Highlights of Annual Supplement 2013-14 to the Foreign Trade Policy 2009-14

1. **Measures to revive investors' interest in SEZs**

1.1 A package of measures has been formulated to revive investor's interest in SEZs and to boost exports. The salient features of the package are:-

(i) The Minimum Land Area Requirement has been reduced by half. For Multi-product SEZ from 1000 hectares to 500 hectares and for Sector-specific SEZ from existing 100 hectares to 50 hectares.

(ii) To provide greater flexibility in utilizing land tracts falling between 50-450 hectares, it has been decided to introduce a Graded Scale for Minimum Land Criteria w hich would permit a SEZ an additional sector for each contiguous 50 hectare parcel of land.

(iii) Further flexibility to set up additional units in a sector specific SEZ is being provided by introducing Sectoral broad-banding to encompass similar / related areas under the same sector.

(iv) On the issues relating to Vacancy of Land, while the existing policy allows for parcels of land with pre-existing structures not in commercial use to be considered as vacant land for the purpose of notifying an SEZ, it has now been decided that additions to such pre-existing structures and activities being undertaken after notification would be eligible for duty benefits similar to any other activity in the SEZ.

1.2 To boost growth in IT sector sector (i) The present requirement of 10 hectares of minimum land area has been done away with. Now there would be no minimum land requirement for setting up an IT/ITES SEZ. Only the minimum built up area criteria would be required to be met by the SEZ developers. (ii) The minimum built up area requirement has also been considerably relaxed with the requirement of one lakh square meters to be applicable for the 7 major cities viz: Mumbai, Delhi (NCR), Chennai, Hyderabad, Bangalore, Pune and Kolkata. For the other Category B cities 50,000 square meters and for remaining cities only 25,000 square meters built up area norm will be applicable.

1.3 The present SEZ Framework does not include an Exit Policy for the units and feedback was that this was perceived as a g reat disadvantage. It has now been decided to permit transfer of ownership of SEZ units, including sale.

2. Zero Duty Export Promotion Capital Goods ("EPCG") Scheme

2.1 The Foreign Trade Policy has two variants under this scheme, namely, Zero Duty EPCG for few sectors and 3% Duty EPCG for all sectors. During the last announcement on 5th June, 2012, a new Post Export EPCG Scheme was also announced which was notified on 18 February, 2013 by the CBEC. Based on the request of all stakeholders, *the Government has decided to harmonize Zero Duty EPCG and 3% EPCG Scheme into one scheme which will be a Zero Duty EPCG Scheme covering all sectors.*

2.2 Following are the salient features of the Zero Duty EPCG Scheme:-

(i) Authorization holders will have export obligation of 6 times of the duty saved amount. The export obligation has to be completed in a period of 6 years.

(ii) The period for import under the Scheme would be 18 months.

iii) Export obligation discharge by export of alternate products as well as accounting of exports of group companies will not be allowed.

(iv) The exporters who have availed benefits under Technology Upgradation Fund Scheme ("**TUFS**") administered by the Ministry of Textiles, can also avail the benefit of Zero duty EPCG Scheme.

(v) The import of motor cars, SUVs, all purpose vehicles for hotels, travel agents, or tour transport operators and companies owning/operating golf resorts will not be allowed under the new Zero Duty EPCG Scheme.

2.3 Reduced EO for Domestic Sourcing of Capital Goods - The quantum of specific Export Obligation (EO) in the case of domestic sourcing of capital goods under EPCG authorizations has been reduced by 10%. This would promote domestic manufacturing of capital goods.

2.4 Reduced EO for units in the State of Jammu & Kashmir in order to encourage manufacturing activity in the State of Jammu & Kashmir.

3. **Widening of Interest Subvention Scheme**

3.1 At present, 2% interest subvention scheme is available to certain specific sectors like Handicrafts, Handlooms, Carpets, etc. The scheme had been further widened to include 134 sub-sectors of engineering sector. Government had also announced that the benefit of this scheme of 2% interest subvention could be available upto March 31, 2014.

3.2 the Government has now decided to further widen the scheme to include items covered under Chapter 63 of ITC (HS) (other made up textile articles, sets, rags) and additional specified tariff lines of engineering sector items under the scheme. These sectors would be able to avail benefit under this scheme during the period from May 1 , 2013 to March 31, 2014.

4. Widening the Scope of Utilization of Duty Credit Scrip

4.1 Duty Credit Scrips issued under Focus Market Scheme, Focus Product Scheme and Vishesh Krishi Gramin Udyog Yojana (VKGUY) can be used for payment of service tax on procurement of services within the legal framework of service tax exemption notifications under the Finance Act, 1994. Holder of the scrip shall be entitled to avail drawback or CENVAT credit of the service tax debited in the scrips as per Department of Revenue rules.

4.2 All duty credit scrips issued under Chapter 3 can be utilized for payment of application fee to DGFT for obtaining any authorization under Foreign Trade Policy. This benefit shall be available only to the original duty credit scrip holders. Duty credit scrip can also be paid for payment of composition fee and for payment of value shortfalls in EO under para 4.28 (b) of Hand Book of Procedure Vol. 1.

