

CHAPTER 2

GENERAL PROVISIONS REGARDING IMPORTS AND EXPORTS

- 2.1**
Exports and Imports – ‘Free’, unless regulated
- (a) Exports and Imports shall be ‘Free’, except when regulated. Such regulation would be as per FTP and/or ITC (HS).
 - (b) ITC (HS) contains the item wise export and import policy regimes. The ITC (HS) is aligned with international Harmonized System goods nomenclature maintained by World Customs Organization (<http://www.wcoomd.org>).
 - (c) Schedule 1 of ITC (HS) gives the Import Policy Regime and Schedule 2 of ITC (HS) gives the Export Policy Regime.
 - (d) Except where it is clearly specified in Schedule 1 of ITC (HS), Import Policy is for new goods and not for Second Hand goods. For Second Hand goods, the Import Policy Regime is given in Para 2.17 on this FTP.

2.1.1
Prohibition on Import and Export of ‘Arms and related material’ from / to Iraq

Despite the policy for ‘Arms and related material’ as is given in Chapter 93 of ITC (HS), the import / export of arms and related material from / to Iraq shall be ‘Prohibited’.

2.1.2
Prohibition on Direct or Indirect Import and Export from

Direct or indirect export and import of following items, whether or not originating in Democratic People’s Republic of Korea (DPRK), to / from, DPRK is ‘Prohibited’:

All items, materials equipment, goods and technology including as set out in lists in documents S/2006/814,

**/ to Democratic
People's
Republic of
Korea**

S/2006/815 (including S/2009/205), S/2009/364 and S/2006/853 (United Nations Security Council Documents) INFCIRC/254/Rev.9/Part1a and INFCIRC/254/Rev.7/Part 2a (IAEA documents) which could contribute to DPRK's nuclear-related, ballistic missile-related or other weapons of mass destruction-related programmes.

2.1.3

**Prohibition on
Direct or
Indirect Import
and Export from
/ to Iran**

(a) Direct or indirect export and import of all items, materials, equipment, goods and technology which could contribute to Iran's enrichment-related, reprocessing or heavy water related activities, or to development of nuclear weapon delivery systems, as mentioned below, whether or not originating in Iran, to / from Iran is 'Prohibited':

- (i) Items listed in INFCIRC/254/Rev.9/Part 1 and INFCIRC/254/Rev.7/Part 2 (IAEA Documents)
- (ii) Items listed in S/2006/263 (UN Security Council Document)

(b) All the UN Security Council Resolutions / Documents and IAEA Documents referred to above are available on the UN Security Council website (www.un.org/Docs/sc) and IAEA website (www.iaea.org).

**2.1.4 Prohibition
on Import of
Charcoal from
Somalia**

Direct or indirect import of charcoal is prohibited from Somalia, irrespective of whether or not such charcoal has originated in Somalia [United Nations Security Council Resolution 2036 (2012)]. Importers of Charcoal shall submit a declaration to Customs that the consignment has not originated in Somalia.

2.2

**Compliance of
Imports with
Domestic Laws**

In line with the National Treatment proviso of World Trade Organization (<http://www.wto.org>), Domestic Laws/ Rules/ Orders/ Regulations/ technical specifications/ environmental/ safety and health norms applicable to domestically produced goods shall apply, mutatis mutandis, to imports, unless specifically exempted.

- 2.3 Interpretation of Policy**
- (a) The decision of DGFT shall be final and binding on all matters relating to interpretation of Policy, or provision in HBP v1, HBP v2 or classification of any item for import / export policy in the ITC (HS).
- (b) A Policy Interpretation Committee (PIC) may be constituted to aid and advice DGFT.

2.4 Procedure

DGFT may, specify procedure to be followed by an exporter or importer or by any licensing / regional authority or by any other authority for purposes of implementing provisions of FT (D&R) Act, the Rules and the Orders made there under and FTP. Such procedures, or amendments if any, shall be published by means of a Public Notice.

2.5 Exemption from Policy/ Procedure

DGFT may pass such orders or grant such relaxation or relief, as he may deem fit and proper, on grounds of genuine hardship and adverse impact on trade. DGFT may, in public interest, exempt any person or class or category of persons from any provision of FTP or any procedure and may, while granting such exemption, impose such conditions as he may deem fit. Such request may be considered only after consulting committees as under:

Sl. No.	Description	Committee
(a)	Fixation / modification of product norms under all schemes	Norms Committee
(b)	Nexus with Capital Goods (CG) and benefits under EPCG Schemes	EPCG Committee.
(c)	All other issues	Policy Relaxation Committee (PRC)

- 2.6** DGFT may, through a notification, adopt and enforce any measure necessary for: -
- Principles of Restriction**
- (a) Protection of public morals;
 - (b) Protection of human, animal or plant life or health;
 - (c) Protection of patents, trademarks and copyrights, and the prevention of deceptive practices;
 - (d) Prevention of use of prison labour;
 - (e) Protection of national treasures of artistic, historic or archaeological value;
 - (f) Conservation of exhaustible natural resources;
 - (g) Protection of trade of fissionable material or material from which they are derived;
 - (h) Prevention of traffic in arms, ammunition and implements of war.
- 2.7** Any goods / service, the export or import of which is 'Restricted' may be exported or imported only in accordance with an Authorisation / Permission/ License or in accordance to the procedure prescribed in a notification / public notice issued in this regard.
- Export / Import of Restricted Goods/ Services**
- 2.8** Every Authorisation shall contain such terms and conditions as may be specified by RA which may include:
- Terms and Conditions of an Authorisation**
- (a) Description, quantity and value of goods;
 - (b) Actual User condition;
 - (c) Export Obligation;
 - (d) Minimum Value addition to be achieved;
 - (e) Minimum export/import price;
 - (f) Validity period as specified in HBP v1.
- 2.9** No person may claim an Authorisation as a right and DGFT or RA shall have power to refuse to grant or renew the same in accordance with provisions of FT (D&R) Act, Rules made there under and FTP.
- Authorisation - not a Right**

