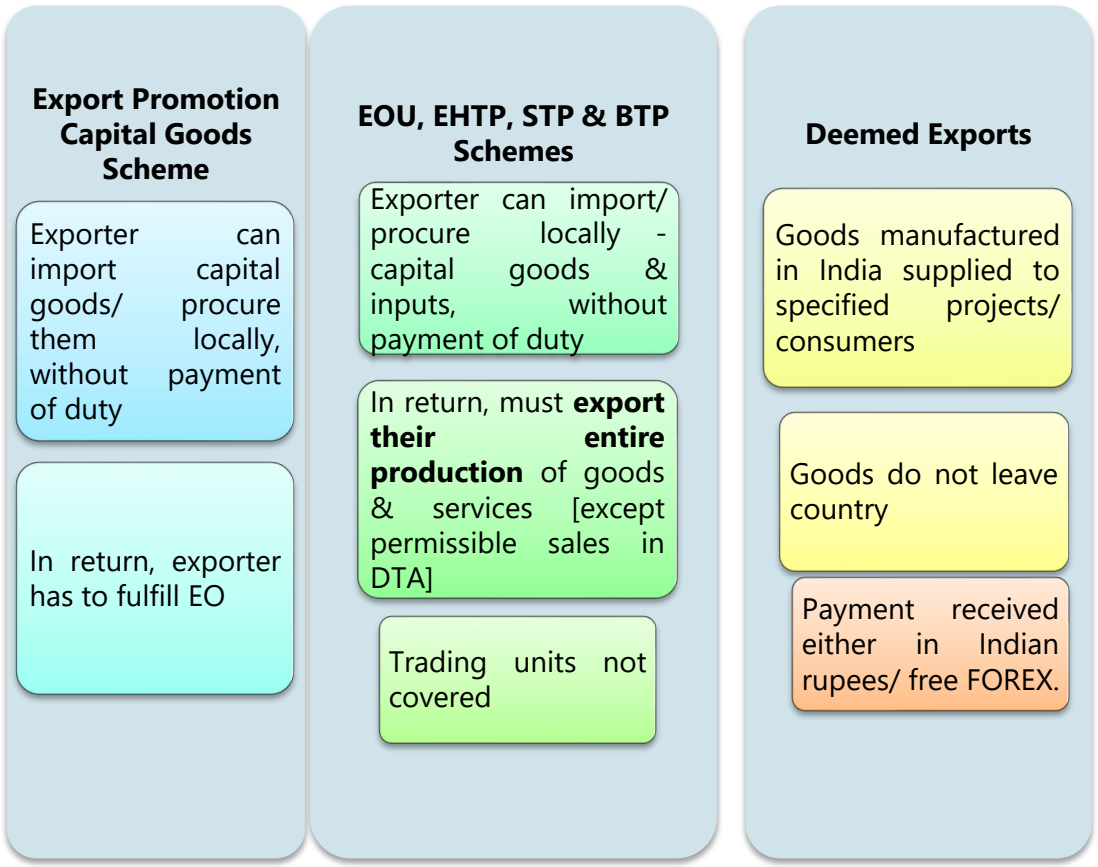


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Advance Authorisation and DFIA Scheme



EPCG, EOU, EHTP, STP & BTP Schemes, Deemed Exports



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TEST YOUR KNOWLEDGE

1. *Mr. Ayush Bhandari wants to import samples from US. State in brief policy for import of samples.*
2. *State salient aspects of Advance authorisation for annual requirements to exporters.*
3. *Mr. X is desirous to know the benefits of deemed exports under FTP. You are required to discuss the same with reference to FTP.*
4. *Discuss the key similarities and differences between Advance Authorization and DFIA (Duty Free Import Authorization) schemes.*
5. *Discuss the privileges granted under FTP to Status Holders.*
6. *With reference to the provisions of FTP, discuss giving reasons whether the following statements are true or false:*
   - *(i) If any doubt arises in respect of interpretation of any provision of FTP, the said doubt should be forwarded to CBIC, whose decision thereon would be final and binding.*
   - *(ii) IEC is a unique 12 digit PAN based alphanumeric code allotted to a person for undertaking any export/ import activities*
7. *FIintex Manufacturers manufactures goods by using imported inputs and supplies the same under Aid Programme of the United Nations. The payment for such supply is received in free foreign exchange. Can FIintex Manufacturers seek Advance Authorization with reference to the provisions of Foreign Trade Policy for the supplies made by it?*
8. *XYZ Ltd. has imported inputs without payment of duty under Advance Authorization. The CIF value of such inputs is ₹ 10,00,000. The inputs are processed and the final product is exported. The exports made by XYZ Ltd. are subject to general rate of value addition prescribed under Advance Authorization Scheme. No other input is being used by XYZ Ltd. in the processing. What should be the minimum FOB value of the exports made by the XYZ Ltd. as per the provisions of Advance Authorization under FTP?*
9. *'A' has used some duty paid inputs in its export products. However, for the rest of the inputs, he wants to apply for the Advance Authorization. Can he do so? Explain with reference to the provisions of Foreign Trade Policy*

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ANSWERS/HINTS

1. Import of samples of even 'restricted' items, is allowed without import authorisation. Exceptions are defence / security items, seeds, bees, and new drugs; these need authorisation.

Duty free import of samples upto ₹ 3,00,000 for all exporters shall be allowed subject to terms and conditions of customs notification as amended.

