

EXPORT INCENTIVES

*Central Duty Refund /
Neutralization/Exemption Schemes*

Pre-Exports



Post-Exports

Market Development Initiatives.

Why to Export? What is for me?

- ✓ *Expanding Market Geography.*
- ✓ *Real value for your products.*
- ✓ *Precious Foreign Exchange Earning for country.*
- ✓ *No Excise, No VAT & Incentives from GOI.*
- ✓ *Better Cash Flow and Bank Support.*
- ✓ *Demanding Customer, Technological Up-gradation.*
- ✓ *Investment in manufacturing infrastructure viable.*
- ✓ *Investment in R & D , Market Development feasible.*
- ✓ *Healthy Competition.*
- ✓ *Motivated Manpower*
- ✓ *Happy & Supportive Suppliers.*



DTA Schemes

Pre-Exports

- ***Advance Authorization***
- ***DFIA***
- ***EPCG***
- ***NT43/1CE***

Post-Exports

- ***Duty Drawback***
- ***SFIS***
- ***VKGUY***
- ***FMS***
- ***FPS***
- ***IEIS***
- ***MLFPS***
- ***Refund (CE & ST)***

PRE - EXPORTS BENEFITS:

- ***Advance Authorization Scheme***
- ***Duty Free Import Authorization (DFIA)***
- ***Export Promotion Capital Goods Scheme (EPCG)***
- ***Benefit Under Notification 43/2001 CE (NT)***

ADVANCE AUTHORIZATION SCHEME

- *Allowed to duty free Imports of Inputs, Fuel, Oil.*
- *Issued where SION is fixed.*
- *Can also be issued on the base of Adhoc norms or self declared norms subject to Norm fixation by Norms committee-DGFT.*
- *Can be issued either to manufacturer exporter or merchant exporter tied to supporting manufacturers.*



- *Shall be issued for physical export or deemed exports.*
- *Minimum value addition 15%..*
- *Domestic sourcing of inputs*
- *Free of cost supply by foreign Buyer - also allowed .*
- *Notional value of free of cost of inputs shall be considered.*

Entitlement

- ▶ *For status holder-300% of FOB/FOR value of preceding year export*
- ▶ *Other than status holder-30% of FOB or 10 crores which ever is higher*

Continued..

- ▶ *Validity for imports -12 months from the date of issue of AA*
- ▶ *EO fulfillment period-18 months from the date of issue of AA. One time extent. of 6 months - fee of.5% of the shortfall in export*
- ▶ *AA in case of Turnkey projects ,EO period co-terminus with duration project execution period or 18 months which ever early*

➤ **Maintenance of Proper Accounts of Consumption and Utilization of duty free Imports-**

- *Consumption statement in Appendix-23 duly signed by CMA or CA to be submitted at the time of applying for EODC.*

➤ **Regularization of Bonafide default:**

- EO fulfilled in terms of value but short fall in terms of quantity- pay custom duty on unutilized value of imports & an amount of 3% of the CIF value of unutilized materials to be paid to JDGFT.*
- EO fulfill in terms of quantity but not in value- No penalty if minimum value addition achieved,*
- Otherwise pay 1% of short fall in FOB value of export.*

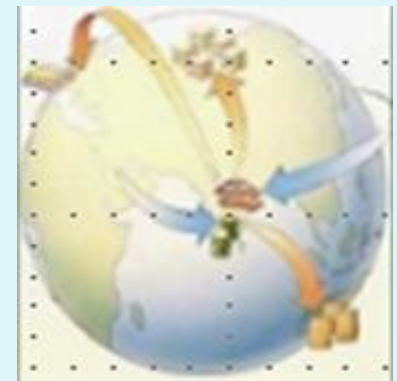
DUTY FREE IMPORT AUTHORIZATION SCHEME (DFIA).

- *Allowed only where SION is fixed.*
- *Minimum value addition is 20%.*
- *Transferability.*



EPCG SCHEME

- *Import of Capital Goods with AU conditions with concessional rate of 0%.*
- *Export Obligation (EO) 6 times the duty saved in 6 years.*
- *Actual user condition.*
- *Export Obligation- fulfilled by export of goods manufactured or service rendered by the applicant.*
- *For manufacturer exporters , merchant exporter and service providers.*
- *Incentives for early EO fulfillment.*



- *Average Export*

EO under this scheme shall be over and above the average level of Export achieved in the preceding 3 license years of the same & similar products.

