

Circular No. 14 /2015-Cus.

F.No. 605/55/2014-DBK

Government of India

Ministry of Finance, Department of Revenue
Central Board of Excise and Customs

New Delhi dated 20th April 2015

To,

All Principal Chief Commissioners/Chief Commissioners of CBEC
All Principal Directors General/Directors General of CBEC
All Principal Commissioners/Commissioners of CBEC

Ma'am/Sir,

Subject: Foreign Trade Policy 2015 - 2020 –Salient changes in Schemes of reward or incentive / advance authorization or DFIA / EPCG or post export EPCG - reg

The Central Government has notified the Foreign Trade Policy (FTP), 2015 - 20 (Policy, for short) on 1.4.2015 and the DGFT has simultaneously issued public notices for the related Handbook of Procedures (HBP) and Appendices and ANF. These documents may be perused for details.

2. Insofar as the schemes of reward or incentive / advance authorization or DFIA / EPCG or post export EPCG are concerned, the Customs, Central Excise and Service Tax notifications have been issued for the purposes of implementing the Policy/HBP. These may also be perused for details. The succeeding paragraphs mention salient features of the changes in these Schemes.

Reward/Incentive Schemes

3. Reward in the form of duty credit shall be issued by the DGFT to service providers of notified services located in India under the Service Exports from India Scheme (SEIS) or to export of notified goods (including from SEZs) to notified markets / countries under the Merchandise Exports from India Scheme (MEIS) of the Policy. The MEIS includes reward on specified items that are transacted using e-commerce platforms when their export is made through foreign post offices/courier terminals at Chennai, Delhi and Mumbai for which procedures to be adopted shall be issued separately by concerned wings of CBEC.

4. Simplifications from earlier schemes include that both SEIS and MEIS reward duty credits are freely transferable and may be used to debit customs duty on import of any goods (except appendix 3A items), debit service tax on procurement of services or debit central excise duty on domestic procurement of excisable goods (without exception for appendix 3A items); the basic customs duty debited in SEIS/MEIS duty credit may also be allowed as drawback. The notification Nos. 24 & 25/2015-Customs, 20 & 21/2015-Central Excise and 10 & 11/2015- Service Tax all dated 08.04.2015 may be referred in this regard.

5. The Policy HBP Para 3.14 relating to declaration of intent for reward on goods requires the exporter to, for shipping bills filed from 1.6.2015 onwards, mandatorily declare intent for rewards on shipping bill. Till then, the present position of mandatory declaration for certain shipping bills would continue. The changed position shall enable Customs to take more informed decisions.

Advance Authorization & DFIA schemes

6. The Policy has now provided for exemption from the transitional product specific safeguard duty of section 8C of CTA 1975. Advance Authorization for Annual Requirement has been restricted to cases of standardised norms (no self-

declared norms). Only a post-export transferable DFIA with exemption from basic customs duty is provided for. Fuel cannot be imported under the new DFIA. These aspects are reflected in the notification Nos. 18 to 22/2015-Customs dated 1.4.2015 for Advance Authorization Scheme. Provisions relating to accounting of inputs introduced in the earlier FTP (during 2013 and 2014) which are now reflected in para 4.12 of the Policy have been incorporated.

7. It may be noted that under the Policy, the import of gold for jewellery sector shall be under Advance Authorisation on pre-import basis with actual user condition. Also, the admissibility of brand rate of drawback shall be as per para 4.15 (Advance Authorisation) and para 4.26 (DFIA) of the Policy.

8. Keeping in view that an Advance Authorization is issued for a resultant product with specified inputs a change is reflected in Notification No. 18/2015-Customs dated 1.4.2015 which is expected to facilitate exporters who rely simultaneously on imported materials and domestic materials, especially those in the exempted goods sectors. The change allows the resultant products to be made by availing facility of rule 18 (rebate of duty paid on materials used) or rule 19{2}{removal of material without payment of duty for use in manufacture of goods exported} of Central Excise Rules subject to the condition that duty free material imported is used for manufacture of dutiable goods.

