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# **Advance Certificate Course on International Trade**



## Export Promotion Schemes Under Indian Customs & Other Indirect Taxes

# **Advance Authorization**

Advance Authorization is a scheme under the Indian Customs, part of the Foreign Trade Policy (FTP), that allows duty-free import of inputs which are physically incorporated in export products. This scheme is especially useful for exporters as it reduces the cost of imported materials, making Indian goods more competitive in international markets.

The scheme is beneficial for exporters as it improves cash flow and reduces the cost of production, making Indian products more competitive internationally

# Eligibility Criteria

- **Manufacturer-Exporters:** Entities that manufacture goods for export.
- **Merchant Exporters:** They can apply for Advance Authorization provided they have a supporting manufacturer.
- **Service Providers:** Export-oriented service providers who use inputs for rendering export services can also avail themselves of this scheme.
- **Deemed Exports:** Supplies made under categories like EOUs, SEZs, and projects funded by international agencies are considered under deemed exports, making them eligible for Advance Authorization.

# Items Covered

- **Raw Materials:** Basic materials required for manufacturing.
- **Components and Intermediates:** Semi-finished goods that form part of the final product.
- **Consumables:** Items consumed in the production process.
- **Packaging Materials:** Used for packing the export product.
- **Catalysts and Other Aids:** Items used to assist in the manufacturing process.

# Types of Advance Authorizations

- **Advance Authorization for Physical Exports:** Allows duty-free import of inputs for products meant for export.
- **Advance Authorization for Deemed Exports:** Covers supply to certain categories like EOUs, SEZs, and projects funded by international agencies, where physical exports may not take place.
- **Advance Authorization for Annual Requirement:** For exporters with a track record, it allows the import of raw materials based on the average of past export performance.

# Import of Inputs

Inputs can be imported duty-free under this scheme. The quantity and value of these imports are based on the Standard Input-Output Norms (SION) as notified by the DGFT or as per self-declaration by the exporter.

- **Standard Input-Output Norms (SION):** These norms specify the quantity of input required to manufacture a unit of output for export purposes. If SION is not available, the exporter can request DGFT to fix norms for their specific product.
- **Self-Declaration:** If SION is not fixed for a product, the exporter can provide a self-declaration on the requirement of inputs. However, this is subject to subsequent ratification by the Norms Committee.

# Export Obligation (EO)

- **Fulfillment of EO:** The exporter must fulfill the export obligation by exporting the final product within the specified period (usually 18 months from the date of issue of Advance Authorization).
- **EO Period:** Normally, the EO period is 18 months, extendable up to 36 months under certain conditions.
- **Shortfall in EO:** If the export obligation is not met, the exporter must pay the applicable duties along with interest on the unfulfilled portion of the obligation.

# Value Addition (VA)

- **Minimum VA Requirement:** Typically, a minimum value addition of 15% is required. This means the export product should have a value at least 15% higher than the cost of imported inputs.
- **Calculation of VA:** Value Addition is calculated as follows:  
$$VA = (\text{FOB value of export} - \text{CIF value of imported inputs}) \times 100$$
- For certain products like spices, the VA requirement can be higher.

# Procedure for Application

- **Application Submission:** Exporters need to apply through the DGFT's online portal using the Aayaat Niryaat Form (ANF 4A). They must upload the necessary documents, including export order, proforma invoice, technical details of inputs, and previous export performance.
- **Authorization Issuance:** Once the DGFT approves the application, an Advance Authorization is issued, detailing the allowed quantity and value of imports.

# Bond or Bank Guarantee

- **Customs Bond:** The exporter must execute a bond with Customs, committing to fulfill the export obligation.
- **Bank Guarantee:** In certain cases, a bank guarantee might also be required, especially if the exporter has a poor track record or if self-declaration is used instead of SION.

# Monitoring and Reporting

- **Documentation:** Proper records must be maintained to track the usage of imported inputs and fulfillment of export obligations.
- **Regular Reporting:** Exporters are required to submit regular reports to the DGFT on the status of their export obligations and utilization of imported inputs.
- **Audit and Verification:** Customs and DGFT can audit the records and verify compliance with the terms of the Advance Authorization.

# Redemption and Closure

- **Redemption:** Upon fulfilling the export obligation, the exporter can apply for redemption of the Advance Authorization. After verification, the DGFT issues a Redemption Certificate.
- **Closure:** The case is closed once the Redemption Certificate is issued, and no further liabilities remain on the part of the exporter.

# Non-Compliance and Penalties

- **Non-Compliance:** Failure to fulfill the export obligation or adhere to the conditions of the authorization can result in penalties, including the payment of duties and interest.
- **Enforcement:** The Customs Department can enforce recovery of dues in case of non-compliance, and the exporter's ability to avail of future authorizations can be affected.

# Amendments and Extensions

- **Amendments:** Exporters can apply for amendments to the Advance Authorization if needed, such as changes in the description of inputs or output, extension of the EO period, etc.
- **Extensions:** Extensions of the EO period can be requested, but they are subject to approval by the DGFT and may involve additional conditions or payment of fees.

## Sum-up

The Advance Authorization Scheme is a critical component of India's export promotion strategy, helping exporters by reducing costs and improving global competitiveness. It requires careful management and compliance to maximize benefits and avoid penalties.

# Duty-Free Import Authorization (DFIA)

- The **Duty-Free Import Authorization (DFIA)** scheme under Indian Customs is a part of India's **Foreign Trade Policy (FTP)**.
- It is designed to facilitate exporters by allowing them to import inputs used in the manufacture of export products without paying duties.
- Unlike the **Advance Authorization**, DFIA is granted **post-export** and has unique features, such as transferability, which makes it a flexible scheme for exporters.

# Key Features of DFIA

- **Post-Export Scheme:**

- DFIA is issued **after the export obligation (EO)** is fulfilled. This differs from the **Advance Authorization Scheme**, which is granted before export.

- **Duty-Free Import:**

- Inputs that are physically incorporated into the export product can be imported duty-free. This includes Basic Customs Duty (BCD), Anti-dumping Duty, and Safeguard Duty.

- **Transferability:**

- Once the export obligation has been fulfilled, the DFIA becomes **freely transferable**. This means that the authorization can be sold or transferred to another party, allowing more flexibility for exporters.

- **Validity:**

- DFIA is valid for **12 months** from the date of issuance for importing the inputs.