- 2.10**
Penalty
- If an Authorisation holder violates any condition of such Authorisation or fails to fulfil export obligation, he shall be liable for action in accordance with FT (D&R) Act, the Rules and Orders made there under, FTP and any other law for time being in force.
- 2.11**
State Trading
- Any goods, import or export of which is governed through exclusive or special privileges granted to State Trading Enterprises (STE(s)), may be imported or exported by STE(s) as per conditions specified in ITC (HS). DGFT may, however, grant an Authorisation to any other person to import or export any of these goods. Such STE(s) shall make any such purchases or sales involving imports or exports solely in accordance with commercial considerations, including price, quality, availability, marketability, transportation and other conditions of purchase or sale in a non discriminatory manner and shall afford enterprises of other countries adequate opportunity, in accordance with customary business practices, to compete for participation in such purchases or sales.
- 2.12**
**Importer-
Exporter Code
(IEC) Number**
- (a) No export or import shall be made by any person without an IEC number unless specifically exempted. An IEC number shall be granted on application by competent authority in accordance with procedure specified in HBP v1.
- (b) Exempt Categories and Permanent IEC numbers are given in Para 2.8 of HBP v1.
- 2.13**
**Trade with
Neighbouring
Countries**
- DGFT may issue instructions or frame schemes as may be required to promote trade and strengthen economic ties with neighbouring countries.
- 2.14**
Transit Facility
- Transit of goods through India from / or to countries adjacent to India shall be regulated in accordance with bilateral treaties between India and those countries and will be subject to such restrictions as may be specified by DGFT in accordance with International Conventions.

2.15 In case of trade with Russia under Debt Repayment Agreement, DGFT may issue instructions or frame schemes as may be required, and anything contained in FTP, in so far as it is inconsistent with such instructions or schemes, shall not apply.

Trade with Russia under Debt-Repayment Agreement

2.16 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 actual user condition is specifically dispensed with by DGFT.

Actual User Condition

2.17 For Second Hand goods, the Import Policy Regime is given as under:

Second Hand Goods

	Import Policy	Conditions, if any
I. Second Hand Capital Goods Group		
(a) Restricted Category:		
(i) Personal computers / laptops (ii) Photocopier machines / Digital multifunction Print & Copying Machines (iii) Air conditioners (iv) Diesel generating sets	Restricted	Allowed to be imported only as per provisions of FTP, ITC (HS), HBP v1, Public Notice or an Authorisation issued for import of the specified second hand item.

(b) Free Category:		
(i) Refurbished / re-conditioned spares of Capital Goods	Free	Subject to conditions specified in para 2.33 of HBPv1
(ii) All other second hand capital goods	Free	
II. All other Second Hand Goods	Restricted	

2.17A

Removal of Scrap / Waste from SEZ

A SEZ unit/Developer/ Co-developer may be allowed to dispose off in DTA, any waste or scrap, including any form of metallic waste and scrap, generated during manufacturing or processing activity, without an authorization, on payment of applicable Customs Duty, provided these are freely importable.

2.18

Import of Samples

Import of samples shall be governed by Chapter 2 of HBP v1.

2.19

Import of Gifts

Import of gifts shall be 'free' where such goods are otherwise freely importable under ITC (HS). In other cases, such imports shall be permitted against an authorisation issued by DGFT.

2.20

Passenger Baggage

(a) Bona fide household goods and personal effects may be imported as part of passenger baggage as per limits, terms and conditions thereof in Baggage Rules notified by Ministry of Finance.

(b) Samples of such items that are otherwise freely importable under FTP may also be imported as part of

passenger baggage without an Authorisation.

- (c) Exporters coming from abroad are also allowed to import drawings, patterns, labels, price tags, buttons, belts, trimming and embellishments required for export, as part of their passenger baggage without an Authorisation.

2.21	Freely exportable new or second hand capital goods, equipments, components, parts and accessories, containers meant for packing of goods for exports, jigs, fixtures, dies and moulds may be imported for export without an Authorisation on execution of LUT / BG with Customs Authorities.
Import on Export Basis	
2.22	Capital goods, equipments, 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.
Re-import of goods repaired abroad	
2.23	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.
Import of goods used in projects abroad	
2.24	Sale of goods on high seas for import into India may be made subject to FTP or any other law in force.
Sale on High Seas	
2.25	No specific permission of RA is required for lease financed capital goods.
Import under Lease Financing	
2.26	Good already imported / shipped / arrived, in advance, but not cleared from Customs may also be cleared against an Authorisation issued subsequently.
Clearance of Goods from Customs	

- 2.27**
Execution of BG /LUT
- (a) Wherever any duty free import is allowed or where otherwise specifically stated, importer shall execute prescribed LUT/BG/Bond with Customs Authority before clearance of goods.
- (b) In case of indigenous sourcing, Authorisation holder shall furnish LUT/BG/Bond to RA concerned before sourcing material from indigenous supplier/nominated agency as prescribed in Chapter 2 of HBP v1.
- 2.28**
Private/Public Bonded Warehouses for Imports
- (a) Private / Public bonded warehouses may be set up in DTA as per terms and conditions of notification issued by DoR. Any person may import goods except prohibited items, arms and ammunition, hazardous waste and chemicals and warehouse them in such bonded warehouses.
- (b) Such goods may be cleared for home consumption in accordance with provisions of FTP and against Authorisation, wherever required. Customs duty as applicable shall be paid at the time of clearance of such goods.
- (c) If such goods are not cleared for home consumption within a period of one year or such extended period as the custom authorities may permit, importer of such goods shall re-export the goods.
- 2.29**
Free Exports
- 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. DGFT may, however, specify through a public notice such terms and conditions according to which any goods, not included in ITC (HS), may be exported without an Authorisation.
- 2.30**
Export of Samples
- Export of Samples and Free of charge goods shall be governed by provisions given in Chapter 2 of HBP v1.

