

Specific initiatives by the Central Government to promote exports-Schemes under FTP of DGFT

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India's Foreign Trade & Trade Performance

India's Merchandise Trade Trends:

Period	Exports	Imports	Trade Deficit (Value in US \$ Billion)
2004-05	83.54	111.52	27.98
2005-06	103.09	149.17	46.08
2006-07	126.41	185.74	59.32
2007-08	163.13	251.65	88.52
2008-09	185.30	303.70	118.40
2009-10	178.75	288.37	109.62
2010-11	251.14	369.77	118.63
2011-12	304.62	489.18	184.55
2012-13	300.27	491.95	191.68
2013-14	312.35	450.94	138.50

Major Export Commodities

	Commodity	% share in Total (2012-13)
1	Petroleum products	19.98%
2	Engineering Goods	18.89%
3	Gems & Jewellery	14.45%
4	Chemicals & related products	14.15%
5	Agri & Allied Products	10.61%
6	Textiles	8.78%
7	Electronic Goods	2.81%
8	Ores & Minerals	1.85%
9	Leather & Manufacturers	1.62%
10	Raw Cotton including wastes	1.22%
11	Marine Products	1.15%

Major Export Destinations

S.No.	Country	% Share in total (2012-13)
1	U. ARAB EMIRATES	11.77
2	U S A	11.28
3	CHINA P RP	5.88
4	SINGAPORE	5.51
5	UNSPECIFIED	5.33
6	HONG KONG	4.25
7	NETHERLAND	3.00
8	U K	2.82
9	GERMANY	2.61
10	BELGIUM	2.35

Major Import Commodities

Sl. No.	Commodity	% share in Total (2012-13)
1	Petroleum Crude and products	31.67%
2	Gold and silver	12.58%
3	Machinery (Electrical and non-electrical) & Transport Equipment	9.89%
4	Electronic goods	6.68%
5	Pearls, precious and semi-precious stones	6.27%
6	Organic and inorganic chemicals	3.87%
7	Coal, coke and briquettes	3.57%
8	Metaliferrous ores and metal scrap	2.74%
9	Iron & Steel	2.44%
10	Fertilizer, crude and manufactured	2.32%
11	Edible Oil	1.98%

Share of Indian Imports Country-wise :

S. No.	Country	% Share (2011-12)
1	CHINA P RP	11.77
2	UNITED ARAB EMIRATES	7.30
3	SWITZERLAND	6.60
4	SAUDI ARAB	6.34
5	U S A	4.78
6	IRAQ	3.87
7	KUWAIT	3.35
8	GERMANY	3.21
9	AUSTRALIA	3.04
10	INDONESIA	2.99

Foreign Trade policy 2009-14

Strategies for achieving objectives of FTP

- ▶ **Stable Policy environment**
- ▶ **Fiscal incentives**
- ▶ **Diversification of export markets**
- ▶ **Technological upgradation**
- ▶ **Procedural rationalization**
- ▶ **Institutional changes**