# Eligibility Criteria

To apply for DFIA, the following conditions need to be met:

- **Manufacturer-Exporters** and **Merchant Exporters** with supporting manufacturers are eligible.
- The exporter must have fulfilled the **export obligation** using the inputs they seek to import duty-free.
- **Standard Input-Output Norms (SION):** The inputs must fall under the **Standard Input-Output Norms (SION)** notified by the Directorate General of Foreign Trade (DGFT). If SION is not available for a specific product, the exporter can apply for its fixation.

# Export Obligation (EO)

- **Pre-Export Fulfillment:**

- The **export obligation** must be fulfilled **before** applying for DFIA. This means the exporter must have already shipped the goods and provided proof of export.

- **Calculation of EO:**

- The EO is typically determined based on the **quantity** and **value** of the inputs used in the export product. A minimum **value addition of 20%** is required (higher than the 15% for Advance Authorization).

- **Deemed Exports:**

- Supplies made to Special Economic Zones (SEZs), Export Oriented Units (EOUs), or other eligible projects can also be considered for fulfilling the EO under DFIA.

# Application Process

- The application for DFIA is made **post-export** via the DGFT online portal.
- **Step-by-Step Process:**
  - **Filing of Application:**
    - Exporters file an application with DGFT after fulfilling their export obligation.
  - **Proof of Export:**
    - Documents like shipping bills, export invoices, and the Bank Realization Certificate (BRC) are required.
  - **Issuance of DFIA:**
    - After verification of the EO fulfillment, the DGFT issues the DFIA.
  - **Use or Transfer:**
    - The DFIA holder can either use the authorization to import duty-free inputs or transfer it to another entity.

# Inputs Allowed

- **Raw Materials:** Materials used directly in the manufacturing of the export product.
- **Intermediates and Components:** Semi-finished goods and components required in the production process.
- **Consumables:** Items that are consumed during the production process but do not form part of the final product.
- **Packaging Materials:** Materials used to pack the export product.
- **Fuel, Oil, and Catalysts:** Items that aid the manufacturing process, but are not physically incorporated in the product.

# Transferability

- **Post-Export Transferability:**
  - Once the export obligation has been met, the DFIA becomes transferable, allowing exporters to **sell or transfer the authorization** to other entities.
- **Benefits of Transferability:**
  - It provides flexibility to exporters who may not wish to use the imported inputs themselves, offering them the opportunity to monetize the authorization by selling it.

# Duties Exempted

- The following duties are exempt under DFIA:
- **Basic Customs Duty (BCD):**
  - The primary duty charged on imports.
- **Anti-Dumping Duty:**
  - Charged to protect domestic industries from dumped goods.
- **Safeguard Duty:**
  - Imposed to counter the negative impact of excessive imports.
- **Additional Customs Duties and Cesses:** Including IGST and Compensation Cess where applicable.

# Value Addition (VA)

- **Minimum VA Requirement:**
  - A minimum **value addition of 20%** is required to qualify for DFIA.
- **Exceptions:**
  - In some cases, certain products might have a higher or lower value addition requirement as per the Foreign Trade Policy.

# Documentation Required

- **Post-Export Documents:**
  - Shipping Bills
  - Export Invoices
  - Bank Realization Certificate (BRC)
  - SION declaration (or proof of self-declaration in case SION is not fixed)

# DFIA vs. Advance Authorization

While both DFIA and Advance Authorization allow duty-free import of inputs, the **key differences** are:

- **Issuance Time:** DFIA is issued **post-export**, while Advance Authorization is issued **before export**.
- **Transferability:** DFIA becomes **freely transferable** post-export, while Advance Authorization is **non-transferable**.
- **Value Addition Requirement:** DFIA requires **20% minimum value addition**, whereas Advance Authorization requires **15%**.

# Closure of DFIA

- Once the import of inputs has been completed using the DFIA, or the authorization has been transferred, the case is considered closed, provided all conditions are met, and no further liabilities exist for the exporter.

# Penalties for Non-Compliance

- If any non-compliance is detected, such as improper fulfillment of export obligations or misuse of the authorization, the following actions may be taken:
- **Recovery of Duty with Interest:**
  - The customs duties exempted under DFIA would need to be paid with interest.
- **Penalties:**
- The DGFT or customs authorities may impose penalties or revoke the exporter's eligibility for future authorizations.

# Sum up

- The **Duty-Free Import Authorization (DFIA)** scheme provides significant flexibility and benefits to exporters who have fulfilled their export obligations. By allowing duty-free imports and offering the possibility of transferability, DFIA helps reduce costs and improve the profitability of export-oriented businesses. However, careful compliance with export obligations and value addition requirements is necessary to avoid penalties.
- DFIA is a valuable tool for experienced exporters looking for flexibility after fulfilling their export commitments.

# **Export Promotion Capital Goods (EPCG) scheme**

- The **Export Promotion Capital Goods (EPCG) scheme** under the **Indian Customs Act** is a part of India's **Foreign Trade Policy (FTP)** aimed at promoting exports by enabling Indian manufacturers to import capital goods at zero customs duty. This scheme allows businesses to upgrade their technology and production capacity by importing machinery or capital goods without the burden of upfront import duties, provided they meet certain export obligations (EO).

# Purpose of EPCG Scheme

- The EPCG scheme enables the import of **capital goods** for producing goods or providing services with the objective of promoting exports. The scheme is designed to:
- Encourage **modernization** and **upgrading of technology** in the Indian manufacturing and service sectors.
- Enable companies to remain **globally competitive** by lowering the cost of capital goods through duty exemptions.

# Key Features of EPCG

- **Zero or Reduced Duty on Imports:**
  - The EPCG scheme allows the import of capital goods required for manufacturing or service provision at **zero customs duty**, or at a reduced rate of **3%** for certain cases (depending on policy revisions).
- **Export Obligation (EO):**
  - In exchange for duty-free imports, the authorization holder must meet a **specific export obligation**.
  - The export obligation is linked to the value of capital goods imported and must be fulfilled within a specific timeframe.
- **Import of Both New and Second-Hand Goods:**
  - The scheme permits the import of both **new and second-hand capital goods**, except for some restricted categories such as **old and used computers**.
- **Validity Period:**
  - EPCG authorization is valid for **18 months** from the date of issue, meaning that the capital goods must be imported within this period.