- 2.31**
Export of Passenger Baggage
- (a) Bona fide personal baggage may be exported either along with passenger or, if unaccompanied, within one year before or after passenger's departure from India. However, items mentioned as restricted in ITC (HS) shall require an Authorisation. Government of India officials proceeding abroad on official postings shall, however, be permitted to carry along with their personal baggage, food items (free, restricted or prohibited) strictly for their personal consumption.
- (b) Samples of such items that are otherwise freely exportable under FTP may also be exported as part of passenger baggage without an Authorisation.
- 2.32**
Export of Gifts
- Goods, including edible items, of value not exceeding Rs.500000/- in a licensing year, 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.
- 2.33**
Export of Spares
- Warranty spares (whether indigenous or imported) of plant, equipment, machinery, automobiles or any other goods, (except those restricted under ITC (HS)) may be exported along with main equipment or subsequently but within contracted warranty period of such goods subject to approval of RBI.
- 2.34**
Third Party Exports
- Third party exports, as defined in Chapter 9 shall be allowed under FTP.
- 2.35**
Export of Imported Goods
- (a) Goods imported, in accordance with FTP, may be exported in same or substantially the same form without an Authorisation provided that item to be imported or exported is not restricted for import or export in ITC (HS).
- (b) Exports of such goods imported against payment in freely convertible currency would be permitted against payment in freely convertible currency.

- 2.36** Goods, including those mentioned as ‘Restricted’ for import (except ‘Prohibited’ items) may be imported under Customs Bond for export in freely convertible currency without an Authorisation provided that item is freely exportable without any conditionality / requirement of Authorisation / Licence / permission as may be required under Schedule 2 – Export Policy of the ITC (HS).
- Export of Imported Goods under Bond Procedures**
- 2.36A** Hides, Skins and semi finished leather may be imported in the Public Bonded warehouse for the purpose of DTA sale and the unsold items thereof can be re-exported from such bonded warehouses at 50% of the applicable export duty. However, this facility shall not be allowed for import under Private Bonded warehouse.
- 2.37** Goods or parts thereof on being exported and found defective/ damaged or otherwise unfit for use may be replaced free of charge by the exporter and such goods shall be allowed clearance by Customs authorities, provided that replacement goods are not mentioned as restricted items for exports in ITC (HS).
- Export of Replacement Goods**
- 2.38** Goods or parts, except restricted under ITC (HS) thereof, on being exported and found defective, damaged or otherwise unfit for use may be imported for repair and subsequent re-export. Such goods shall be allowed clearance without an Authorisation and in accordance with customs notification.
- Export of Repaired Goods**
- 2.39** (a) Private bonded warehouses exclusively for exports may be set up in DTA as per terms and conditions of notifications issued by DoR.
- Private Bonded Warehouses for Exports** (b) Such warehouses shall be entitled to procure goods from domestic manufacturers without payment of duty. Supplies made by a domestic supplier to such notified warehouses shall be treated as physical exports provided payments are made in free foreign exchange.

- 2.40**
Denomination of Export Contracts
- (a) All export contracts and invoices shall be denominated either in freely convertible currency or Indian rupees but export proceeds shall be realized in freely convertible currency.
- (b) However, export proceeds against specific exports may also be realized in rupees, provided it is through a freely convertible Vostro account of a non resident bank situated in any country other than a member country of ACU or Nepal or Bhutan. Additionally, rupee payment through Vostro account must be against payment in free foreign currency by buyer in his non-resident bank account. Free foreign exchange remitted by buyer to his non-resident bank (after deducting the bank service charges) on account of this transaction would be taken as export realization under export promotion schemes of FTP.
- (c) Contracts (for which payments are received through Asian Clearing Union (ACU) shall be denominated in ACU Dollar. Central Government may relax provisions of this paragraph in appropriate cases. Export contracts and Invoices can be denominated in Indian rupees against EXIM Bank / Government of India line of credit.
- 2.40A**
Export to Iran – Realisations in Indian Rupees
- Export proceeds against specific exports to Iran realized in Indian rupees are permitted to avail exports benefits/ incentives under the Foreign Trade Policy, 2009-14, at par with export proceeds realized in freely convertible currency.
- 2.41**
Realisation of Export Proceeds
- If an exporter fails to realize export proceeds within time specified by RBI, he shall, without prejudice to any liability or penalty under any law in force, be liable to action in accordance with provisions of FT (D&R) Act, Rules and Orders made there under and FTP.
- 2.42**
Free movement of export goods
- Consignments of items meant for exports shall not be withheld / delayed for any reason by any agency of Central / State Government. In case of any doubt, authorities concerned may ask for an undertaking from exporter.

2.42.1 No seizure of Stock	No seizure of stock shall be made by any agency so as to disrupt manufacturing activity and delivery schedule of exports. In exceptional cases, concerned agency may seize the stock on basis of prima facie evidence. However, such seizure should be lifted within 7 days.
2.43 Export Promotion Councils (EPC)	Basic objective of Export Promotion Councils (EPCs) is to promote and develop Indian exports. Each Council is responsible for promotion of a particular group of products, projects and services as given in HBP v1.
2.44 Registration-cum-Membership Certificate (RCMC)	Any person, applying for: <ul style="list-style-type: none"> (a) An Authorisation to import / export, (except items) listed as 'Restricted' items in ITC (HS) or (b) Any other benefit or concession under FTP shall be required to furnish RCMC granted by competent authority in accordance with procedure specified in HBP v1 unless specifically exempted under FTP. Certificate of Registration as Exporter of Spices (CRES) issued by Spices Board shall be treated as Registration-Cum-Membership Certificate (RCMC) for the purposes under this Policy.
2.45 Trade Facilitation through EDI Initiatives	A secure EDI Message Exchange system for various documents i.e. Authorisations, Shipping Bills, IEC, Application Fee, RCMCs has been established with trade partners i.e. Customs, Banks and Export Promotion Councils. These documents are no longer required to be physically filed with DGFT or transmitted physically to the concerned partners. Therefore, it has reduced the transaction cost for the exporters. It is the endeavour of DGFT to enlarge the scope and domain of EDI exchange continuously.
2.45.1 DGCI &S	DGCI&S has put in place a Data Suppression Policy. Transaction level data would not be made publically available to protect privacy. DGCI&S trade data shall be made

Commercial Trade Data available at aggregate level with a minimum possible time lag in a query based structured format on commercial criteria.

