Highlights of Foreign Trade Policy 2015-20

**Background**

The long awaited Foreign Trade Policy 2015-20 (‘the FTP’ or ‘the policy’) has been announced by the government.

The highlights of the policy are summarised below.

### Merchandise Export from India Scheme (MEIS)

- Existing multiple schemes like Focus Product Scheme, Focus Market Scheme, Market Linked Focus Product Scheme, etc. have been consolidated and replaced by a single MEIS

- Notified goods like; dairy products, vegetables, confectionary, pharmaceutical products, capital goods, etc. exported on and after 1 April 2015 to notified markets/countries are provided a benefit ranging from 2 per cent to 5 per cent of FOB value of exports or FOB value realised, whichever is less

- Benefit also extended to export of goods through courier or foreign post office using e-commerce up to FOB value of INR25,000

- MEIS scrip can be *inter alia* used for payment of customs duty, excise duty and service tax

- Additional customs duty, excise duty and service tax paid through cash or debit to scrip available as CENVAT credit or drawback. Basic customs duty paid in cash or through debit in scrip eligible for drawback

### Service Exports from India Scheme (SEIS)

- SEIS replaces the Served from India Scheme (SFIS) and extends the benefit of duty exempted scrip to service providers located in India and providing notified services in a specified mode outside India

- Service provider with minimum net foreign exchange earnings of USD15,000 in the preceding financial year (earlier INR10 lakh of foreign exchange earnings) is eligible for benefit under the scheme

- Service providers will be issued SEIS scrip of 5 per cent or 3 per cent (depending on the category of service) of net foreign exchange earned. Earlier SFIS scheme provided scrip of 10 per cent of net foreign exchange earned

- Benefit of SEIS is extended to SEZ units. However, it appears by oversight the export by SEZ units continues to be part of ineligible exports for the scheme. We understand that the intention of the government is to extend the benefit to SEZ units
Benefits of SEIS are similar to MEIS (including availment of CENVAT credit and drawback) and these scrips and the goods imported or locally procured are freely transferable.

The exports made up to 31 March 2015 and scrips applied for during the same period will be governed by the provisions of SFIS.

### Export Promotion Capital Goods Scheme (EPCG)

- In case of import of capital goods under EPCG scheme, export obligation of six times of duty saved is required to be met. Reduced export obligation (25 per cent less than normal export obligation) in case of local sourcing of capital goods has now been prescribed.
- Exporter registered with the excise authorities has now the option to furnish an installation certificate confirming receipt of capital goods from a Chartered Engineer subject to conditions.
- Installation certificate is normally required to be submitted within six months of the completion of the imports. Licensing authority can now extend the period of furnishing the installation certificate by another 12 months.
- Specified guidelines for maintenance of average export obligation and specified export obligation notified in case of exit of an EOU or SEZ unit under the EPCG scheme.

### Export Oriented Unit (EOU)/Software Technology Park (STP) scheme

- Extension of one year in achieving net foreign exchange earnings to be granted by Board of Approval (BoA) on a case to case basis under specific circumstances.
- Letter of Permission will now have initial validity of two years (earlier three years) for implementation of project and commencement of production. Further, extension of one year (earlier three years) on a case to case basis allowed.

- Unit Approval Committee/Inter Ministerial Standing Committee (IMSC) to consider sharing of infrastructural facilities among EOUs/STPs on a case to case basis and on recommendation to BoA. However, sharing of facilities between EOUs/STPs and SEZs shall not be permitted.
- Subject to approval by IMSC, STP unit can set up for undertaking re-conditioning, repair, remaking, testing, etc. for exports subject to conditions.
- Simplified procedure to be provided to fast track debonding/exit of the STP units who have not availed duty exemption benefit.
- Facility to set up a warehouse outside the premises and near a port of export permitted, subject to conditions.
- EOUs having a physical export turnover of INR10 crore or more allowed fast track clearances on their procurement.

### Miscellaneous

- Exemption under Duty Free Import Authorisation Scheme now restricted to basic customs duty as against complete exemption from customs duty earlier. However, additional customs duty will be available as CENVAT credit subject to conditions.
- Eligibility criteria for grant of ‘status’ to an exporter, revised. Deemed export will now be considered for determining ‘export performance’. Additional facilitation in terms of self-certification, export promotion, etc. extended.
- Export obligation period for exports of defence, military store, aerospace, and SCOMET items, etc. under Advance Authorisation extended to 24 months (earlier 18 months).
- Recovery and penal proceedings in case of mis-declaration/mis-representation of facts to claim deemed export benefits notified.
- Trade facilitation measures to reduce transaction costs and document handling introduced in terms of on-line application filing, online inter-ministerial consultation, physical record maintenance, submission of multiple documents, etc.
Our comments

In this FTP, focus has been on simplicity and stability. Further, the policy on one hand seeks to realign multiple schemes with the objective of reducing the complexities, on the other hand it wants to promote increased use of technology to reduce the transaction cost and manual compliances.

By extending benefits under EPCG on domestic procurements and offering them to more products under MEIS, the policy seeks to further incentivise the exports.

While the measures proposed in the policy are not radical, they appear to be in the right direction.

Source: Foreign Trade Policy 2015-20 notified on 1 April 2015