- *EPCG holder may source CG indigenously by invalidation of EPCG*

in such case only TED , No exemption of Excise duty

Post Export EPCG duty Credit Scrip(s)

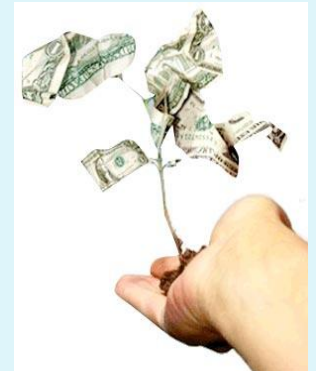
- *Exporters can exercise this option by filing an application in ANF 5A with the concerned RA, selecting an option for this scheme.*
- *For importing or procuring Capital Goods, all applicable duties shall be paid by the exporter.*
- *RA shall issue an Authorization specifying*
 - (a) “ Not for imports” on the body of the Authorization*
 - (b) Average EO, if any*
 - (c) Specific EO at 85% of the applicable specific EO, computed as if the imports were to take the benefit of duty exemption and*
 - (d) EOP, which shall commence from the Authorization issue date.*
- *Exporter can file request in ANF 5B, for issuance of Duty Credit Scrip(S) in proportion to the EO completed within the specified EOP.*
- *RA shall issue freely transferable duty Credit Scrip(s) equivalent to proportionate EO fulfilled.*

DEEMED EXPORT

▪ *Deemed Exports* refer to those transactions in which goods supplied do not leave country, and payment for such supplies is received either in Indian rupees or in free foreign exchange.

➤ **Following Supplies are deemed Exports:**

- (a) Supply of goods against AA and DFIA*
- (b) Supply of goods to EOU / STP / EHTP / BTP;*
- (c) Supply of capital goods to EPCG Authorisation holders;*
- (d) (i) Supply of goods to projects financed by multilateral or bilateral Agencies/ Funds as notified by Department of Economic Affairs (DEA), MoF under International Competitive Bidding (ICB).*



(e) Deleted;

(f) (i) Supply of goods to any project or purpose in respect of which the MoF, by notification No. 12/2012 -Customs, permits import of such goods at zero customs duty subject to conditions specified in this Notification.

(g) Deleted;

(h) Supply of marine freight containers by 100% EOU (Domestic freight containers-manufacturers) provided said containers are exported out of India within 6 months or such further period as permitted by customs;

(i) Supply to projects funded by UN Agencies; and

(j) Supply of goods to nuclear power projects through competitive bidding as opposed to ICB. Supply of only those goods required for setting up any Nuclear Power Project as specified in list 33, S. No. 511 of Notification No. 12/2012-Customs dated 17.3.2012, as amended from time to time, having a capacity of 440MW or more, as certified by an officer not below rank of Joint Secretary to Government of India, in Department of Atomic Energy, shall be entitled for deemed export benefits, in cases where procedure of competitive bidding (and not ICB) has been followed.

Benefits:

- ***Advance Authorization / DFIA.***
- ***Deemed Export Drawback.***
- ***Refund of Terminal excise duty.***

BENEFIT UNDER NOTIFICATION 43/2001 CE (NT)

- *Procurement of inputs without payment of excise duty in relation to manufacture of exports goods.*
- *LUT or Bond as the case may be should be executed.*
- *Whole of excise duty will be exempted on inputs.*

POST EXPORTS BENEFITS

- ***Duty Drawback Scheme***
- ***Merchandise Export from India Scheme (MEIS)***
- ***Service Export from India Scheme (SEIS)***
- ***Refund (CE & ST)***

Duty Drawback Scheme

➤ Duties paid on imported Raw materials & excisable inputs is refunded at Fixed rates.