2.45.2
Fiscal Incentives to promote EDI Initiatives adoption To encourage usage of 'on-line' filing of applications for authorizations/IEC, incentives are provided to applicants through a reduced application fee as detailed in the Hand Book of Procedures.

2.46
Regularization of EO default and settlement of customs duty and interest through Settlement Commission With a view to providing assistance to firms who have defaulted under FTP for reasons beyond their control as also facilitating merger, acquisition and rehabilitation of sick units, it has been decided to empower Settlement Commission in Central Board of Excise and Customs to decide such cases also with effect from 01.04.2005.

2.47
Easing of Documentation Requirement DGFT has provided 'on-line' facility for filing applications to obtain various authorizations / IECCode. The authorizations are issued and transmitted electronically to Customs for clearance so as to reduce the required documentation. DGFT has also become India's first digital signature enabled department in Government of India, which has introduced a higher level of Encrypted 2048 bit Digital Signature for enhanced security in communications with essential features like authentication, Privacy, non-repudiation and integrity in the virtual world.

2.48
Exemption / Remission of Service Tax in DTA For all goods and services which are exported from units in DTA and units in EOU / EHTP / STP / BTP exemption / remission of service tax levied and related to exports, shall be allowed, as per prescribed procedure in Chapter 4 of HBP v1.

2.48.1 Units in SEZ shall be exempted from service tax.
Exemption from Service Tax in SEZ

2.48.2 For all goods and services exported from India, services received / rendered abroad, where ever possible, shall be exempted from service tax.
Exemption from Service Tax on Services received abroad

GRIEVANCE REDRESSAL

2.49 DGFT has a commitment to function as a facilitator of exports and imports. Focus is on good governance, which depends on clean, transparent and accountable delivery systems.
DGFT as a facilitator of exports / imports

2.49.1 DGFT has in place a Citizen's Charter, giving time schedules for providing services to clients, and details of grievance committees at different levels.
Citizen's Charter

2.49.2 (a) In order to facilitate speedy redressal of grievances of trade and industry, a new grievance redressal mechanism has been put in place in the form of GRC by a Government Resolution.
Grievance Redressal Committee (GRC)

(c) The Government is committed to resolving all outstanding problems and disputes pertaining to past policy periods through GRC set up on 27.10.2004, for condoning delays, regularizing breaches by exporters in bonafide cases, resolving disputes over entitlements, granting extensions for utilization of Authorisations.

- 2.50**
Export of perishable agricultural products
- To reduce transaction and handling costs, a single window system to facilitate export of perishable agricultural produce has been introduced. The system will involve creation of multi-functional nodal agencies to be accredited by Agricultural and Processed Food Products Export Development Authority (APEDA), New Delhi. The detailed procedures have been notified at Appendix 40 to HBP v1.
- 2.51**
Niryat Bandhu
- A novel 'Niryat Bandhu' scheme for mentoring first generation entrepreneurs has been conceptualised. The Officer (Niryat Bandhu) would primarily mentor interested individuals in the arena of international business. Such hand-holding by officers of DGFT would help the new exporters/importers by leveraging the knowledge base of officers and by providing timely and appropriate guidance.
- 2.52**
e-BRC
- Bank Realization Certificates (BRCs), evidencing receipt of export proceeds would be transmitted electronically from the respective banks to the DGFT. This will bring down transaction cost to the exporters as they will not be required to obtain physical copies of BRCs from the banks and then submit such physical copy to DGFT.

CHAPTER 3

PROMOTIONAL MEASURES

PROMOTIONAL MEASURES IN DEPARTMENT OF COMMERCE

- 3.1 Assistance to States for Developing Export Infrastructure and Allied Activities (ASIDE)**
- (a) The objective of ASIDE scheme is to establish a mechanism for involving the State Governments to participate in funding of infrastructure critical for growth of exports by providing export performance linked financial assistance to them. The Scheme is administered by Department of Commerce (DoC).
- (b) The activities aimed at development of infrastructure for exports can be funded from the scheme provided such activity has overwhelming export content and their linkage with exports is fully established. The specific purposes for which funds can be sanctioned and utilized under the Scheme are as follows:
- (i) Creation of new Export Promotion Industrial Parks/Zones (SEZs/Agri. Business Zones) and augmenting facilities in the existing ones.
 - (ii) Setting up of electronics and other related infrastructure in export conclave.
 - (iii) Equity participation in infrastructure projects including the setting up of SEZs.
 - (iv) Meeting requirements of capital outlay of EPIPs/EPZs/SEZs.
 - (v) Development of complementary infrastructure such as, roads connecting the production centers with the ports, setting up of Inland Container Depots and Container Freight Stations.
 - (vi) Stabilizing power supply through additional transformers and islanding of export production centre etc.
 - (vii) Development of minor ports and jetties to serve export purpose.
 - (viii) Assistance for setting up Common Effluent

- Treatment facilities and
- (ix) Any other activity as may be notified by DoC.