# Capital Goods Definition

Under the EPCG scheme, the term **capital goods** refers to:

- **Machinery, equipment, and appliances** used in the production of goods or services.
- **Spares, tools, and fixtures** required for the maintenance of capital goods.
- **Packaging machinery** and equipment used for packing export products.
- **Computer systems** and software used in manufacturing or service provision.
- **Refrigeration equipment, power generation equipment, and other production-related machinery.**

# Export Obligation (EO)

- **EO Calculation:**

- The export obligation is fixed at **6 times** the duty saved on the capital goods imported. For example, if ₹10 lakhs is saved on import duty, the company must export products or services worth ₹60 lakhs.

- **Period to Fulfill EO:**

- The export obligation must be fulfilled within **6 years** from the date of issue of the EPCG authorization. This period may be extended under certain conditions with approval from DGFT (Directorate General of Foreign Trade).

- **Block-Wise Fulfillment:**

- The export obligation must be met in **two blocks**:
  - **First Block:** 50% of the total EO must be fulfilled in the first **4** years.
  - **Second Block:** The remaining 50% must be fulfilled in the next **2** years.

- **Post-Export EPCG Scheme:**

- A variant of the EPCG scheme, known as **Post-Export EPCG**, allows for the fulfillment of export obligations even after importing the capital goods and paying the applicable duties upfront. After meeting the EO, the duty is refunded to the importer.

# Eligibility for EPCG

- **Manufacturer Exporters:**

- Entities that manufacture goods in India for export purposes.

- **Service Providers:**

- Providers of services like hospitality, IT, tourism, healthcare, etc., that contribute to earning foreign exchange.

- **Merchant Exporters:**

- Merchant exporters who support manufacturers by exporting the goods produced using the imported capital goods.

- **Sectors Covered:**

- The scheme covers a wide range of sectors, including engineering, textiles, agriculture, IT services, pharmaceuticals, chemicals, and more.

# Benefits of the EPCG Scheme

- **Duty-Free Import:**
  - Import of capital goods at zero customs duty or concessional rates, reducing the cost of production.
- **Technological Upgradation:**
  - Helps companies modernize their operations by importing the latest technology and equipment.
- **Improved Competitiveness:**
  - Reducing the burden of customs duty allows Indian businesses to remain competitive in international markets.
- **Extended Time for EO Fulfillment:**
  - The long timeframe of 6 years to fulfill the export obligation allows businesses to ramp up production and expand their export markets.

# Monitoring of EO

- **Proof of Export:**

- Exporters need to submit **shipping bills, export invoices, and Bank Realization Certificate (BRC)** as proof of export.

- **Annual Reporting:**

- The license holder must submit an **Annual Progress Report** to DGFT, detailing the fulfillment of the export obligation.

- **Audit and Verification:**

- Customs and DGFT authorities may conduct audits to ensure compliance with the scheme's terms and conditions.

# Penalties for Non-Compliance

In cases where the exporter fails to fulfill the export obligation, they may face penalties, including:

- **Repayment of Duty Saved with Interest:**
  - The duty saved on the import of capital goods, along with interest (typically 15% per annum), must be repaid if the export obligation is not fulfilled within the stipulated time.
- **Penalties by DGFT:**
  - The DGFT may impose penalties or suspend future authorizations for non-compliant exporters.

# Amendments and Extensions

- **Amendments to Authorization:**

- In certain cases, EPCG authorization may be amended, such as changes in the description of capital goods or the unit where the goods are used.

- **Extension of EO Period:**

- If the exporter is unable to fulfill the EO within 6 years, they may request an **extension** from DGFT, though such extensions typically come with conditions, such as paying additional duties or fines.

## **EPCG for Deemed Exports**

- The EPCG scheme is also applicable to **Deemed Exports** (transactions where goods do not physically leave India but are considered exports for benefits). This applies to:
- Supply to **SEZs, EOUs, and projects funded by international agencies.**
- Capital goods imported under EPCG can be used for the production of goods supplied under these deemed export categories

# EPCG and Foreign Trade Policy (FTP)

- The EPCG scheme plays a crucial role in the overall **Foreign Trade Policy (FTP)** of India, providing significant support for achieving higher export growth by improving the country's production capabilities. It contributes to the goal of increasing India's share in global trade by promoting manufacturing excellence and competitiveness.

# Sum up

- The EPCG scheme under Indian Customs is a highly beneficial scheme for exporters, enabling them to import capital goods at zero or reduced duty, provided they meet export obligations. By allowing access to advanced technology and reducing upfront capital costs, the scheme helps Indian businesses improve their global competitiveness. However, careful attention to fulfilling the export obligation is necessary to avoid penalties.

- The other schemes under the Custom Act
- **EOU (Export Oriented Units),**
- **EHTP (Electronic Hardware Technology Park),**
- **STPI (Software Technology Parks of India), and**
- **BTP (Bio-Technology Parks) under**

## Export Oriented Unit (EOU) Scheme

- The **EOU scheme** is designed to encourage export-oriented production by providing duty-free import and procurement of goods required for manufacturing export products.
- The units operating under this scheme are required to focus primarily on exports and contribute to foreign exchange earnings.

# Key Features

- **Duty-Free Import/Procurement:**

- EOUs are allowed to import or procure domestically **capital goods**, raw materials, consumables, and spares without paying customs or excise duties.

- **Export Obligation (EO):**

- EOUs must meet a specific **export obligation**, i.e., they need to export goods or services worth at least **positive Net Foreign Exchange (NFE)** within a specified period.
- **NFE = FOB value of exports – CIF value of all imports.**

- **DTA Sales:**

- EOUs are permitted to sell up to **50%** of their production in the Domestic Tariff Area (DTA) with applicable duties, subject to conditions.

- **Deemed Exports:**

- Supplies made to SEZs, EHTP, STP, or other EOUs are treated as deemed exports and are eligible for benefits like duty drawback and refund of taxes.

- **Exemption from Duties:**

- EOUs enjoy exemptions from **Basic Customs Duty (BCD)**, **IGST**, **Safeguard Duty**, and **Anti-dumping Duty** on inputs required for export production.

# Eligibility

- **Manufacturers** and **Service Providers** engaged in export-oriented production are eligible to apply for the EOU scheme.
- Both **newly established units** and existing units converting to EOU status are eligible

# Benefits

- **Duty-Free Imports:**
  - Allows duty-free import of raw materials, machinery, and capital goods.
- **Financial Incentives:**
  - Income tax exemptions under specific sections of the Income Tax Act for export profits (applicable in certain cases).
- **Deemed Exports:**
  - Supplies to other export-oriented schemes are treated as deemed exports with duty drawbacks.