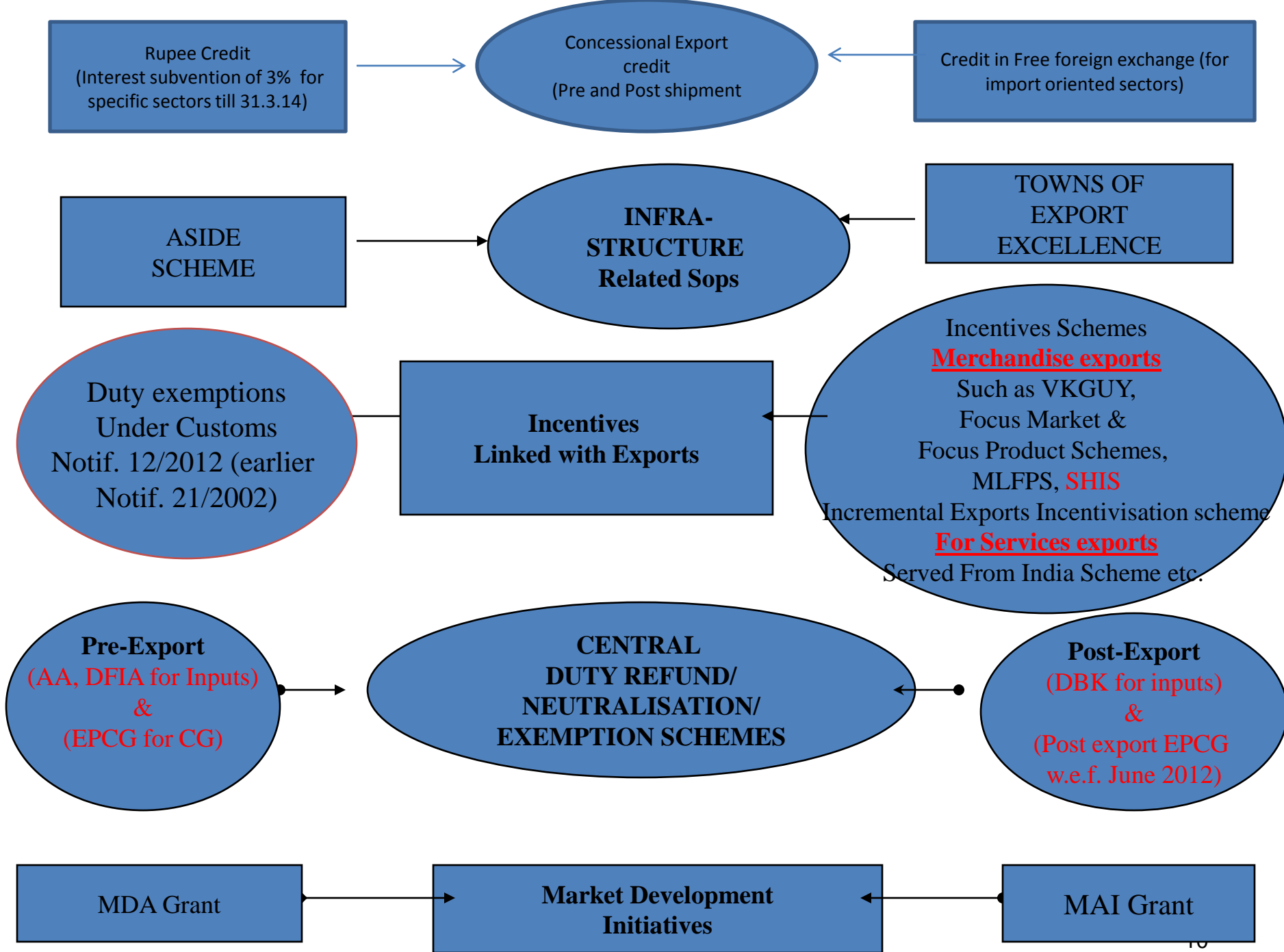
Foreign Trade Policy – 2009-14

- Major Provisions

- Special focus areas (ch.1)
- Import and Export controls (ch. 2)
- Incentive schemes for export promotion (ch.3)
- Schemes for Duty remission / neutralisation (ch.4)
- Scheme for Technological Upgradation (ch.5)
- EOU/STPI/EHTP/BTP.(ch.6)
- SEZ/FTWZ (ch. 7 & 7A)
- Deemed exports (ch.8)

Cost adjustments through schemes

- Cost of Inputs and Capital goods:
 - ❖ Duty components (Duty Neutralisation)
 - ❖ Capital subsidy on Capital goods (Textiles)
 - ❖ EPCG (0% Scheme) & SHIS (for status holders)
- Duty on finished product
- Infrastructure development
- Concessional Export Credit & Interest subvention
- Market Development Assistance (MDA & MAI)
- Export Incentives (FPS, FMS, MLFPS, VKGUY, SFIS)
- Cost of Trade Dispute settlement etc.
- Transport Subsidy schemes (DIPP/APEDA)