Details of ASIDE Scheme are available at:

<http://www.commerce.nic.in>

3.2

Market Access Initiative(MAI)

- (a) Under MAI scheme, Financial assistance is provided for export promotion activities on focus country, focus product basis. Financial assistance is available for Export Promotion Councils (EPCs), Industry and Trade Associations (ITAs), Agencies of State Government, Indian Commercial Missions (ICMs) abroad and other national level institutions/eligible entities as may be notified.
- (b) The activities that can be funded under MAI scheme include, amongst others,
 - (i) Market studies/surveys,
 - (ii) Setting up of showroom / warehouse,
 - (iii) Participation in international trade fairs,
 - (iv) Displays in International departmental stores,
 - (v) Publicity campaigns,
 - (vi) Brand promotion,
 - (vii) Reimbursement of registration charges for pharmaceuticals and expenses for carrying out clinical trials etc., in fulfillment of statutory requirements in the buyer country,
 - (viii) Testing charges for engineering products abroad,
 - (ix) Assistance for contesting Anti Dumping litigations etc.
- (c) Each of these export promotion activities can receive financial assistance from Government ranging from 25% to 100% of total cost depending upon activity and implementing agency. Full text of guidelines is available at <http://commerce.nic.in>.

3.3

Marketing Development Assistance (MDA)

- (a) Under MDA Scheme, financial assistance is provided for a range of export promotion activities implemented by EPCs and Trade Promotion Organizations on the basis of approved annual action plans. The scheme is administered by DoC. Assistance includes, amongst others, participation in:
- (i) Trade Fairs and Buyer Seller meets abroad or in India, and
 - (ii) Export promotions seminars.
 - (iii) Financial assistance with travel grant is available to exporters traveling to focus areas, viz., Latin America, Africa, CIS region, ASEAN countries, Australia and New Zealand. In other areas, financial assistance without travel grant is available.
- (b) MDA assistance is available for exporters having an annual export turnover as prescribed in MDA guidelines. Full text of guidelines is available at <http://www.commerce.nic.in>.

3.4

Meeting expenses for statutory compliances in buyer country for Trade Related Matters

DoC may reimburse expenses/charges for fulfilling statutory requirements in the buyer country, including registration charges for product registration for pharmaceuticals, biotechnology and agro-chemicals products on recommendation of EPCs. Financial assistance is also provided for contesting litigation(s) in the foreign country concerning restrictions/anti dumping duties etc. on product(s) of Indian origin, as provided under the Market Access Initiative (MAI) Scheme of DoC. Guidelines are available at <http://www.commerce.nic.in>.

3.5

Towns of Export Excellence (TEE)

- (a) A number of towns have emerged as dynamic industrial clusters contributing handsomely to India's exports. It is necessary to grant recognition to these industrial clusters with a view to maximize their potential and enable them to move up the value chain and also to tap new markets.
- (b) Selected towns producing goods of Rs. 750 Crore or more will be notified as TEE based on potential for

growth in exports. However for TEE in Handloom, Handicraft, Agriculture and Fisheries sector, threshold limit would be Rs 150 Crores. The following facilities will be provided to such TEE's:

- (i) Recognized associations of units will be provided financial assistance under MAI scheme, on priority basis, for export promotion projects for marketing, capacity building and technological services.
 - (ii) Common Service Providers in these areas shall be entitled for EPCG scheme.
 - (iii) The projects received from TEEs shall be accorded priority by SLEPC (State Level Export Promotion Committee) for financial assistance under ASIDE.
- (c) Notified Towns (TEEs) are listed in Appendix 7 of HBPv1.

3.6

Brand Promotion and Quality

- (a) IBEF (originally called India Brand Equity Fund and later renamed as India Brand Equity Foundation) was set up by the Ministry of Commerce on 11th July, 1996, with the primary objective to promote and create international awareness of the "Made in India" label in markets overseas. IBEF aims to promote India as a business opportunity by creating positive economic perceptions of India globally as well as effectively present the India business partnerships in a globalised market-place.
- (b) DOC provides funds to national level Institutions and EPCs for capacity building, up-gradation of quality, organizing training programs for skill improvement of exporters for quality up-gradation, reduction in rejection and product improvement etc. as provided under the Market Access Initiative (MAI) Scheme of DOC.

Details are available at www.commerce.nic.in

3.7

Test Houses

Central Government will assist in modernization and up gradation of test houses and laboratories to bring them at par with international standards.

Details of scheme are available at www.commerce.nic.in

PROMOTIONAL MEASURES IN DGFT

3.8 Regional Sub-Committee on Quality Complaints (RSCQC) set up at Regional Offices of this Directorate shall investigate quality complaints received from foreign buyers. Guidelines for settlement of quality and other complaints, in general, are given in Appendix-16 of HBPv1

Quality Complaints/ Disputes

3.9 (a) If anything comes to notice of DGFT or he has reason to believe that an export or import has been made in a manner that

Trade Disputes affecting Trade Relations

- (i) is gravely prejudicial to trade relations of India with any other country; and / or
- (ii) is gravely prejudicial to interest of other persons engaged in exports or imports; and / or
- (iii) has brought disrepute to the country.

(b) DGFT may take action against such exporter or importer in accordance with FT (D&R) Act, Rules and Orders made there-under and FTP.

3.10 EXPORT AND TRADING HOUSES

3.10.1 Merchant as well as Manufacturer Exporters, Service Providers, Export Oriented Units (EOUs) and Units located in Special Economic Zones (SEZs), Agri. Export Zones (AEZs), Electronic Hardware Technology Parks (EHTPs), Software Technology Parks (STPs) and Bio-Technology Parks (BTPs) shall be eligible for recognition as a status holder.

Eligibility for Export and Trading Houses Status

3.10.2 Status recognition depends upon export performance. An applicant shall be categorized as status holder upon achieving export performance indicated in table below. The export performance will be counted on the basis of FOB value of export proceeds realized during current plus previous three years (taken together). For Export House (EH) Status, export performance is necessary in at least two out of four years.