# Export Obligation

- EOUs must achieve **positive NFE** over a period of **5 years**.
- The scheme emphasizes earning foreign exchange and contributing to the nation's export growth.

# Electronic Hardware Technology Park (EHTP)

- The **EHTP scheme** promotes the manufacturing and export of electronic hardware by allowing units to import and procure goods duty-free for production.
- The scheme is part of India's focus on growing the electronics industry and positioning the country as a hub for electronics manufacturing

# Key Features

- **Duty-Free Imports:**

- EHTP units are allowed to import or procure domestically all types of goods (raw materials, consumables, spares, capital goods) required for producing export-oriented electronic hardware without paying duties.

- **Custom Bonding:**

- Units set up under this scheme are **customs bonded**, meaning they can operate without paying duties on inputs as long as they focus on exports.

- **Export Obligation (NFE):**

- Similar to EOUs, EHTP units must achieve **positive NFE** over a **5-year period**.

- **DTA Sales:**

- Limited sales of up to **50%** of the FOB value of exports in the Domestic Tariff Area (DTA) are allowed on payment of applicable duties.

## **Eligibility**

- **Manufacturers** of electronic hardware are eligible to establish units under the EHTP scheme.
- The units can be set up within **designated technology parks**.

## **Benefits**

- **Duty-Free Imports/Procurement:**
  - EHTP units can import or procure goods duty-free, providing a significant cost advantage.
- **Financial Incentives:**
  - Similar to EOUs, these units can avail of tax incentives for export-related profits.

## **Export Obligation**

- EHTP units are required to achieve positive NFE over a 5-year period and contribute to electronic hardware exports.

# Software Technology Park of India (STPI)

- The **STPI scheme** was created to encourage the development and export of IT and software services. The scheme supports IT and software companies by providing duty exemptions and infrastructure support.
- STP units enjoy duty-free imports of capital goods and have the benefit of selling services globally.

# Key Features

- **Duty-Free Imports:**

- STPI units can import or procure domestically all capital goods, software, and hardware duty-free, provided they are used for software development and IT-enabled services (ITES) for export.

- **100% Export Focus:**

- STPI units must export their software and IT services, although limited sales in the Domestic Tariff Area (DTA) are allowed.

- **NFE Requirement:**

- STPI units must achieve **positive NFE** over a period of **5 years**.

- **Offshore Services:**

- The scheme also supports the provision of offshore software services.

## Eligibility

- **IT and Software Companies** engaged in software development and IT-enabled services are eligible to set up units under the STPI scheme.

## Benefits

- **Duty-Free Imports:**
  - STPI units can import hardware, software, and other equipment required for service provision without paying duties.
- **Tax Exemptions:**
  - Export profits from STPI units may enjoy tax exemptions under specific provisions of the Income Tax Act (depending on applicable tax laws).

## Export Obligation

- The primary condition is achieving **positive NFE** over a **5-year period** by exporting IT and software services.

# Bio-Technology Park (BTP)

- The **BTP scheme** is aimed at promoting the biotechnology sector by facilitating the import of equipment and inputs required for R&D and production.
- The scheme helps establish biotech units with a focus on innovation, research, and export of biotechnology products

# Key Features

## Duty-Free Imports:

- BTP units can import all goods required for biotechnology-related research and production without paying customs duties, provided they are used for export-oriented activities.

## Research and Development Focus:

- The scheme encourages **R&D** activities by offering exemptions on the import of capital goods, consumables, spares, and equipment required for research.

## DTA Sales:

- BTP units can sell up to a specified percentage of their production in the Domestic Tariff Area (DTA) with applicable duties

## Eligibility

- Companies engaged in **biotechnology research**, development, and production of biotechnology products are eligible for the scheme.

## Benefits

- **Duty-Free Imports:**
  - BTP units enjoy duty-free imports of all goods required for their production or research purposes.
- **Incentives for Innovation:**
  - Encourages investment in biotechnology and R&D, making India a hub for biotech innovation.

## Export Obligation

- BTP units must achieve **positive NFE** over a **5-year period** while focusing on the export of biotechnology products.

## Sum up

- The **EOU, EHTP, STPI, and BTP schemes** under the Indian Customs Act are critical components of India's strategy to promote export-oriented industrialization, technological advancement, and competitiveness. These schemes provide duty exemptions, incentives for research and innovation, and infrastructure support, with a focus on high-value sectors such as electronics, IT, biotechnology, and more. The ultimate goal of these schemes is to boost India's export potential, foster innovation, and encourage global market participation

## **Manufacturing under Bonded Warehouses**

- **Manufacturing under Bonded Warehouses** is a scheme under the **Indian Customs Act, 1962** that allows manufacturers to set up units in a bonded warehouse and conduct manufacturing operations without paying customs duties on imported raw materials, consumables, or capital goods, as long as the products are exported. This scheme is particularly beneficial for companies involved in **export-oriented manufacturing**.

# Overview of the Scheme

A bonded warehouse is a customs-controlled facility where imported goods can be stored without paying import duties until the goods are either exported or cleared for domestic consumption. Under the **Manufacturing and Other Operations in Warehouse Regulations, 2019**, manufacturers are allowed to use these facilities to perform manufacturing activities without upfront duty costs on imports.

# Key Features

## 1. Duty Deferment

- **No upfront payment of import duties** on raw materials, consumables, or capital goods used in manufacturing within a bonded warehouse. Duties are only levied if the goods are cleared for domestic consumption.
- This allows manufacturers to reduce their working capital requirements, as duties and taxes are deferred until the finished goods are sold domestically.

## 2. Flexibility in Manufacturing

- Businesses can carry out **manufacturing, processing, and other operations** on imported goods inside the bonded warehouse.
- Goods manufactured in the bonded warehouse can be exported without payment of duties or cleared into the Domestic Tariff Area (DTA) with applicable duties.

### 3. Duty-Free Exports

- Finished products manufactured in a bonded warehouse can be exported without the payment of **Basic Customs Duty (BCD)**, **Integrated Goods and Services Tax (IGST)**, or other duties that would otherwise apply to imported raw materials.
- The scheme aims to promote **export-oriented manufacturing** by providing duty benefits.

### 4. Domestic Clearance with Duty Payment

- If a manufacturer chooses to sell the finished products in the domestic market, they can clear the goods by paying the applicable **customs duties** on the imported inputs and components.
- The duties are calculated on the raw materials used in the product, not the entire value of the product, which may result in cost savings for manufacturers.

