

Bimal Jain

FCA, ACS, LLB, B.Com (Hons)

Dear Professional Colleagues,

Write off of unrealised export bills - RBI Circular

The Reserve Bank of India vide Circular No. 88 dated: March 12, 2013 (“**the Circular**”) has simplified procedure pertaining to write-off of unrealized export bills of goods and services subject to Circular No. 03 dated July 22, 2010 on surrender of export incentives.

Earlier the procedure for write off of unrealised exports bill was cumbersome and required fulfilment of various conditions depending upon status of exporter. Now the Circular has enable the exporter to do away with the respective conditions which was leading to duplication of efforts by explicitly stating the limits of “Write off” on same base and reducing the number of formalities.

In terms of the Circular the liberalized limit of “write-offs” of unrealized export bills are as under:

1	Self “write-off” by an exporter (Other than Status Holder Exporter)	5%*
2	Self “write-off” by Status Holder Exporters	10%*
3	“Write-off” by Authorized Dealer bank	10%*

**of the total export proceeds realized during the previous calendaryear.*

Further the above limit will be related to total export proceeds realized during the previous calendar year and will be cumulatively available in a year.

The following conditions are required to be fulfilled in order to avail benefit of above write off:

1. Unrealised export proceed remained outstanding for more than one year
2. Satisfactory documentary evidence is furnished in support of the exporter having made all efforts to realize the dues exists.
3. The case, interalia, must fall under any of the following categories:

i. The overseas buyer has been declared insolvent and a certificate from the official liquidator indicating that there is no possibility of recovery of export proceeds has been produced.

ii. The overseas buyer is not traceable over a reasonably long period of time.

Mobile: +91 98106 04563; E-mail: bimaljain@hotmail.com

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iii. The goods exported have been auctioned or destroyed by the Port/Customs/Health authorities in the importing country.

iv. The unrealised amount represents the balance due in a case settled through the intervention of the Indian Embassy, Foreign Chamber of Commerce or similar Organisation.

v. The unrealised amount represents the undrawn balance of an export bill (not exceeding 10 per cent of the invoice value) remained outstanding and turned out to be un-realizable despite all efforts made by the exporter.

vi. The cost of resorting to legal action would be disproportionate to the unrealised amount of the export bill or where the exporter even after winning the Court case against the overseas buyer could not execute the Court decree due to reasons beyond his control.

vii. Bills were drawn for the difference between the letter of credit value and actual export value or between the provisional and the actual freight charges but the amount have remained unrealised consequent on dishonour of the bills by the overseas buyer and there are no prospects of realization.

4. The exporter has surrendered proportionate export incentives, if any, availed of in respect of the relative shipments.
5. In case of self-write off, a Chartered Accountant's certificate certifying certain information needs to be furnished.

Please note that write off will not be allowed where export is made to countries with externalization problem or GR/SDF/PP forms which are under investigation by agencies like, Directorate of Enforcement, Directorate of Revenue Intelligence, Central Bureau of Investigation, etc. as also outstanding bill which are under civil/ criminal proceedings.

The RBI has advised banks to forward a statement in form **EBW**, in specified format, to the RBI under whose jurisdiction banks are functioning, indicating details of write-offs allowed under the Circular.

It is pertinent to note that cases not covered by the above instructions / beyond the above limits, may be referred to the concerned Regional Office of RBI.

Hope above information will help you in your professional endeavour.

Thanks & Best Regards.

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Mobile: +91 9810604563

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