Duties for Neutralisation

➤ **PRIME INDIRECT TAXES & DUTIES:**

- Basic Customs Duty;
- Excise Duties (Additional Customs Duties);
- Special Additional Duty (@4%)
- Education Cess and Higher Education Cess

PRIME DIRECT TAXES :

- Income Tax (Exemption no more available except on certain re-investment and R&D criterion)
- Minimum Alternate Tax (MAT of 18.5% imposed on SEZ units & Developers)
- Fringe Benefit Tax (Withdrawn)

OTHER PRIME DUTIES/CESS

- VAT (refund allowed by State Government on exports) & CST (Exemption/Refund to SEZ and EOUs only)
- Non refunded Sales tax on Petroleum Products; Electricity Duty; Octroi; Mandi tax; Entry Tax etc

IMPACT OF GST (Some of taxes left out of coverage:-Electricity duty, Sales tax on Petroleum products etc)

WTO compatibility

Schemes for Duty remission / neutralisation

- Basic Principle: *Goods & Services are exported & not the taxes & Levies.*
- *These schemes can be categorised into:*
 - 100% EOUs/STP/BTP/EHTP
 - SEZ Scheme
 - Bonded Warehouses
 - Customs Clearance Permit
 - Schemes for DTA units;

Duty remission / neutralisation for DTA units

Purpose: Procure inputs and capital goods without the component of Central Indirect Taxes & Levies

For Inputs

Pre Export Schemes : Advance Authorisation Scheme (Actual User)
Duty Free Import Authorisation (DFIA) Scheme
Schemes for Gems & Jewellery Sector

Post Export Schemes : **Duty Entitlement Pass Book (DEPB) –scheme was valid for exports till 30 September 2011.**
Duty Drawback Scheme
Terminal Excise Duty (TED) Refund.

For Capital Goods:

EPCG Scheme
SHIS Scheme (Scheme not extended beyond 31 March 2013)
TEE (Towns of Export Excellence:- Total 32 towns notified)
ASIDE Scheme

Advance Authorisation

Purpose: Scheme for duty free import / procurement of Inputs (physically incorporated in the export product) along with Fuel, Oil, Catalyst etc. required for manufacturing the export product;

➤ **Inputs allowed on the basis of:**

A. Quantity-wise Entitlement for individual inputs as per:

1. **Standard Input Output Norm** (SION)– about 7500 SIONs notified;
2. **Adhoc Norms** ratified by the Technical Committee;
3. Adhoc norms valid for **two year**.

B. Value-wise Limitation: Minimum prescribed VA: 15%. With Exceptions

Actual User Condition: Inputs are with Actual User Condition even after fulfilment of Export Obligation.

D. Except prohibited items, all other inputs allowed either direct import/ procurement or through the concerned STEs. Pulses and edible oil allowed for export under AA with condition of pre import.

E. **Validity** period of Imports -- reduced in 2012-13 Annual Supplement.

(Imports:- 12 months + 6 month revalidation by RA or co-terminus with duration of projects)

F. **Clubbing Facility:** For redemption / regularization of cases subject to import validity and exports within EOP. No further imports/exports allowed.

Schemes for Technological Upgradation

- **EPCG scheme-** Pre export; For all categories of exporters. (In 2012, Post export EPCG scheme launched)
- **Status Holder Incentive Scrip (SHIS) Scheme**— For Status Holders only. Scheme has sunset on 31.3.2013.