2. Annual Advance authorisation would be issued to exporters having past export performance in at least preceding two financial years, to enable them to import the inputs required by them on annual basis.

Advance authorization for annual requirement shall only be issued for items, notified in SION and not on basis of *ad hoc* norms under self-declared authorisations where SION does not exist.

Annual Advance Authorisation in terms of CIF value of imports will be granted upto 300% of FOB value of physical exports in preceding financial year and/or FOR value of deemed exports in preceding year or ₹ 1 crore, whichever is higher.

3. Deemed exports shall be eligible for any/ all of following benefits in respect of manufacture and supply of goods, qualifying as deemed exports, subject to specified terms and conditions:

a. Advance Authorisation/ Advance Authorisation for Annual requirement/DFIA

b. Deemed Export Drawback

Refund of drawback on the inputs used in manufacture and supply under the deemed exports category can be claimed on **'All Industry Rate**' of Duty Drawback Schedule provided no CENVAT credit has been availed by supplier of goods on excisable inputs or on '**Brand rate basis'** upon submission of documents evidencing actual payment of basic custom duties.

c. Refund of terminal excise duty for specified excisable goods

Supply of goods will be eligible for refund of terminal excise duty provided recipient of goods does not avail CENVAT credit/rebate on

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such goods and supply is eligible under that category of deemed exports.

4. In both DFIA and Advance Authorization schemes, import of inputs, oil and catalyst which are consumed/ utilised in the process of production of export product are permitted without payment of customs duty. Validity period for both the schemes is 12 months from the date of issue.

Key differences between DFIA and Advance Authorisation schemes are as follows -

(i) 'Advance Authorisation' is not transferable. DFIA is transferable after export obligation is fulfilled.

(ii) Advance Authorisation scheme requires 15% value addition, while in case of DFIA, minimum 20% value addition is required.

(iii) Advance Authorisation and / or material imported under Advance Authorisation is subject to 'Actual User' condition. No DFIA shall be issued for an input which is subject to pre-import condition or where SION prescribes 'Actual User' condition or certain other specified inputs with pre import condition.

(iv) DFIA cannot be issued where SION (Standard Input Output Norms) prescribes actual user condition [as the material is transferable after fulfilment of export obligation]. Advance Authorisation can be issued even if SION for that product is not fixed. DFIA can be issued only if SION has been fixed for that product to be exported.

(v) Duty Free Import Authorisation shall be exempted only from payment of Basic Customs Duty (BCD). Drawback as per rate determined and fixed by Customs authority shall be available for duty paid inputs, whether imported or indigenous, used in the export product. Imports under Advance Authorisation are exempted from payment of Basic Customs duty, Additional Customs duty, Education cess, Anti- dumping duty, Countervailing duty, Safeguard duty and Transition Product Specific Safeguard duty, wherever applicable.

However, specified deemed exports are not exempted from payment of applicable anti-dumping duty, countervailing duty, safeguard duty and transition product specific safeguard duty, if any. Imports under Advance Authorisation for physical as well as deemed exports are also exempt from whole of the Integrated Tax and Compensation Cess.

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5. Status holders are eligible for privileges as under:

(a) Authorisation and custom clearances for both imports and exports on self-declaration basis.

(b) Fixation of Input Output Norms on priority i.e. within 60 days by Norms Committee.

(c) Exemption from compulsory negotiation of documents through banks. Exception are remittance/ receipts.

(d) Exemption from furnishing of Bank Guarantee in Schemes under FTP unless otherwise specified.

(e) Two Star Export Houses and above are permitted to establish export warehouses.

(f) Manufacturers who are also status holders (Three Star/Four Star/Five Star) will be enabled to self-certify their manufactured goods (as per their Industrial Entrepreneurs Memorandum (IEM) / Industrial License (IL) /Letter of Intent (LOI)) as originating from India with a view to qualify for preferential treatment under specified agreements.

(g) Status holders shall be entitled to export freely exportable items on free of cost basis for export promotion subject to a specified annual limit.

(h) The status holders would be entitled to preferential treatment and priority in handling of their consignments by the concerned agencies.

6. **(i)** **False.** If any question or doubt arises in respect of interpretation of any provision of the FTP, said question or doubt ought to be referred to DGFT whose decision thereon would be final and binding.

(ii) **False.** IEC is a unique 10-digit alphanumeric number allotted to a person for undertaking export/ import activities.

7. Supply to goods to UN or international organisations for their official use or supplied to projects financed by them are 'deemed exports'. Advance Authorization can be issued for supplies made to such 'deemed exports'. Therefore, Flintex Manufacturers can seek an Advance Authorization for the supplies made by it.

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8. Advance Authorization necessitates exports with a minimum of 15% value addition (VA).

VA = [(A – B)/B x 100]

A = FOB value of export realized, B = CIF value of inputs covered by authorization.

Therefore, the minimum FOB value of the exports made by XYZ Ltd. should be ₹ 11,50,000 to attain 15% VA.

9. Yes, 'A' can do so. In case of part duty free and part duty paid imports, both Advance Authorization and drawback will be available. Drawback can be obtained for any duty paid material, whether imported or indigenous, used in goods exported, as per drawback rate fixed by DoR, Ministry of Finance (Directorate of Drawback). Advance Authorization can be used for importing duty free material. Details about duty paid material must be mentioned in the application for Advance Authorization.

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