Export Promotion Capital Goods (EPCG) Scheme

9. To further provide impetus to domestic production, the Policy has increased the lowered export obligation (when capital goods are sourced indigenously) from 10% to 25%. This is implemented by the Regional Authorities.

10. The EPCG authorisation for annual requirement, the provisions for technological up-gradation and for transfer of EPCG capital goods to group companies in certain cases/sectors are Discontinued.

11. Amongst the significant simplifications under the Policy, the export obligation for spares for imported/domestically sourced capital good has been rationalized as that for capital goods. Installation Certificates (ICs) for capital goods have been permitted to be from jurisdictional Central Excise or independent Chartered Engineer. In the latter case, a registered unit would send copy to the jurisdictional Central Excise office. Capital goods may be installed at supporting manufacturer's premises if prior to such installation the latter's details are endorsed on the authorization by Regional Authority, who shall also, as per para 5.02 of Policy intimate the change to jurisdictional Central Excise offices and the Customs where authorisation is registered. Extension of period for producing IC by Regional Authority would be dovetailed by the Customs. Certain provisions are added in Policy para 5.04 read with para 5.10 of HBP for ensuring that exported goods are manufactured by authorization holder in the case of third party exports. The Policy/HBP and notification Nos. 16 and 17/2015- Customs and 18/2015-Central Excise all dated 1.4.2015 may be referred in the above regard. It may be noted that the position (effective from 18.4.2013), remains unchanged, that import of motor cars, sports utility vehicles and all purpose vehicles is not permitted under the EPCG scheme at zero duty.

Validity of AA/EPCG/DFIA Authorizations for imports and EO period

12. Policy's HBP para 2.18 mentions that authorizations must be valid on date of import and export obligation period must be valid on date of export. Duty credit scrips issued under the Policy must be valid on date of debit of duty.

***Suo moto* payment of customs duty in case of bona fide default**

13. The Policy HBP paras 4.49 read with 4.50 and 5.23 refer to this and the Circular No. 11/2015-Customs dated 1.4.2015 has been issued for *suo moto* payment. Its suitable application to existing authorizations is not barred.

Verification and monitoring

14. The Board's extant Circulars and Instructions on verifications and monitoring remain in force. There have been

instances of fabricated export documents (purported to be of Customs non-EDI ports) being used in obtaining rewards/showing fulfillment of EO. Based on DGFT's suggestion, it is advised that genuineness of shipping bills or bills of export not on Customs EDI may be expeditiously verified while registering scrip or processing EODC based on such document. Insofar as monitoring is concerned, field formations have been recently enabled to view in EDI the authorization-wise all India export details which would assist in identifying actionable cases under Advance Authorization and EPCG schemes. The Board's emphasis on timely action to safeguard revenue is evident from CBEC's Comprehensive MIS formats DGI - Cus 11& 11A which may be referred.

Facility of exemption from furnishing bank guarantees (BG) or of giving concessional BG under the export promotion schemes subject inter alia to certain conditions (Circular No.58/2004-Cus as amended last by Circular No.15/2014-Cus)

15. The Board had noticed a practice in one jurisdiction of prescribing BGs of 1% to 5% of the duty saved amount before new authorisations were registered when EODC for an existing authorisation was not produced in the prescribed time. The Board views that such a practice imposes transaction cost on exporters because every case of pending EODC is not a case of default in export obligation determined by the competent authority and even the enforcement of bond executed for such existing authorisation may not be due. Further, choosing varying levels of BGs also creates room for generation of grievances against field officers. The field formations are expected to avoid similar practices.

16. The above instructions may be brought to the notice of exporters through suitable public notice and the officers and staff may be guided through appropriate standing orders. Difficulties faced, if any, in implementation may please be brought to the notice of the Board.

It may be noted that to ensure timely inputs and reports from field formations for Department of Revenue or Board's participation/reporting in inter-Ministerial matters related to policy, compliance and performance issues of the reward, duty exemption schemes and duty remission schemes, the communications are being sent to the official designation based NIC email IDs (initially created for Board's Comprehensive MIS) and the officers are to keep these accounts functional by accessing them many times daily and make response from these email IDs only.

Yours faithfully,

(Rajiv Talwar)
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