### 5. Simplified Procedures and Reporting

- The scheme offers a streamlined approval process, reducing bureaucratic hurdles. Manufacturers only need to file periodic reports detailing their operations in the bonded warehouse, which includes details of raw materials imported, products manufactured, and finished goods exported or cleared for domestic consumption.

## 6. Capital Goods and Machinery

- Capital goods, including machinery and equipment imported for use within a bonded manufacturing unit, are also eligible for **duty deferment**. This reduces the initial capital burden for businesses investing in new manufacturing setups.

## 7. Simplified Compliance

- **Self-sealing and self-certification** are permitted for goods being exported from bonded warehouses, reducing the need for customs officers' physical intervention.
- A **single point of reporting** and compliance ensures that businesses have fewer regulatory hassles compared to other export-promotion schemes.

## 8. Other Duty Benefits

- The scheme allows for **exemption from antidumping duties, safeguard duties, and other import-related taxes** on inputs and consumables when the goods are exported

# Eligibility for the Scheme

- **Any person (manufacturer or trader)** who has a valid Importer-Exporter Code (IEC) can set up a manufacturing unit under the bonded warehouse scheme.
- **New entities** as well as **existing businesses** can apply for setting up operations under this scheme

# Sum-up

- The **manufacturing under bonded warehouse scheme** is a highly flexible and cost-efficient option for manufacturers targeting both domestic and international markets. With its **duty deferment benefits, no export obligation, and simplified compliance**, it presents a viable alternative to other duty-free schemes like EOU, SEZ, and Advance Authorization. It allows businesses to optimize cash flows, reduce working capital requirements, and enhance export competitiveness while providing the freedom to access the domestic market.

**Special Economic Zones (SEZs)**

**and**

**Free Trade Warehousing Zones (FTWZs)**

# Background

- **Special Economic Zones (SEZs) and Free Trade Warehousing Zones (FTWZs)** are specially designated areas under the **SEZ Act, 2005** that aim to promote industrial growth, exports, and foreign investment. These zones offer numerous fiscal, regulatory, and procedural advantages, designed to attract both domestic and foreign investment, and are considered foreign territories for customs and duties purposes

# **Special Economic Zones (SEZs)**

## **Key Provisions of SEZ Act, 2005**

### **Purpose of SEZs:**

- SEZs are aimed at creating a conducive environment for the export of goods and services.
- They serve as a catalyst for investment, infrastructure development, and employment generation.
- SEZs contribute to India's integration with global supply chains and international trade markets

# Eligibility for SEZ Status

- **SEZ Developer:** Any individual, partnership firm, company, or government body can apply to develop an SEZ.
- **SEZ Units:** Businesses engaged in manufacturing, trading, or service activities aimed at export markets are eligible to operate within an SEZ.
- **100% Foreign Direct Investment (FDI)** is permitted in most sectors in SEZs without government approval.

# Types of SEZs

- **Multi-product SEZs:** Cater to a wide range of industries, typically spread over large areas, and include diverse sectors like manufacturing, IT, and service industries.
- **Sector-specific SEZs:** Focus on specific industries such as textiles, pharmaceuticals, IT, biotechnology, or electronics

# Financial Incentives and Exemptions

## Duty-free Imports:

- SEZ units are exempt from customs duties on the import of capital goods, raw materials, components, consumables, and office equipment.
- Import duties, central excise duties, GST, and other levies do not apply to the import

Or

- procurement of goods from the domestic market (Domestic Tariff Area or DTA).

- **Income Tax Exemptions:**

- **100% income tax exemption** on profits derived from exports for the first five years.
- **50% exemption** for the next five years.
- **50% deduction** on reinvested export profits for the subsequent five years

- **GST Exemptions:**

- Supplies to SEZs are zero-rated under GST, meaning no tax is levied on goods or services provided to SEZ units.
- SEZ units are exempt from GST on the procurement of goods and services from DTA suppliers.

- **Exemption from Other Indirect Taxes:**

- SEZ units are also exempt from state taxes like sales tax, VAT, and stamp duty, depending on the state's policy.

# Procedural Benefits

**Single-Window Clearance:** SEZs enjoy a simplified approval process through a single-window system for regulatory approvals, including environment, customs, and labor regulations.

## **Simplified Customs Procedures:**

- Goods entering or leaving SEZs do not undergo routine customs checks. They are governed by a self-certification model, reducing time and compliance costs.
- **No export licensing** requirements for goods manufactured in SEZs.

## **Operational Flexibility:**

- SEZ units are permitted to engage in a variety of activities such as manufacturing, trading, warehousing, and service activities.
- Companies within SEZs can operate multiple activities under a single umbrella license, including production, warehousing, and service operations

## **Export-Import Flexibility:**

- SEZ units can freely export goods without being subject to export quotas, levies, or licenses. Similarly, goods can be freely imported into SEZs without import restrictions.

## **Sales to Domestic Tariff Area (DTA):**

- SEZ units can sell finished goods to the domestic market (DTA) by paying applicable customs duties on the imported raw materials/components used in production.
- The duty payable is only on the imported content, providing cost advantages over fully domestic manufacturers.
-

## **Subcontracting and Job Work:**

- SEZ units can subcontract production and processing work to units in the DTA or other SEZs with customs approval. This facilitates efficiency and specialization in production.

## **Deemed Export Benefits:**

- Supplies made from DTA units to SEZs are treated as **deemed exports**, making them eligible for export incentives such as refund of duties, drawbacks, and exemption from GST.

# Free Trade and Warehousing Zones

- **FTWZs** are a specific type of SEZ that are primarily focused on trade, logistics, and warehousing operations. They are designed to facilitate cross-border trade by providing infrastructure for the **warehousing and distribution of goods** in a duty-free environment. FTWZs act as **global trading hubs** and are ideal for businesses looking to import, store, and re-export goods without the burden of upfront customs duties and taxes.
- FTWZs also offer light processing and value-added services, such as **repackaging, relabeling, sorting**, and even **light assembly operations**, helping businesses optimize global supply chains.