Status Category

Status Category	Export Performance FOB / FOR Value (Rupees in Crores)
Export House (EH)	20
Star Export House (SEH)	100
Trading House (TH)	500
Star Trading House (STH)	2500
Premier Trading House (PTH)	7500

3.10.3

Double Weightage and other conditions for Grant of Status

- (a) Exporters in Small Scale Industry (SSI) / Tiny Sector / Cottage Sector, Units registered with KVICs / KVIBs, Units located in North Eastern States, Sikkim and Jammu & Kashmir, Units exporting handloom/handicrafts / hand knotted or silk carpets, exporters exporting to countries in Latin America / CIS / sub-Saharan Africa as listed in Appendix-9, Units having ISO 9000 (series) / ISO 14 000 (series) / WHOGMP/ HACCP / SEI CMM level-II and above status granted by agencies listed in Appendix-6 of HBP v1, exports of services and exports of agro products shall be entitled for double weightage on exports made for grant of status. Double Weightage shall be admissible to Merchant as well as Manufacturer Exporters. However, a shipment can get double weightage only once in any one of above categories.
- (b) Transfer of export performance from one to another is not permitted. Therefore disclaimer system shall not be allowed for counting of export turnover.
- (c) Exports made on re-export basis shall not be counted for recognition.
- (d) Exports made by subsidiary of a limited company shall be counted towards export performance of limited company for recognition only if limited company has a majority share holding in subsidiary company.

3.10.4

A Status Holder shall be eligible for privileges as under:

Privileges of Export and Trading Houses Status Holders

- (a) Authorization and Customs Clearances for both imports and exports on self-declaration basis;
- (b) Fixation of Input-Output norms on priority within 60 days;
- (c) Exemption from compulsory negotiation of documents through banks. Remittance / Receipts, however, would be received through banking channels;
- (d) Exemption from furnishing of BG in Schemes under FTP;
- (e) SEHs and above shall be permitted to establish Export Warehouses, as per DoR guidelines.
- (f) For status holders, a decision on conferring of ACP Status shall be communicated by Customs within 30 days from receipt of application with Customs.
- (g) As an option, for Premier Trading House (PTH), the average level of exports under EPCG Scheme shall be the arithmetic mean of export performance in last 5 years, instead of 3 years.
- (h) Status Holders of specified sectors shall be eligible for Status Holder Incentive Scrip under Para 3 .16 of FTP.
- (i) Status Holders of Agri. Sector (Chapter 1 to 24) shall be eligible for Agri. Infrastructure Incentive Scrip under VKGUY - Para 3.13.4 of FTP

3.11

SERVICES EXPORTS

3.11.1

Services Exports

- (a) All 161 tradable services covered under General Agreement on Trade in Services (GATS) are listed in Appendix 10 of HBP v1. If consideration is received in free foreign exchange, these would be considered as service exports.

(b) All provisions of this Policy shall apply mutatis mutandis to export of services as they apply to goods.

**3.11.2
Registration
cum
Membership
Certificate
(RCMC) for
Service
Providers**

Software exporters shall register themselves with Electronics and Software EPC. Exporters of 14 specific services listed at Sl. No. 22 of Appendix 2 of HBPv1 are required to register themselves with Services EPC. Other service exporters shall register themselves with Federation of Indian Export Organisations (FIEO).

**3.11.3
Common
Facility Centers**

Government shall promote establishment of Common Facility Centers, in State and District level towns, for use by home-based service providers, particularly in areas like Engineering & Architectural Design, Multi-media operations, Software developers etc. to draw in a vast multitude of home-based professionals into services export arena.

REWARD/INCENTIVE SCHEMES IN DGFT

3.12 SERVED FROM INDIA SCHEME (SFIS)

**3.12.1
Objective**

Objective of SFIS is to accelerate growth in export of services so as to create a powerful and unique 'Served From India' brand, instantly recognized and respected world over.

**3.12.2
Eligibility**

Indian Service Providers, of services listed in Appendix 41 of HBPv1, who have free foreign exchange earning of at least Rs. 10 lakhs in current financial year will be eligible for Duty Credit Scrip. For Individual Indian Service Providers, minimum free foreign exchange earnings would be Rs 5 Lakhs.

**3.12.3
Ineligible
Services and
Service
Providers**

Services and Service Providers as listed in Para 3 .6.1 of HBPv1 shall not be entitled for benefits under the SFIS scheme.

- 3.12.4** Service Providers of services listed in Appendix 41 of HBPv1 would alone be eligible. Such eligible service providers will be entitled to Duty Credit Scrip equivalent to 10% of free foreign exchange earned during current financial year (w.e.f 1.1.2011). For services rendered prior to 1.1.2011, Appendix 10 of HBPv1 would be applicable.
- Entitlement**
- 3.12.5** Free foreign exchange earned through International Credit Cards and through any instrument as permitted by RBI for rendering of services shall also be taken into account for computation of Duty Credit Scrip.
- Eligible Remittances**
- 3.12.6** (a) Duty Credit Scrip may be used for import of any capital goods including spares, office equipment and professional equipment, office furniture and consumables; that are otherwise freely importable and / or restricted under ITC (HS). Imports shall relate to any service sector business of applicant.
- Imports Allowed**
- (b) Utilization of Duty Credit Scrip shall be permitted for payment of duty in case of import of only those vehicles, which are in the nature of professional equipment to the service provider.
- (c) Duty Credit Scrip in case of hotels, clubs having residential facility of minimum 30 rooms, golf resorts and stand-alone restaurants having catering facilities, may also be used for import of consumables including food items and alcoholic beverages.
- 3.12.7** Entitlement /goods (imported / procured) shall be non transferable (except within group company and managed hotels) and be subject to Actual User condition.
- Non Transferability**
- 3.12.8** Duty Credit Scrip shall be permitted to be utilised for payment of excise duty in terms of DoR notification issued in this behalf for procurement from domestic sources, in respect of items permitted for imports under SFIS Duty Credit Scrip.
- Procurement from Domestic Sources**

**3.13 VISHESH KRISHI AND GRAM UDYOG YOJANA (VKGUY)
(SPECIAL AGRICULTURE AND VILLAGE INDUSTRY
SCHEME)**

3.13.1 Objective Objective of VKGUY is to compensate high transport costs and offset other disadvantages to promote exports of the following products :

- (i) Agricultural Produce and their value added products;
- (ii) Minor Forest Produce and their value added variants;
- (iii) Gram Udyog Products;
- (iv) Forest Based Products; and
- (v) Other Products, as notified from time to time.

