

F.NO.605/50/2005-DBK
Government of India
Ministry of Finance
Department of Revenue

Sub : Annual Supplement to Foreign Trade Policy, 2004-09 – Changes made in EPCG, DFRC, DEPB and Advance Licencing Schemes – regarding.

The Annual Supplement to Foreign Trade Policy, 2004-09 has been notified on 8th April, 2005. Amendments have been made in the existing DFRC, EPCG and Advance Licencing Schemes. Some changes have also been incorporated in Vishesh Krishi Upaj Yojana and Served from India Scheme. The details of the amendments made in the Annual Supplement to the FTP 2004-09 are as follows.

2. Vishesh Krishi Upaj Yojana :

Benefits under 'Vishesh Krishi Upaj Yojana' have been extended to exports of poultry and dairy products in addition to exports of flowers, fruits, vegetables, minor forest produce and their value added products. Under this Scheme the exporters of these agricultural products get entitlement for duty credit scrip equivalent to 5% of FOB value of the exports. Notification No. 41/2005 – Customs, dated 9.5.2005 has been issued to operationalise the Scheme. Procedural guidelines for the Scheme have also been notified by DGFT and the exporter has been given the flexibility to obtain duty credit certificates in split form enabling utilization of the licences easier.

3. Served from India Scheme

To enable the service providers to upgrade the infrastructure in their associate companies, the goods imported under the 'Served from India' Scheme have been made transferable within the Group companies and managed hotels subject to Actual User condition. (Para 3.6.4.6 of FTP). Notification No. 46/2005-Cus dated 17.5.2005 (vide Sl.No. 11) has been issued to give effect to this provision.

4. EPCG Scheme

4.1 A number of amendments has been made in the EPCG Scheme. These amendments, inter-alia, are as follows :

- (i) For providing a thrust to the Agricultural Sector, agro units have been allowed to fulfil the export obligation over a longer period of time with a reduced export obligation i.e. 6 times the duty saved in 12 years instead of the normal window of 8 times the duty saved in 8 years. (Para 5.1 of the FTP).
- (ii) To promote capacity expansion and quality upgradation in the SSI sector, import of capital goods at concessional customs duty has now been allowed subject to fulfilment of an export obligation equivalent to 6 times the duty saved in 8 years. (Para 5.1 of the FTP).
- (iii) To create modern infrastructure in the retail sector, concessional duty benefits under EPCG Scheme have been extended for import of capital goods required by retailers having a minimum covered shopping area of 1000 sq. meters. As per Para 5.4 of FTP, the retailer shall fulfil the export obligation under the

Scheme from payments received against 'counter sales' in free foreign exchange through banking channels as per RBI guidelines.

- (iv) With a view to accelerating exports under the Scheme and to incentivise fast track companies, firms making 75% or more of the exports under the EPCG Scheme (including average level of exports) in half or less than half the original export obligation period, have been freed from the balance export obligation. (Para 5.11 of FTP).
- (v) As a measure of procedural simplification, the units not registered with Central Excise have been allowed to obtain certificates from a Chartered Engineer (instead of Central Excise Authorities) about installation of capital goods imported under the Scheme. Firms importing spares under EPCG Scheme shall also be required to submit a Chartered Engineer certificate only instead of a certificate from Central Excise authorities. (Para 3 (f) of the Annual Supplement to FTP)

4.2 The EPCG Scheme allows import of capital goods to service providers in the Port Handling sector with the benefit that the export obligation may also be fulfilled by earning of such service charges in Indian rupees which are otherwise considered as having been paid in free foreign exchange by the Reserve Bank of India. This facility has now been extended to include minor ports including ICDs and Container Freight Stations also. Hitherto, this facility was limited to service providers in major sea-ports only.

4.3 Notification No. 97/2004 – Customs, dated 17.9.2004 has been suitably amended by notification No. 46/2005-Cus dated 17.5.2005 (vide SI.No.15) to implement the aforesaid provisions of the FTP.

5. **Advance Licensing Scheme**

The changes brought about in Advance Licensing Scheme are as under:

5.1 Safeguard duty and anti-dumping duty have been exempted on inputs under Advance Licence for deemed export supplies made to projects under ICB procedure. (Para 4.1.4 of the FTP).