➤ All Industry Rate

Customs & Excise portion

Customs portion

➤ Brand Rate

➤ For details of rates please refer:

<http://www.cbec.gov.in/customs>

[/dbk-schedule/dbk2013/dbk-idx2013.htm](http://www.cbec.gov.in/customs/dbk-schedule/dbk2013/dbk-idx2013.htm)



EXPORT FROM INDIA SCHEMES

- ▶ *MEIS-Merchandise Export From India*
- ▶ *SEIS – Service Export From India*
- ▶ *Nature of Reward-Duty credit scrips*
- ▶ *Can be used for-*
 - ▶ *Payment of Customs duty, Excise duty & ST*
 - ▶ *Transferability*
 - ▶ *Both Scrips and*
 - ▶ *goods imported*



Entitlement

- ▶ *Export of notified goods to notified market*
- ▶ *Appendix 3B HBP- Product, country and rate*
- ▶ *Basis –realized FOB value of Export or FOB value of export as per S/B whichever less.*

Ineligible categories–MEIS

- ▶ *EOU/EHTP/BTB/STP-where Income Tax benefits availed*
- ▶ *Supplies from DTA to SEZ*
- ▶ *Re export*
- ▶ *Export through trans-shipments*
- ▶ *Deemed Exports*
- ▶ *SEZ/EOU/EHTP/products exported through DTA*
- ▶ *Red sanders and beach sand*
- ▶ *Diamond, gold, silver, platinum etc*

Continued...

- ▶ *Ores*
- ▶ *Cereals of all types*
- ▶ *Sugar of all types*
- ▶ *Petroleum products*
- ▶ *Milk and milk products*

Service Exports From India Scheme

- ▶ *Service provider of notified services*
- ▶ *Minimum foreign exchange earnings –US\$ 15000 in preceding FY and for individual service provider – US\$10000*
- ▶ *Payment in Indian Rupee for service charges earned on specified services shall be treated as deemed export – Appendix 3E of HBP*

Continued..

- ▶ *Net FE = Gross earning in FE - Total expenses/payments in FE in a FY*
- ▶ *Should have active IEC at the time of providing services*

REFUNDS OF CENTRAL EXCISE AND SERVICE TAX

- *Refund of Excise & Service tax under Rule 5 CC Rules 2004.*
- *Refund of Service tax paid on post removal under Notification 41/2012 ST.*
- *Exemption of Service tax on Foreign commission paid under Notification 42/2012 ST.*
- *Exemption of Service tax on GTA paid on post removal under Notification 31/2012 ST.*

Ineligible categories under SEFI

- ▶ Related to FC loans, Foreign equity ,bonds, sale of securities, etc
- ▶ Service export from SEZ/EOU/STPI/etc
- ▶ Export of goods
- ▶ Telecom sectors
- ▶ List of services –Appendix 3D

Continued...

- ▶ *Cenvat/DBK*
- ▶ *Application shall be filed on line using digital signature*
- ▶ *Separate application for each port of export*
- ▶ *Proof of landing*
- ▶ *Declaration in S/B-' we intend to claim reward under MEIS''*

Refund Under Rule 5 of Cenvat Credit Rules 2004

- Provides for refund of unutilized Cenvat credit.*
- This facility is restricted to exporters.*
- Excise duty or service tax paid on inputs or input service used in export goods can be claimed as refund.*
- For procedure and conditions- See Notification 27 & 28/2012-CE (NT).*



Refund of Service Tax Under Notification 41/2012-ST

- *Refund of service tax paid on post removal for exports.*
- *Refund shall be claimed either on specified rate mentioned in this notification or actual service tax paid on the basis of documents.*
- *Refund shall not be granted if credit has been availed.*
- *Refund shall not be claimed by SEZ.*
- *Refund should be claimed within one year*
- *For conditions & procedure –See Notification 41/2012 ST.*



Exemption of Service Tax under 42/2012

ST

- Exemption of service tax paid on Foreign commission regarding exports*
- The exemption shall be limited to the service tax calculated on a value of 10% of the FOB value of export goods.*
- For conditions & procedures- Pls refer Notification 42/2012*
ST

