

1st June, 2006

**F.No.:DGEP/FTP/382/2006**

Government of India

Ministry of Finance

Department of Revenue

Central Board of Excise & Customs

**Sub: Revision of Foreign trade Policy (FTP) announced on 07.04.2006- Amendment of notification relating to EOU and Gems & Jewellery sector and Procedural changes made effected-reg.**

I am directed to invite your attention to the Annual supplement to Foreign Trade Policy, 1st September, 2004- 31<sup>st</sup> March, 2009, brought into effect from 1.4.2006 . The said Annual supplement to Foreign Trade Policy (**FTP**) and Handbook of Procedures (**HBP**) brings about certain changes relating to EOU/EHTP/STP Schemes and Gem and Jewellery Sector. To implement these changes, amendments have been made in the concerned notifications governing EOU/EHTP/STP schemes and Gems and Jewellery Sector. In this regard notification **Nos 44/2006-Cus and 31/2006-CE, both dated the 17<sup>th</sup> May, 2006** may please be referred to. Important features of the amendments are discussed below:

## **A. EOU/EHTP/STP Schemes**

### **1. Procurement & supplies of spares & components**

The EOU/EHTP/STP units were allowed to import/ procure spares and components duty free for the purpose of supplying the same with the export articles manufactured by the unit for after sales service subject to condition that such supply is specifically stipulated in the relevant export contract. The said provision has been relaxed in order to align with the amendment brought in para 6.2 (h) of FTP. The unit can now also supply spares and components separately but within warranty period of the exported articles to the same consignee or buyer as the exported articles, subject to observance of all conditions as existed earlier. To implement this provision, notification No. 52/2003-Cus and 22/2003-CE dated the 31<sup>st</sup> March, 2003 has been amended suitably (refer para 10 and 10A respectively).

The export value of supplies of such spares & components shall not be counted towards fulfillment of NFE and DTA entitlements. However, import of such spares & components shall be considered for computation of sum total of all imported goods for arriving at NFE.

## **2. Duty Free Import and Procurement of Export Promotion Materials**

In the revised Foreign Trade Policy, a new provision has been incorporated providing for procurement and supply of export promotion material like brochures, literatures, pamphlets, hoardings, catalogues and posters of products to the extent of 1.5% of the value of exports of the previous year [ para 6.2(a) of FTP]. In order to implement this provision of FTP, the notification No 52/2003-Customs and 22/2003-CE dated the 31<sup>st</sup> March, 2003 has been amended suitably so as to allow duty free import and procurement of export promotion material like brochures, literatures, pamphlets, hoardings, catalogues and posters of products to the extent of 1.5% of the value of exports of the previous year.

The export value of supplies of such promotional material shall not be counted towards fulfillment of NFE and for availing DTA entitlement as specified in para 6.8 of FTP. However, import of such promotional material shall be considered for computation of sum total of all imported goods for arriving at NFE.

## **3. Disposal of left over textile fabric or textile material**

In the FTP [ para 6.15(c)], there was a provision allowing clearance of unutilized left over textile fabric and textile material into DTA on payment of duty to the extent of 2% of the CIF value/quantity of the imported consignment to which this left over textile fabric and textile material relates. It has been brought to the notice of the Board that such clearance is allowed on consignment basis, which creates difficulty for the units. It has been requested to allow the units to clear left over textile fabric and textile material to the extent of 2% of CIF value or quantity of the imported consignment in the previous year to which this left over textile fabric or textile material relates, whichever is lower. In order to obviate the difficulties of the units, notification No. 52/2003-Cus and 22/2003-CE dated the 31<sup>st</sup> March, 2003 has been amended suitably (refer para 11A and 10B respectively).

## **4. Removal of capital goods for repair**

Hitherto, only status holder EOU/EHTP/STP units were allowed to take out capital goods out of the bonded premises within the country for the purpose of test, repair, calibration and refining on the basis of prior intimation to the proper officer. Paragraph 6.28.1 of the Handbook of Procedure has been revised so as to allow removal of capital goods by all units irrespective of status within the country for the purpose of test, repair, calibration and refining on the basis of prior intimation to the proper officer subject to maintenance of proper accounts of removal and receipts of goods. The relevant provisions of the notification No 52/2003-Customs and 22/2003-CE dated the 31<sup>st</sup> March, 2003 has been amended suitably (refer condition (4) (iiia) and para 2(i) respectively) so as to align with the revised provision of HBP.

## **5. Inter unit transfer of manufactured goods**

Paragraph 6.13 of the Foreign Trade Policy provides for transfer of manufactured goods from one EOU/EHTP/STP to another EOU/EHTP/STP unit. This provision has been revised so as to allow inter unit transfer of manufactured goods on the basis of prior intimation to the Development Commissioner and Customs/ Central Excise authorities following the procedure for in bond movement of goods. The corresponding provisions in the notification No. 52/2003-Cus and 22/2003-CE dated the 31<sup>st</sup> March, 2003 has been amended suitably (refer condition (4) (ii) and para 2(ii & iv) respectively). Now, the capital goods and goods manufactured, produced, processed, or packaged in the unit can be taken to any other unit in a special economic zone (SEZ), or to other Export Oriented Undertaking (EOU), or Electronic Hardware Technology Park (EHTP) unit, or Software Technology Park (STP) unit without payment of duty for the purpose of manufacture and export there from or for use within the unit after giving intimation to the proper officer subject to maintenance of accounts of such removal and receipt and following in-bond movement of the goods or re-warehousing procedure as the case may be.