3.13.2 Entitlement (a) Products listed in Appendix 37A of HBPv1, shall be entitled for Duty Credit Scrip equivalent to 5 % of FOB value of exports (in free foreign exchange) for export made from 27.8.2009 onwards, unless a specific date of export/period is specified by a public notice/notification.

- (b) However, for exports made w.e.f 27.8.2009 (unless a specific date of export/ period is specified by a public notice/ notification), some Flowers and Fruits, as listed in Table 1 of Appendix 37A shall be entitled to an additional Duty Credit Scrip equivalent to 2 % of FOB value of exports; over and above the 5 % or 3 % reduced rate VKGUY entitlement as per para 3.13.3 below.

3.13.3 Applicability of Reduced Rate Duty Credit Scrip under VKGUY scheme shall be granted only at a reduced rate of 3 % of FOB value of exports in cases where exporter has also availed following benefits:

- (i) Drawback at rates higher than 1%; and/or
- (ii) Specific DEPB rate (i.e. other than Miscellaneous Category – Sr. Nos. 22 C & 22 D of Product Group 90); and/or
- (iii) Advance Authorization or Duty Free Import Authorization for Import of inputs (other than catalysts,

consumables and packing materials) for the export product for which Duty Credit Scrip under VKGUY is being claimed.

3.13.4

**Agri.
Infrastructure
Incentive Scrip**

- (a) Status Holders (having status recognition for the current year) exporting products covered under ITC HS Chapters 1 to 24 , shall be granted Duty Credit Scrip equal to 10% of FOB value of agricultural exports (including VKGUY benefits entitled under Policy Para 3.13.2) for exports made during a particular year. This shall be subject to the condition that the total benefits for all status holders put together does not exceed Rs 100 Cr (i.e. Rs 50 Cr for each half year) and the conditions specified in Para 3.7.2 of HBPv1 are satisfied.
- (b) Zonal Office, CLA, New Delhi shall be the licensing office for grant of Duty Credit Scrip to all status holders under this para.
- (c) The following capital goods / equipments shall be permitted for import:
 - (i) Cold storage units (including Controlled Atmosphere (CA) and Modified Atmosphere (MA) Stores); Precooling Units and Mother Storage Units for Onions, etc.;
 - (ii) Pack Houses (including facilities for handling, grading, sorting and packaging etc.); for items notified in Appendix 37 F.
 - (iii) Reefer Van / Containers; and
 - (iv) Other Capital Goods / Equipment as may be notified in Appendix 37 F.
- (d) Imported capital goods/equipment shall be utilized for storage, packing etc. (as in (ii) above) and transportation of agricultural products (including agro-

processed perishable products).

- (e) This additional benefit shall be subject to actual user condition and hence non-transferable.
- (f) For import of Cold Chain Equipment this Scrip shall be freely transferable amongst Status Holders as well as to Units (the term 'Units' shall not include Developers) in the Food Parks.

3.14 FOCUS MARKET SCHEME (FMS)

3.14.1 Objective Objective of FMS is to offset high freight cost and other externalities to select international markets with a view to enhance India's export competitiveness in these markets.

3.14.2 Entitlement

- (a) Exporters of all products to countries notified in Table 1 and 2 of Appendix 37C of HBPv1 shall be entitled for Duty Credit Scrip equivalent to 3 % of FOB value of exports (in free foreign exchange) for exports made from 27.8.2009 onwards, unless a specific date of export/period is specified by a public notice/notification.
- (b) Export of products to countries notified in Table 3 of Appendix 37 C of HBP v1 will be entitled for additional Duty Credit Scrip @ 1% of FOB value of exports (in free foreign exchange) for export made with effect from 01.04.2011.

3.14.3 The following categories of export products / sectors shall be ineligible for Duty Credit Scrip, under FMS:

Ineligible Exports Categories / Sectors for FMS

- (i) Supplies made to SEZ units;
- (ii) Service Exports;
- (iii) Diamonds and other precious, semi precious stones;
- (iv) Gold, silver, platinum and other precious metals in any form, including plain and studded Jewellery;
- (v) Ores and Concentrates, of all types and in all forms;
- (vi) Cereals, of all types;
- (vii) Sugar, of all types and in all forms;

- (viii) Crude / Petroleum Oil & Crude / Petroleum based Products covered under ITC HS codes 2709 to 2715, of all types and in all forms; and
- (ix) Export of Milk and Milk Products covered under ITC HS Codes 0401 to 0406, 1 9011 001, 1 9011 010, 2105 & 3501.

3.15 FOCUS PRODUCT SCHEME (FPS)

3.15.1 Objective Objective of FPS is to promote export of products which have high export intensity / employment potential, so as to offset infrastructural inefficiencies and other associated costs involved in marketing of these products.

3.15.2 Entitlement

- (a) Export of products (listed in Table 1 of Appendix 37D of HBPv1) to all countries (including SEZ units) shall be entitled for Duty Credit Scrip equivalent to 2 % or 5% of FOB value of exports (in free foreign exchange) for exports made from 27.8.2009 onwards, unless a specific date of export/period is specified by public notice/notification.
- (b) Certain Focus Product(s)/sector(s) listed in Appendix 37D shall be granted bonus benefit in the form of an additional Duty Credit Scrip equivalent to 2% of FOB value of exports (in free foreign exchange) over and above the existing rate for that product/sector from the admissible date of export/period specified in the public notice issued to notify the product/sector.

3.15.3 Market Linked Focus Products Scrip (MLFPS)

Export of Product/Sectors of high export intensity/ employment potential (which are not covered under present FPS List) would be incentivized @ 2 % of FOB value of exports (in free foreign exchange) for exports made from 27.8.2009 onwards, unless a specific date of export/period is specified by public notice/notification, under FPS when exported to the Linked Markets (countries), which are not covered in the present FMS list. Such products are listed in Table 2 of Appendix 37D of HBPv1.