Exemption of Service Tax under Notification 31/2012 ST

- *Exemption of service tax payable on GTA on post removal*
- *For Conditions & Procedures- See Notification
31/2012 ST*

STATUS HOLDER

- ▶ *All exporter of goods and services shall be eligible for recognition as a Status Holder.*
- ▶ *Status depends on export performance.*
- ▶ *Export performance during current FY and previous two years shall be considered .*
- ▶ *Double weighatage-MSME,ISO/BIS units North East states & units in Agri Zones.*

Status Category

category	FOB/FOR value (in US\$ million)
One Star Export House	3
Two Star Export House	25
Three Star Export House	100
Four Star Export House	500
Five Star Export House	2000

Privileges of Status Holders

- ▶ *AA/Customs clearance of import & export on self declaration*
- ▶ *IO Norms may be fixed on priority basis*
- ▶ *Exemption from BG*
- ▶ *Exemption from negotiation of export documents through banks*
- ▶ *Benefit of Accredited Clients Programme (ACP) as per customs guidelines.*

OTHER BENEFITS

Market development Assistance Scheme. (MDA)

- *Applicable for participation in International Trade Fair, Exhibitions, Buyer & Seller meets & Trade delegations .*
- *Air Fare + Space Rent for Focus Area.*
- *Space Rent for Non Focus Area .*

Eligibility : *Member of EEPC , < 15 Cr Export 5
Grants per year only.*



Market Access Initiatives (MAI)

- *Market Surveys & Studies is funded by Govt.*



Packing Credit in Rs. & \$

- *2% Less Interest rates on Working Capital for PC*
- *Libor + 3.5% interest on PCFC in \$.*



Role of CMA

- *Advise clients about incentive schemes*
- *Study CBA as follows*
- *Cenvat credit + Customs portion DBK*
- *Brand rate of DBK+Cenvat credit*
- *Brand rate*
- *AA+Brandrate/Cenvat credit*
- *43/2001 NT+DBK Customs portion*



- *Rule 5+ DBK customs portion*
- *AA+ Cenvat credit*
- *Cenvat credit or refund under NT 41/2012 ST*
- *Export under rebate + Customs portion of DBK*
- *Export under rebate + brand rate*
- *Benefits under 43/2001 CE + AA*

Certifications for CMAs



1

Production and consumption data of the manufacturer for fixation of Input Output norms for advance authorisation – **Appendix 4H**

2

Certificate for offsetting of Export Proceeds – **Appendix 22D**.

3

Register for accounting the consumption and stock of duty free imported or domestically procured raw materials, components allowed under advance authorisation – **Appendix 4H**

4

Certificate of Exports for last previous three years – **Appendix 5B**.

5

Certificate of Export performance towards EPCG Authorisation – **Appendix 5C**

6

Certificate of Export goods and Services for grant of status certificate – **ANF 3A**.



7

Application of certification of Export of Services for issue of SEIS (Service Export From India Scheme) – **ANF 3B**.

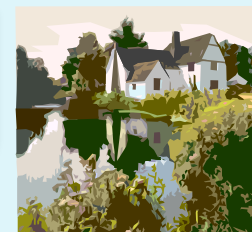


8

Certification of entitlement for imports for units in Agro Chemical Sector **Appendix 8B**

9

Certificate of entitlement for import for units in the Pharmaceutical & Bio Technology sector **Appendix 8A**.



10

Certificate of Exports for issue of Status Holder Incentive Script - **Annexure to ANF 3C**



11

Certification of Incident of Duty on Export Products for fixation of Duty Drawback in **Form DBK II/IIA/III/IIIA**

12

Certificate in **Annexure-II** for CST refund to EOU, EHTP & STP units. This certificate can only be issued by firms.



13

Certificate of export of goods through courier or foreign post office using E –Com for claim of MEIS – Annexure to **ANF 3D**



14

Certification of export for GEM REP Authorization – Annexure to ANF 4H



15

Certificate of export for issue of Nominated Agency Certificate – Annexure to ANF 4I.





K.S.Kamalakara & Co,

Cost Accountants.

M.No: 9845072258

Email id: kamalakaraks@rediffmail.com

K.S.Kamalakara & Co.,