## **6. Contract farming**

The EOUs engaged in production/processing of agricultural products are allowed to send specified duty free goods out side the unit for the purpose of contract farming. Hitherto, the units which were in existence for less then two years were required to furnish bank guarantee equivalent to the duty forgone on the goods proposed to be taken out for the purpose of contract farming. This provision of HBP [para 6.22] has been amended so as to provide that all units which intend to send goods out side for contract farming shall be required to furnish bank guarantee equivalent to the duty forgone on the goods proposed to be taken out for the purpose of contract farming irrespective of length of existence of the unit. The relevant provisions in the notification 52/2003-Customs and 22/2003-CE dated the 31<sup>st</sup> March, 2003 (refer clause (ii) of para 6 and clause (ii) of para 5 respectively) governing duty free import and procurement of goods by EOU/EHTP/STP units, respectively, have been suitably amended so as to align with the revised provision of HBP.

## **7. Fast track Scheme for EOUs for import of goods**

EOUs having a status holder certificate under the Foreign Trade Policy shall be eligible for the Fast Track Clearance Procedure under para 6.39 of Hand Book of Procedure (HBP). To give effect to the provisions under para 6.39.3 of HBP, the Board has decided to extend the facility of importing goods without payment of duty on the basis of pre-authenticated procurement certificate to the units having physical export turnover of Rs 15 crores and above in the preceding financial year and having a clean track record. The request to issue pre-authenticated procurement certificate will be submitted to the jurisdictional Asstt./Dy. Commissioner of Customs/Central Excise. After examination of the request, the Asstt./Dy. Commissioner of Customs/Central Excise may issue direction to the jurisdictional Superintendent to issue the pre-authenticated procurement certificate to the unit in a booklet form with running serial number calendar year wise. The unit shall ensure that the consignment under clearance under such pre-authenticated procurement certificate is covered by the Bond amount under B-17 Bond. The procedure of in-bond movement, examination, bonding and issue of rewarehousing certificate will be followed as usual.

## **8. Export under cover of Shipping Bill**

It has been brought to the notice of the Board that in certain Commissionerates where EOUs export goods under Shipping Bill procedure, a visit to the jurisdictional Customs office is required to get the Shipping Bill number. In order to simplify this procedure, the Board has decided that the unit can use

Shipping Bill with running serial number beginning from the first day of the financial year in line with the procedure being followed with respect to export of goods under cover of A.R.E.1 as prescribed under Chapter 7 (Part-II) of the CBEC's Central Excise Manual. The serial number of the Shipping Bill shall be intimated in advance to the jurisdictional Superintendent of Customs/Central Excise. Furthermore, EOUs exporting goods under self-sealing and self-certification procedure, shall submit a copy of such Shipping Bill along with Invoice and packing list to the jurisdictional Customs/Central Excise officer within twenty four hours of removal of goods. For the current financial year, this facility can be availed from 1<sup>st</sup> July, 2006.

## **9. Declaration of warehousing station**

The Board has received representations that no uniform procedure is followed for declaration of warehousing station which causes delays. Warehousing station is to be notified by the Board for appointment of public warehouse and licensing of the private warehouse in terms of Section 9 of the Customs Act, 1962. This power has been relaxed and Commissioner of Customs are empowered to declare places to be warehousing stations under Section 9 of the Customs Act, 1962 in respect of Export Oriented Units (EOUs) under notification no. 33/94-Cus (N.T.) dated the 1<sup>st</sup> July, 1994. In order to ensure that warehousing stations are declared in a time bound manner, the Board prescribes the following procedures:

An EOU may apply to the jurisdictional Commissioner of Customs with a copy of LOP issued by the Development Commissioner giving details of the area, survey number and area map duly certified by the jurisdictional Revenue Official. The said Commissioner may call for a verification report from the Dy/Asst. Commissioner within three days of receipt of the application. Within seven days, site verification is to be conducted by the jurisdictional Superintendent and a report to be submitted to the Dy/Asst. Commissioner. The Dy/Asst. Commissioner will send his recommendations keeping in mind the guidelines under para 3 of chapter 10 of CBEC's Customs Manual to the Commissioner within a period of three days. Upon being satisfied with the said report, the Commissioner would declare the warehousing station within a period of ten days.

In case, the Commissioner is not satisfied with regard to fulfillment of criteria laid down in Para 3 of chapter 10 of CBEC's Customs Manual, the case would be referred to the Board through Chief Commissioner for decision.

## **10. Procurement and export of gold/silver/platinum by Gems & Jewellery EOUs**

Gems & jewellery EOUs were required to export gems and jewellery within 90 days from the date of release of gold/silver/platinum when these were released on loan basis. The same time period is now prescribed even in case of outright purchase of precious metal from the nominated agencies. (Refer para 6.2 (f) of FTP)

### **B. Gems & Jewellery Export Promotion Scheme**

#### **1. Export of cut and polished precious and semi precious stones for treatment and re-import**

In order to give boost to Gems and jewellery sector, a new provision has been inserted in para 4A.20.1 of the FTP to allow treatment of cut and polished precious and semi precious stones to enhance the quality and afford higher value in the international market, as many of the stones mined in India require treatment, which is not available in India. To implement the same, a new provision has been inserted in the notification no. 94/96-Cus, dated the 16th December, 1996 as amended. An exporter can now export cut and polished precious and semi precious stones for treatment and can re-import the same after treatment on payment of duty of Customs which would be leviable if the value of re-imported precious and semi precious stones after treatment were made up of the fair cost of treatment carried out

including cost of materials used in such treatment, whether such costs are actually incurred or not, insurance and freight charges, both ways.

## **2. Research centre for testing of cut and polished diamonds for certification**

For certification of cut and polished diamonds, Diamond Trading Company, Maidenhead, United Kingdom has also been added in the list of laboratories/ agencies mentioned in the notification no. 55/2001-Cus, dated the 16th May, 2001 as amended.