EPCG Scheme

Export Promotion Capital Goods (EPCG) Scheme

- Import of capital goods for **modernization** and **technological upgradation**;
- Concessional import duty of **3%** and at **Zero duty** for certain export sectors. (against normal basic customs duty of 5% to 7.5%) upto 17.4.2013;
- On 18.4.2013 notified Chapter 5 of the Foreign Trade Policy, 2009-2014 harmonizing the two versions (Zero Duty and 3% Concessional Duty) of EPCG Schemes with a single Zero Duty EPCG Scheme for all sectors subject to an export obligation equivalent to 6 times of duty saved on capital goods imported under the scheme, to be fulfilled in 6 years reckoned from Authorization issue date.
- **E.O. fulfilment: (Average performance plus)**
 - 8 times duty saved to be fulfilled over 8 years (3% duty scheme); and
 - 6 times duty saved to be fulfilled over 6 years (zero duty scheme);
 - Extension facility available
- Documentation for EO fulfilment
- **Post Export Duty Credit scheme. (introduced in 2012)**

Status Holder Incentive Scrip (SHIS) Scheme

- Objective: to promote investment for upgradation of technology of specified sectors;
- Post export scheme since 2009.
- Benefit limited to exports of certain sectors.
- Status Holders entitled to **incentive scrip @1% of FOB value of exports** in those sectors made during previous year;
- *Actual User scheme; Now limited transferability allowed within status holder (Annual supplement 2012-13)*
- Scheme is valid for exports till 31.3.2013 only.

Towns of Export Excellence

- Towns of Export Excellence (TEEs)
 - Producing goods worth more than Rs.750 cr. with potential for growth in export
 - Lower threshold Rs. 150 cr. For handloom, handicrafts, agriculture and fisheries.
- Benefits
 - Funds under MAI to recognized association of units
 - Common service provider eligible for EPCG
 - Priority for funds under ASIDE scheme
- 33 TEEs notified

Deemed Exports & Entitlements

- Supply of goods manufactured by Domestic Unit to certain authorization holders / recognized projects which are otherwise entitled for Duty Free Imports.

- **Purpose is:**
 - Import Substitution.
 - Reducing specific project cost .

- **Benefits available:**
 - Advance Authorisation / DFIA;
 - Deemed Export Duty Drawback and Terminal Excise Duty (TED) Refund.
 - EPCG scheme

- Need for Project Authority certificate

Deemed Exports– contd.....

Which supplies are covered under Deemed exports :-

- Supply of goods against Advance Authorisation / Advance Authorisation for annual requirement / DFIA;
- Supply of goods to EOU / STP / EHTP / BTP;
- Supply of capital goods to EPCG Authorisation holders;
- Supply of goods to projects financed by multilateral or bilateral Agencies / Funds as notified by Department of Economic Affairs (DEA), -- Need for ICB procedure
- Supply of goods to any project or purpose in respect of which the MoF, by notification No. 12/2012 – Customs dated 17.3.2011– requirement of ICB
- Supply of marine freight containers by 100% EOU (Domestic freight containers-manufacturers)
- Supply to projects funded by UN Agencies
- Supply of goods to nuclear power projects through competitive bidding

Incentive Schemes

▶ For **goods** Exports:

- Vishesh Krishi and Gram Udyog Yojana (VKGUY)
- Focus Market Scheme (FMS)
- Focus Product Scheme (FPS)
- MLFPS

All the above schemes are mutually Exclusive schemes.

In addition, a new scheme namely “Incremental Exports Incentivisation Scheme”

▶ For **Service** Exports:

- SFIS

▶ For **Market Development**:

- MDA
- MAI

Incentive Schemes

Major Schemes:

- [Vishesh Krishi Upaj Yojana \(VKUY\)](#)
Launched in August 2004.
Renamed as **Vishesh Krishi and Gram Udyog Yojana** (VKGUY) in April 2006. Expanded/ deepened progressively.

- **Focus Market (FMS) and Focus Product (FPS)**
Launched in April 2006, Expanded/ deepened progressively.