## **Financial Incentives in FTWZs:**

- **Duty-Free Imports:** Goods imported into an FTWZ are exempt from customs duties and taxes. These goods can be stored duty-free until they are either re-exported or cleared for domestic consumption.
- **Exemption from Local Taxes:** Just like SEZs, FTWZ units are exempt from local taxes such as GST, excise duty, and state-specific levies

# Procedural Benefits in FTWZs

- **No Time Limits:** There is no time limit on the storage of goods in FTWZs, allowing businesses to hold goods until they are required for global markets, reducing inventory and logistical costs.
- 
- **Simplified Customs Procedures:** Goods entering and leaving FTWZs benefit from streamlined customs processes, allowing businesses to focus on trade without bureaucratic delays

# Activities Permitted in FTWZs

- **Warehousing:** FTWZs provide a space for storing goods imported for export, without paying any customs duties.
- **Trading:** Businesses can trade goods within the FTWZ for international or domestic markets. Goods can be sold without customs duties if exported, or duty is paid if they are sold domestically.
- **Value Addition:** Light processing, repackaging, and assembly are allowed within FTWZs. This can add value to the products without being considered manufacturing under the Customs Act

## **Domestic Sales (DTA Clearance) from FTWZs:**

- Goods cleared for sale in the **Domestic Tariff Area (DTA)** from FTWZs are subject to applicable customs duties on the value of the imported goods.
- However, the **customs duties** are only payable on the portion of imported goods, providing cost advantages when selling to domestic markets.

## **Integration with Global Supply Chains:**

- FTWZs serve as **global distribution hubs**, offering a cost-effective and efficient base for companies engaged in international trade.
- These zones are particularly suitable for **just-in-time inventory management**, enabling companies to quickly distribute goods across different global regions.

# Compliance and Reporting

## Maintenance of Records:

- SEZ and FTWZ units are required to maintain detailed records of imports, exports, warehousing, and sales transactions. Customs audits and inspections may be conducted periodically to ensure compliance with the SEZ Act and relevant customs laws.

## Periodic Returns and Filings:

- SEZ units must file **periodic returns** with the Development Commissioner's office detailing the performance of their units, including financial and operational activities.
- Goods imported or procured by SEZ units must be accurately reported, and any duty liability on domestic clearances must be settled as per SEZ guidelines.

# Comparison Between SEZ and FTWZ

| Parameter                | SEZ                                          | FTWZ                                          |
|--------------------------|----------------------------------------------|-----------------------------------------------|
| Focus Area               | Manufacturing, services, trading             | Warehousing, trade, logistics, value addition |
| Customs Benefits         | Duty-free imports for manufacturing/export   | Duty-free storage and re-export               |
| Primary Activities       | Production, manufacturing, trading, services | Warehousing, light processing, re-export      |
| Sales in Domestic Market | Allowed with duty payment                    | Allowed with duty payment                     |
| Processing Allowed       | Full-scale manufacturing                     | Light processing (repacking, assembly, etc.)  |
| Ideal For                | Export-oriented manufacturing                | Global trade, distribution, logistics hubs    |

# Sum-up

- Special Economic Zones (SEZs) and Free Trade Warehousing Zones (FTWZs) provide businesses with a wide array of incentives and operational benefits, especially for export-oriented enterprises. While SEZs cater to manufacturing, trading, and service industries with an emphasis on exports, FTWZs are ideal for companies engaged in global trade and distribution, providing a platform for duty-free warehousing and logistical operations. Both SEZs and FTWZs help businesses reduce costs, streamline operations, and integrate more effectively into global supply chains.

# **Gujarat International Finance Tech-city (GIFT)**

- **Gujarat International Finance Tech-city (GIFT)** is India's first International Financial Services Centre (IFSC) under Special Economic Zone Act, 2005 ("SEZ Act 2005"). It is being developed as a global financial & technology services hub.
- GIFT IFSC is a Multi Services Special Economic Zone. It was operationalized in the year 2015.
- GIFT city is India's first operational greenfield smart city and designed to offer simplified business regime, tax holidays & advantages, single window approvals from all authorities and conducive business eco-system to attract domestic as well as foreign investors. IFSC aspires to cater India's large financial service potential by offering global firms world class infra and facilities. It provides relaxed company law provisions, international arbitration center with overall facilitation of doing business

# **Area of Business allowed to set up presence in IFSC**

- Banking
- Capital Market
- Alternate Investment Fund
- Insurance
- Aircraft & Ship Leasing/Financing
- Global In-House Centre
- Bullion Exchange
- Fin-tech        etc..

Further, these areas are not exhaustive the list is increasing with every workable financial service avenues.

***“Journey of a thousand mile begin with a single step”,  
GIFT City is increasing its growth count with every  
passing day. Current tallies are as under :-***

- Number of IFSC units licensed : **360+**
- Average daily turnover on international exchanges: **US\$ 20 Bn+**
- Number of employment generated in GIFT City: **16000+**
- IFSC Banking Business Assets size: **US\$ 33 Bn**
- Re(insurance) Premium booked in IFSC : **US \$ 297 Mn**
- IFSC Insurance Business Sum Insured: **US\$ 30 bn**

# Incentives and Benefits for Businesses in GIFT IFSC

## Tax Benefits:

- **Tax Holidays:** GIFT IFSC offers a **10-year tax holiday** to units operating within the IFSC.
- **Goods and Services Tax (GST) Exemption:** Certain services offered to units in the IFSC are exempt from GST, particularly financial services related to offshore clients.

## Other Incentives:

- **No Capital Gains Tax:** Exemption from capital gains tax on transactions conducted through exchanges in the IFSC.
- **No Stamp Duty:** Stamp duty is not levied on the transfer of securities within GIFT IFSC.
- **Exemption from Long-term and Short-term Capital Gains:** Investments made by non-residents and offshore funds are exempt from both long-term and short-term capital gains tax.

# Duty Drawback Scheme in India

- The **Duty Drawback Scheme** is a key export promotion initiative under the Indian Customs Act, 1962. It provides exporters with a refund of customs duties and GST paid on imported inputs used in the production of exported goods.
- The objective of the scheme is to make Indian exports more competitive by reducing the cost burden on exporters, encouraging them to export more by refunding the duties paid during production.
- Duty Drawback is a trusted and time-tested scheme administered by CBIC to promote exports. It rebates the incidence of Customs and Central Excise duties, chargeable on imported and excisable material respectively when used as inputs for goods to be exported. This WTO compliant scheme ensures that exports are zero-rated and do not carry the burden of the specified taxes. Duty Drawback provides essential support to exporters.