3.16 Status Holders Incentive Scrip (SHIS)

- 3.16.1** (a) Objective of SHIS is to promote investment in upgradation of technology.
- (b) Status Holders of sectors specified in Para 3.16.4 below, shall be entitled to a Duty Credit Scrip @1% of FOB value of exports made during 2009-10 ,2010-11,2011-12 and 2012-13.
- (c) Status Holders of additional sectors listed in Para 3.10.8 of HBPv1 2009-14 (RE-2010) shall also be eligible for this Status Holders Incentive Scrip on exports made during 2010-11, 2011-12 and 2012-13.
- (d) This shall be over and above any Duty Credit Scrip claimed/availed under this chapter.
- 3.16.2** Status Holders availing Technology Upgradation Fund Scheme (TUFS) benefits (administered by Ministry of Textiles) during a particular year shall not be eligible for Status Holders Incentive Scrip for exports of that year.
- 3.16.3** The Status Holders Incentive Scrip will be subject to actual user condition. However transferability will be permitted amongst status holders subject to the condition that the transferee status holder is a manufacturer. Status Holder Incentive Scrip shall be used for import of capital goods (as defined in FTP) relating to sectors specified in Para 3.16.4 below and para 3.10.8 of HBP. Only in respect of CG imported earlier, upto 10% value of the Duty Credit Scrip can be used for import of components, spares/parts of such CG.
- 3.16.4** Status Holders of the following Sectors shall be eligible for the Status Holders Incentive Scrip:
- (i) Leather Sector (excluding finished leather);
 - (ii) Textiles and Jute Sector;
 - (iii) Handicrafts;
 - (iv) Engineering Sector (excluding Iron & Steel,

Nonferrous Metals in primary or intermediate forms, Automobiles & two wheelers, nuclear reactors & parts and Ships, Boats and Floating Structures);

- (v) Plastics; and
- (vi) Basic Chemicals (excluding Pharma Products).

**3.17
Special
Provisions**

Common Provisions of Duty Credit Scrip, except where specifically provided for.

3.17.1

- (a) Government reserves the right in public interest, to specify export products or services or exports to such countries, which shall not be eligible for computation of entitlement.
- (b) Further Government reserves the right to impose / change the rate / ceiling on Duty Credit Scrip under this chapter.
- (c) Similarly, Government may also notify goods (in Appendix 37B of HBPv1), which shall not be allowed for import under Duty Credit Scrip.

3.17.2

**Ineligible
Exports
Categories/
Sectors**

For VKGUY, FMS, FPS (including MLFPS) and Status Holders Incentive Scrip, the following exports / categories/sectors shall be ineligible for Duty Credit Scrip entitlement:

- (i) EOUs / EHTPs / BTPs who are availing direct tax benefits / exemption;
- (ii) Export of imported goods covered under Para 2.35 of FTP;
- (iii) Exports through transshipment, meaning thereby that exports originating in third country but transshipped through India;
- (iv) Deemed Exports;
- (v) Exports made by SEZ units or SEZ products exported through DTA units; and

- (vi) Items, which are restricted or prohibited for export under Schedule-2 of Export Policy in ITC (HS).

- 3.17.3** FOB Value of Exports (in free foreign exchange) shall include up to 12.5% Foreign Agency Commission for computation of Duty Credit Scrip Benefit.
- Counting of Commission in FOB value of Exports (in free foreign exchange)**
- 3.17.4** (a) Duty Credit Scrip (FPS including MLFPS, FMS and VKGUY) and items imported against it would be freely transferable.
- Free Transferability**
- (b) Duty Credit Scrip under SFIS (Para 3.12) shall not be freely transferable.
- (c) Status Holder Incentive Scrip shall not be transferable except as permitted under Para 3.16.3 above.
- 3.17.5** (a) Duty Credit Scrip may be used for import of inputs or goods including capital goods, provided same is freely importable and / or restricted under ITC (HS). However, import of items listed in Appendix 37B of HBPv1 shall not be permitted to be debited.
- Imports Allowed/ Domestic Procurement**
- (b) Duty Credit Scrip under Chapter 3 of FTP can also be utilized for payment of duty against imports under EPCG scheme, provided the item is importable against the Scrip.
- (c) Duty Credit Scrip can also be utilised for payment of Excise Duty on domestic procurement of such items as permitted to be imported under respective scheme.
- 3.17.6** Additional customs duty/excise duty paid in cash or through debit under Duty Credit Scrip shall be adjusted as CENVAT Credit or Duty Drawback as per DoR rules, except under SFIS.
- CENVAT / Drawback**

- 3.17.7** Utilization of Duty Credit Scrip for imports from a port other than port of registration shall be allowed under Telegraphic Release Advice (TRA) facility as per DoR notification.
- TRA Facility**
- 3.17.8** Only one benefit under Chapter 3 schemes can be claimed by an exporter for a particular shipment.
- Exclusivity of Entitlement**
- 3.17.9** Duty Credit Scrip can be utilised for payment of duty in case of import of capital goods under lease financing in terms of provision in Para 2.25 of FTP.
- Import under Lease financing**
- 3.17.10** (a) Transfer of export performance from one to another shall not be permitted. Thus, a shipping bill containing name of applicant shall be counted in export performance / turnover of applicant only if export proceeds from overseas are realized in applicant's bank account and this shall be evidenced from BRC / FIRC.
- Transfer of Export Performance**
- (b) However, for VKGUY, FMS and FPS (including MLFPS), benefits can be claimed either by the supporting manufacturer (along with disclaimer from the company /firm who has realized the foreign exchange directly from overseas) or by the company / firm who has realized the foreign exchange directly from overseas.
- 3.17.11** Duty Credit Scrip can also be utilised / debited for payment of Custom Duties in case of EO defaults for Authorizations issued under Chapters 4 and 5 of this Policy. However, penalty / interest shall be required to be paid in cash.
- Facility of Payment of Customs Duties in case of E.O. defaults**