- **Market Linked Focus Product Scheme**
Introduced in 2008-09.
 - **Benefit** granted in the form of a **freely transferable Duty Credit Scrip**, which is akin to cash and debited for payment of import duty.
 - **Domestic procurement allowed in 2012-13 supplement.** Earlier only imports **could be made.** FPS, FMS & VKGUY Scrips can be used for **payment of service tax.**

Vishesh Krishi & Gram Udyog Yojana (VKGUY)

- **Post export** duty credit scrips
- Exports of select **fruits**, **vegetables**, **flowers**, **minor forest produce** and **forest based products**, identified **gram udyog products**, marine products.
- **Duty credit scrips:**
 - @ 5% of FOB value of exports
 - **Special VKGUY @ 7%** for specified products
- More than 1000 products granted benefit under the Scheme.
- (**In 2012 Annual Supplement:-** benefit on **Guargum** & sesame seed **withdrawn** whereas **2 new items added namely roasted cashew Kernel and protein concentrates**). Few additions in 2013.
- **Announcement made in Dec 2012:-** New products added are Shellac wax, Flours, meals of oilseeds or oleagenous fruits, other food preparations

VKGUY (Contd.....)

Vishesh Krishi & Gram Udyog Yojana (VKGUY) Scheme **(Agri-Infrastructure Incentive Scheme on agri exports)**

- Additional 5% duty credit entitlement allowed under Agri-Infrastructure Incentive Scheme on agri exports;
- For import of Cold Chain Equipments and **additional new items (added in Annual Supplement 2012-13)** .
- Actual User Scrips ; **limited transferability** allowed within status holders **and** to the Food processing units.

Focus Market Scheme (FMS)

(Incentive scheme contin....)

- **Objective** to enhance India's export competitiveness in markets where presence is hindered by high freight cost and other related disabilities
- Scheme introduced for exports from 1.4.06
- Duty credit @ 3% of FOB value of exports;
- So far 125 markets (119+ 5 in December 2012 +1 in April 2013)
- In Dec 2012, Export of **Meat and Meat Products** brought under Ineligible category. Cotton, cotton yarn and export with MEP/export duty also ineligible now.
- **Special Focus market scheme** @ 4% for certain markets only. 7 new markets added in June 2012 and now one more country Eritrea added in December 2012. Total is 50.
- **Documentation requirement:-** Importance of landing certificate etc.

Focus Market Scheme

Significant Markets already included are:

Africa Block –

Except for 6 countries, entire continent covered. South Africa, Tanzania, Nigeria, Kenya, Egypt and Algeria are not covered.

Latin American Block –

31 Markets covered- Argentina, Bolivia, Chile, Ecuador, Paraguay, Peru, Uruguay, Venezuela, Dominican Republic, El-Salvador, Guatemala, Jamaica, Trinidad and Tobago, Columbia, Honduras, Puerto Rico, Costa Rica, Panama, Bahamas, Nicaragua, Haiti etc.

East Europe Block –

Serbia & Montenegro, Albania, Macedonia, Bosnia & Herzegovina and Croatia

Entire CIS-CAR Block

10 countries, except **Ukraine.**

Asian Block

Mongolia.

Asia-Oceania Block

Fiji Is, Kiribati Rep., Nauru Rp., Papua New Guinea, Solomon Island, Tonga, Tuvalu, Vanautu Rep., Samoa, Laos.

7 new markets added in 2012-13

5 new markets added in December 2012:- New Zealand, Cayman Islands, Latvia, Lithuania and Bulgaria. Norway added in April 2013.

Focus Product Scheme (FPS)

Objective – to incentivise export of products which have high employment intensity in rural and semi-urban areas, so as to offset infrastructure inefficiencies and other associated costs involved in marketing.

- **Duty credit scrips:**

- **@ 2% of FOB value of exports**

Currently over 1100 Products (at 8 digit level) covered. Over 200 new products added in 2012.

Sectors include leather/leather footwear, fire works, stationery items, handlooms, coir and engineering and a host of other products.