# Categories of the scheme:

The scheme comprises three categories,

- (i) All Industry Rate
- (ii) Brand Rate and
- (iii) Drawback on re-export of imported goods

# **All Industry Rate (AIR) of Duty Drawback**

- The AIR of Duty Drawback for an export product is an average rate, based on the average quantity and value of material and average duties of Customs and Central Excise borne by each class of material, from which export goods are ordinarily manufactured.
- AIRs are normally reviewed annually on the Drawback Committee's recommendation. AIR of Duty Drawback is popular among exporters and mostly preferred by medium and small exporters because:
  - It is a simple mechanism for grant of Duty Drawback based on the shipping bill declaration, without requiring additional documentation
  - It involves end-to-end electronic processing of Duty Drawback
  - Disbursal of Duty Drawback directly to exporters' accounts helps to free up working capital for exporters
  - There is no need for producing separate documentary evidence realization of export proceeds

# Brand Rate of Duty Drawback

Brand Rate of Duty Drawback is a unique facility provided to exporters for a rebate of actual duty incidence suffered by an export product. Under the Brand Rate mechanism, a specific Duty Drawback rate can be applied for by the exporter if the export product does not have an AIR or the available AIR neutralises less than 80 per cent of the duties paid on materials used in the manufacture of export go.

- Brand Rates are fixed by the local Commissioners of Customs having jurisdiction over the place of export of goods on which Brand rate of Duty Drawback is claimed
- Pending the fixation of Brand Rate, the AIR of Duty Drawback, where available, can be availed upfront by the exporter
- Provisional Brand Rate can be allowed by the Commissioner of Customs on the exporter's request
- Brand Rate of Duty Drawback is disbursed electronically directly to exporter's account in a manner similar to the disbursement of AIR of Duty Drawback

# **Duty Drawback on re-export of imported goods**

- Duty Drawback can also be claimed on the export of duty-paid imported goods. Under this facility, goods imported earlier may be exported and Duty Drawback of up to 98% of import duty paid can be claimed on such exports. Proof of duty paid on importation and identification of the export goods as those that were imported earlier are among the primary requirements under this scheme.

# **Remission of Duties and Taxes on Exported Products (RoDTEP) Scheme**

- The **Remission of Duties and Taxes on Exported Products (RoDTEP)** is a scheme introduced by the Government of India to enhance the competitiveness of Indian exports by ensuring that taxes and duties are not exported along with goods. The RoDTEP scheme aims to reimburse the taxes, duties, and levies that are not covered under other existing schemes but are embedded in the manufacturing process.
- It was introduced to replace the **Merchandise Exports from India Scheme (MEIS)**, which was found to be non-compliant with **World Trade Organization (WTO)** rules

## Objectives of the RoDTEP Scheme

- **Reimburse Exporters:** Refund the embedded duties and taxes incurred in the supply chain that are not refunded under existing schemes.
- **Make Exports Competitive:** Ensure that Indian exports are competitive globally by offering tax neutrality on exports.
- **Encourage Export Growth:** Boost India's export volume by reducing the tax burden on exporters and enhancing profitability.

# Taxes and Duties Covered by RoDTEP

RoDTEP covers taxes, duties, and levies that are not already refunded through other mechanisms like GST or customs duty exemptions. Some of the levies covered include:

- **State VAT on fuel** used in transportation.
- **Electricity duty** paid on electricity consumption during manufacturing.
- **Mandi tax** and other local levies.
- Any unrefunded duties or taxes on inputs such as raw materials and packing materials.
- **Embedded Central Excise duty** on fuel used in transportation and power generation.
- **Transport and freight charges** that are not exempted or refunded.

# WTO Compliant

- RoDTEP was designed to be compliant with the rules of the **WTO**, which mandate that export incentives should not be directly linked to exports or provide subsidies

# Implementation of the RoDTEP Scheme

## Coverage

- Initially, RoDTEP was implemented in phases. The scheme now applies to **all sectors**, replacing the MEIS for most export products.
- It covers **goods exports** but does not yet include services exports.

## Rates of Refund

- The **RoDTEP rates** vary by product and sector, and are determined by the government based on the analysis of duties and taxes embedded in the production process.
- These rates are periodically reviewed and adjusted to ensure accurate reimbursement of duties.

## Eligibility Criteria

- Exporters must fulfill the **following criteria** to be eligible for RoDTEP:
  - Goods must be manufactured in India and exported out of India.
  - Exports must be declared in the **shipping bill** at the time of export.
  - Claims for RoDTEP must be made within a specified time frame.

# Advantages of the RoDTEP Scheme

## Cost Reduction for Exporters

- By refunding the embedded duties and taxes, RoDTEP reduces the overall cost of exported goods, making them more competitively priced in global markets.

## Boost to Export Growth

- With the reduced tax burden, exporters are better positioned to **increase export volumes**, which can boost India's overall export performance.

## Digital and Transparent System

- The RoDTEP process is conducted via a digital platform, ensuring **transparency, speed, and accuracy** in claim processing and disbursement.

## Wide Sectoral Coverage

- RoDTEP covers a **broad range of sectors**, ensuring that even industries that were not previously covered under export schemes can benefit from the duty remission.

# Procedure to Claim RoDTEP

## Filing of Shipping Bill

- At the time of export, the exporter must declare the intention to claim RoDTEP by specifying it in the **shipping bill** filed with Indian Customs.

## E-Scrips Generation

- Once the export is completed, the eligible RoDTEP amount is credited to the exporter's account in the form of **e-scrips**. These scrips are generated electronically and can be transferred or used to offset customs duty.

## Utilization of E-Scrips

- The e-scrips can be utilized to **pay customs duties** on future imports or sold in the market for cash, providing liquidity to exporters.

# Sum-up

- The **RoDTEP Scheme** is an important step toward making Indian exports globally competitive by refunding hidden costs such as embedded taxes and duties. It improves the competitiveness of Indian goods in international markets, fosters export growth, and adheres to international trade norms. With ongoing refinements in the rates and procedures, RoDTEP is expected to play a significant role in boosting India's export performance across a wide range of sectors.

# **New Foreign Trade Policy 2023-2028**

- **India's New Foreign Trade Policy (FTP) 2023-2028**, announced by the Ministry of Commerce and Industry on March 31, 2023, is designed to boost exports, enhance trade facilitation, and strengthen the international competitiveness of Indian businesses.
- This policy aims to make India a significant player in global trade by addressing the evolving needs of exporters and promoting a resilient and sustainable trade ecosystem.
- The FTP 2023-2028 introduces key changes, flexibility, and long-term vision, marking a shift from the traditional 5-year cycle of trade policies.