5. Market and Product Diversification

5.1 Norway has been added under Focus Market Scheme and Venezuela has been added under Special Focus Market Scheme.

5.2 Approximately, 126 new products have been added under Focus Product Scheme. These products include items from engineering, electronics, chemicals, pharmaceuticals and textiles sector.

5.3 About 47 new products have been added under Market Linked Focus Product Scheme (MLFPS). These products are from engineering, auto components and textiles sector. 2 new countries i.e., Brunei and Yemen have been added as new markets under MLFPS.

5.4 MLFPS is being extended from March 1, 2013 to March 31, 2014 for exports to USA and EU in respect of items falling in Chapter 61 and Chapter 62 of ITC (HS).

5.5 Exports of High Tech products would be incentived and it would be separately notified by June 30, 2013.

5.6 The towns of Morbi (Gujarat) and Gurgaon (Haryana) have been added to the existing list of towns of export excellence for ceramic tiles and apparel exports respectively. These towns shall be eligible to get benefit under ASIDE Scheme.

6. Incremental Exports Incentivisation Scheme

6.1 Government has announced Incremental Export Incentivisation Scheme on December 26, 2012 for the exports made during January 2013 to March 2013. This scheme is available for exports made to USA, EU and Asia. It has been agreed to extend this scheme for the year 2013-14.

6.2 The Government has also agreed to include additional countries under Incremental Exports Incentivisation Scheme. Now 53 countries of Latin America and Africa have been added in the scheme.

7. Facility to close cases of default in Export Obligation

It has been decided to close cases of default in export obligations pertaining to advance authorizations and EPCG authorizations after payment of required duty, along with applicable interest. The duty and interest have to be paid within a limited period of six months from the date of notification of this scheme. The total payment shall not exceed two times the duty saved amount on default in Export Obligation.

8. Served from India Scheme (SFIS)

8.1 **Change in method of calculation -** Service providers are entitled to duty credit scrips under Served from India Scheme at the rate of 10% of free foreign exchange earned during a financial year. The entitlement shall now be calculated on the basis of net free foreign exchange earned (i.e., after deducting foreign exchange spent from the total foreign exchange earned during the financial year).

8.2 Service exporters who are also engaged in manufacturing activity are permitted to use SFIS duty credit scrip for importing/ domestic ally procuring capital goods as defined in para 9.12 of FTP including spares related to manufacturing sector business of the service provider.

8.3 Hotels, travel agents, tour operators or tour transport operators and companies owning/operating golf resorts having SFIS scrip can import or domestically procure motor cars, SUVs and all purpose vehicles using SFIS scrips for payment of duties. Such vehicles need to be registered for “tourist purpose” only.

9. VKGUY Scheme

9.1 There is a limiting provision which restricts benefit of VKGUY to a reduced rate of 3% when a particular item avails drawback at more than 1% rate. It has been decided to delete para 3.13.3 of FTP.

10. Status Holder Incentive Scheme (SHIS)

10.1 Status Holder Incentive Scheme (SHIS) was extended for the year 2012-13. The scheme will not be available for the year 2013-14. Regional Authority shall allow limited transferability of SHIS scrip within group company of the status holder provided the group company is a manufacturer.

11. Re-credit of 4% SAD

11.1 Utilization of re-credited 4% SAD scrips shall be allowed upto September 30, 2013 as a trade fa cilitation measure. However, no further extension shall be considered by the Government and this would be the last such opportunity. The importers are advised to make the initial payment of 4% SAD in cash in future if they want a refund.

12. Duty Free Import Authorization Scheme (DFIA)

12.1 Anti Dumping Duty and Safeguard Duty was exempted under DFIA Scheme. Exemption from payment of Anti Dumping Duty and Safeguard Duty shall henceforth not be available after endorsement of transferability of such authorizations.

13. Import of Cars - Import of cars/vehicles is permitted throug h designated ports only. Now import of cars/vehicles would also be allowed at ICD Faridabad and Ennore Port (TN).

14. Ease of Documentation and procedural simplification

14.1 Submission of physical copies of IEC and Registration-cum- Membership Certificate (RCMC) with individual application has been dispensed with.

14.2 It has been decided to dispense with submission of hard copy of EP copy of shipping bills in case of (a) advance authorization, (b) duty free import authorization for grant of Export Obligation Discharge Certificate (EODC) if exports are made through EDI ports.

14.3 Application fee can be paid either in cash or through demand draft or through EFT. Now exporters/importers would be allowed shortly to utilize their credit card for payment of such application fee

14.4 Existing procedures contained in para 2.20A of Handbook of Procedures related to execution of bank guarantee / legal undertaking stands deleted.

14.5 In order to facilitate IT exports, we have extended the facility of "work from home" to STPI / EOUs / BTPs / EHTPs.

15. Items eligible for import for Handloom/Made ups and Sports Goods has been expanded.