- **@ 5% of FOB value of exports:- Special Focus Product** like Toys, Sports Goods, Carpets, Handicrafts are entitled for benefit. Currently, more than 400 Products covered.
 - Additional **2% bonus to certain products like handicrafts (carpets) etc.**

➤ **In December 2012:- 100 new products added** from Engineering, Textiles, Chemicals, Drugs, Pharmaceuticals, Paper, Books, Publications and Printed materials. 280 items added in April and July 2013.

Market Linked Focus Product Scheme (MLFPS)

- **Objective:** To promote exports of products of high export intensity but which have a low penetration in identified countries
- It is matrix of Focus product and Focus Market.
- **Products such as** bicycles and parts, motor cars, motor cycles, auto components linked to their specified markets in Africa, Latin America, Europe, etc. granted entitlement @ 2% of FOB value.
- Currently **more than 4000 products** covered.
 - June 2012:- 46 new items and 12 new markets added in June 2012.
 - **December 2012:-60 new products** and **three countries** added (Taiwan, Thailand and Cze Republic) :- Engineering, Rubber, Textiles , Drugs and Pharmaceutical products. 47 new products added in April 2013.
- Special sector like Garments exported to Australia, Japan and Brazil being given 2% benefit. **For US and EU, now provided till 31.3.2013. Continued in 2013-14.**

Incremental Exports Incentivisation Scheme

➤ New scheme launched in December 2012

➤ Duty credit scrips @ 2% of incremental growth in exports during January to March 2013 over the corresponding period. **Now extended for 2013-14.**

➤ **Countries covered:-** cover exports to USA, Europe and Asian countries (Other than Honkong, Singapore and UAE) only. 53 Latin American and African countries added for 2013-14.

➤ **Exclusion includes:-** A number of high value items, commodities and grains, third party exports, SEZ/EOU exports etc. Cotton and items with MEP/export duty also excluded.

Special Focus Sectors identified for promotion of exports:

- Agriculture and Village Industries; Handlooms; Handicrafts; Gems & Jewellery; Leather & Footwear; Marine Products; Electronics and IT Hardware manufacturing industries; Sports Goods and Toys; Green products and technologies; Exports from the North Eastern Region.
- **Additional Benefits allowed:**
 - Lower threshold limits for Towns of Export Excellence recognition;
 - Duty Free Import of accessories and chemicals upto a certain percentage of exports;
 - Additional incentives etc.

Served From India Scheme (SFIS) for Service Providers

Objective: To accelerate growth in export of Services and to create a powerful and unique “Served from India” Brand.

Entitlement:

- Duty credit Scrips @10% of Free Foreign Exchange Earned.
- W.e.f 18.4.2013, SFIS benefit will be allowed on the Net Foreign Exchange earned.
- Service providers who are also engaged in manufacturing activity can use their SFIS scrip for importing / domestic sourcing of capital goods.

- Exceptions for certain sectors

- Capital Goods, Office Equipments, Furniture and consumables etc for any service sector business of the service provider.

- Scrips & the items with **Actual User condition,**

Salient features of 100% EOUs Scheme

- Manufacture of goods including repair, remaking, reconditioning, re-engineering and rendering of services.
- Trading activity not permitted
- Minimum investment of Rs. 1 crore in plant and machinery **except** for certain specified sectors.
- EOUs to achieve positive Net Foreign Exchange earning over 5 years
- EOU allowed to export all kind of goods and services **except prohibited items**.
- **State trading regime** not applicable to EOUs.

Benefits available to 100% EOUs

- Duty free Import of goods allowed. Prohibited items not permitted.
- Exemption from Income Tax expired on 31-3-2011.
- Supply from DTA to EOU gets deemed export benefit.
- Cenvat credit for the service tax on input services.
- Refund of Central Sales Tax (CST) on supply to EOU.
- DTA sale allowed at 50% of the applicable customs duty, upto 50% of total exports.

Thank You