5.2 The scope of Advance Licence for Annual Requirement has been extended to all categories of exporters having past export performance. Earlier, the licences were issued to status holders only. (Para 4.1.10 of FTP)

5.3 Units registered under BIFR & sick SSI units have been allowed export obligation (EO) extension as per the rehabilitation package or a period upto five years reckoned from the date of issuance of the advance licence, whichever is higher. (Para 4.1.9A of the FTP)

5.4 Transfer of duty free material imported or procured under Advance Licence from one unit of the company to another unit of the same company has been allowed with prior intimation to the jurisdictional central excise authority. Earlier prior permission of the jurisdictional central excise authority was required. However, to avail the facility as per Para 4.5 of HBP all such units are required to follow the Central Excise procedure pertaining to job work.

5.5 The licensees have been allowed to get the duty free inputs processed from any manufacturer under actual user condition subject to central excise procedure relating to job work after redemption of BG/LUT (Para 4.16 of HBP)

5.6 Notification No. 46/2005-Customs, dated 17.5.2005 may be referred to for details.

6. **Duty Free Replenishment Certificate Scheme**

6.1 Brass scrap, Additives, Paper/Paper Board and Dye Stuffs have been removed from the sensitive list of items specified under DFRC. The list of sensitive items given at Para 4.31 of HBP has thus been pruned down to nine items.

6.2 A provision for re-credit on account of rejection of goods imported under DFRC has been made similar to the facility available under DEPB and Advance Licence. While allowing re-credit, 95% of the value of the DFRC shall be credited. Para 4.36A of HBP may be referred for details. A Circular (No. 29/ Customs, dated 8.7.2005) has been issued outlining the procedure for this purpose.

7. Duty Entitlement Pass Book (DEPB) Scheme

DEPB Scheme has been extended upto 30.9.2005 vide notification No.31/2005-Cus dated 30.3.2005.

8. Marine Sector

For the development and growth of exports in the marine sector, a new package has been introduced. The facilities extended to this sector include:

(a) Duty free import of specified specialized inputs/chemicals and flavouring oils etc. to the extent of 1% of FOB value of preceding financial years export. [Para 1B.1 (vi)(a) of FTP].

(b) Import of monofilament long line system for tuna fishing at a concessional rate of duty. [Para 1B.1 (vi)(b) of FTP]

(c) A self removal procedure for clearance of seafood waste subject to prescribed wastage norms. [Para 1B.1 (vi)(c) of FTP].

Notification No. 21/2002-Customs, dated 1.3.2002 has been suitably amended by notification No. 47/2005 – Customs, dated 17.5.2005 and notification No. 65/2005 - Customs, dated 12.7.2005 to give effect to the provision referred to at (a) above. The provision at (b) above has been implemented by inserting a new entry at S.No. 508 of notification No. 21/2002 – Customs vide notification No. 37/2005 – Customs, dated 2.5.2005 . The procedure for clearance of seafood waste will be notified separately.

9. Execution of BG/LUT

The quantum of Bank Guarantee in respect of “Other Manufacturer Exporters” category has been reduced from 25% to 15%. Units in Agri Export Zones (AEZs) will also be eligible for Bank Guarantee of 15%. This apart, the facility of 15% Bank Guarantee has also been extended to ‘established service providers’ who have free foreign exchange earnings of Rs.50 lakhs or more during the preceding financial year and have a clean track record. Circular No.58/2004-Customs, dated 21.10.2004 stands modified to this effect. It is clarified that the facility of lower Bank Guarantee will be available in respect of imports made on or after 8.4.2005.

10. Other Issues

10.1 Third Party Exports

In terms of para 2.34 read with para 9.62 of the Foreign Trade Policy, 2004-09, “Third Party Exports” have been defined to mean exports made by an exporter or manufacturer on behalf of another exporter(s). In such cases, export documents such as shipping bills etc. shall indicate the name of both the manufacturing exporter/ manufacturer and third party exporter(s). The BRC, GR declaration, export order and the invoice should be in the name of the third party

exporter. The definition of "Third Party Exports" in Circular No.120/95-Cus. dated 23.11.1995 accordingly stands amended to fall in line with the definition of third party exports given under the Foreign Trade Policy. The other conditions of the Circular will remain unchanged.

11. A suitable Public Notice and Standing Order may be issued for the guidance of the trade and staff. Difficulties faced, if any, in implementation of the Circular may be brought to the notice of the Board at an early date.

Receipt of this Circular may kindly be acknowledged.

H.K.Prasad
Under Secretary (DBK)