# Key Objectives of the New FTP 2023-2028

- **Achieve \$2 Trillion Exports:** The new FTP aims to achieve **\$2 trillion in exports by 2030**, with a focus on both goods and services exports.
- **Promote Ease of Doing Business:** Streamline processes, reduce compliance burdens, and increase digitization to make export and import activities easier for businesses.
- **Facilitate MSME Exports:** Encourage the participation of Micro, Small, and Medium Enterprises (MSMEs) in the global value chain.
- **Shift to Dynamic Policy:** Instead of a rigid 5-year structure, the policy allows for **continuous updates** based on changing global trade dynamics and domestic needs.
- **Promote Sustainability:** Encourage the export of **green technology** and environmentally friendly goods.

# Major Features of the New FTP

## Transition to Digital Platforms

- **Paperless Processing:** The new policy aims to make export-related processes paperless and fully digital, leveraging e-platforms like the **DGFT's e-platform** for seamless interactions.
- **Simplification of Export Procedures:** The FTP simplifies export procedures to reduce time and cost for exporters through digital platforms such as the **Exporter Importer Profile**, and more efficient documentation and approval processes.

## Focus on Emerging Sectors

- FTP 2023-2028 aims to **diversify India's export basket** by focusing on high-potential sectors, including **electronics, defense, agricultural products, and green energy**.

- **E-commerce Exports:** Recognizing the rapid growth of e-commerce, the policy focuses on promoting **e-commerce exports** with facilitative measures like the creation of dedicated export hubs and streamlined processes for low-value shipments.
- **Districts as Export Hubs:** A major emphasis is on the "**Districts as Export Hubs**" initiative, which aims to decentralize exports by identifying districts with export potential and promoting local products globally.

## **Promoting Services Exports**

- **Boosting Services Exports:** A key highlight is promoting the export of services such as **IT, legal, healthcare, and education**, with an objective to make India a global services hub.
- **Amnesty Scheme:** To encourage MSMEs and other service exporters, the policy introduces an **amnesty scheme** for exporters to settle past defaults related to export obligations by paying reduced penalties

# **Incentive Schemes and Export Facilitation**

## **Duty Remission Schemes**

RoDTEP (Remission of Duties and Taxes on Exported Products): The policy continues the RoDTEP scheme with expanded coverage to ensure exporters receive refunds on embedded duties and taxes.

## **Duty Exemption Schemes:**

The Advance Authorization Scheme and Export Promotion Capital Goods (EPCG) scheme remain key enablers for importers of inputs and capital goods without payment of duties for producing export goods.

## **Special Economic Zones (SEZ) and Export-Oriented Units (EOU)**

The FTP continues to support SEZs, EOUs, and bonded manufacturing to promote duty-free imports of raw materials for export production.

## **Incentives for High-Potential Markets**

The policy encourages diversification of export destinations, focusing on markets in Africa, Latin America, and Eastern Europe to reduce dependence on traditional markets like the US and Europe.

## **Production-Linked Incentive (PLI) Scheme:**

The FTP aligns with the PLI schemes to promote domestic manufacturing of critical export sectors like electronics, pharmaceuticals, and textiles.

# Sectoral Focus and Key Industries

## Green Exports

- A strong focus is placed on promoting **environmentally sustainable exports** and encouraging the production and export of **green technology** and **renewable energy products**.

## Boost for Agricultural Exports

- The policy aims to increase **agricultural exports** through measures like improved infrastructure, certifications, and market access.

## Special Focus on Electronics and Defense

- With the global demand for **electronics** and **defense equipment** growing, the FTP promotes India as a manufacturing hub for both sectors through incentives and simplified trade facilitation.

## Traditional Sectors

- Continued support is provided to **traditional sectors** like textiles, leather, and handicrafts, with special schemes to promote these sectors globally

# Key Changes and Policy Shift

## 1. No Sunset Clause

- Unlike previous foreign trade policies, which had a defined 5-year period, FTP 2023-2028 is designed to be **open-ended**, allowing for dynamic updates and adjustments based on global market conditions and domestic requirements.

## 2. Amnesty Scheme for Exporters

- To clear old export obligation defaults, the FTP introduces a **one-time amnesty scheme** where exporters can regularize their pending cases by paying a reduced penalty, encouraging compliance without punitive measures.

## 3. Promotion of E-commerce

- The government has prioritized the **e-commerce sector**, recognizing its potential to contribute to exports, particularly for MSMEs. This includes easier customs procedures for **small-value consignments** and creating specialized export hubs for e-commerce.

#### 4. Reducing Export-Import Compliance

- The new FTP emphasizes **reducing compliance costs** by simplifying and digitalizing export-import procedures. It aims to reduce the number of approvals, minimize physical documentation, and allow exporters to focus on trade rather than bureaucratic hurdles

#### 5. Incentives for MSMEs and Startups

- The policy focuses on integrating **MSMEs and startups** into global supply chains by providing:
  - **Simplified credit access** for small exporters.
  - **Technology support** for MSMEs to scale up production for export markets.
  - Encouragement for MSMEs to enter **global value chains** by providing access to international markets and compliance support.

## 6. Challenges and Criticisms

- **Inclusion of Service Exports:** Though the FTP has provisions to promote services exports, critics argue that more robust frameworks are needed to incentivize services like **financial services, legal, and education**.
- **Incentive Shift:** The shift away from direct subsidies like the MEIS and reliance on schemes like RoDTEP is seen as beneficial for WTO compliance but might fall short of expectations for exporters looking for direct financial incentives.
- **Global Uncertainty:** The new FTP faces challenges like **geopolitical tensions, economic slowdowns, and inflationary pressures** globally, which may impact the ambitious export targets set by the policy.

# Future Outlook

- The New FTP 2023-2028 reflects a **forward-looking vision**, adapting to the changing global trade environment by promoting **sustainability, technology**, and **ease of doing business**. It aligns India's trade policies with the government's goals of achieving **Atmanirbhar Bharat (self-reliant India)** and increasing India's integration into global supply chains

# **Additional Benefits for MSMEs in Imports and Exports under the New Foreign Trade Policy (2023-2028)**

- **India's New Foreign Trade Policy (FTP) 2023-2028** places significant emphasis on **Micro, Small, and Medium Enterprises (MSMEs)**, recognizing their role in driving exports and boosting economic growth. To support MSMEs, the government has introduced several measures aimed at enhancing their competitiveness in global trade, easing procedural hurdles, and providing financial and infrastructural support for both **imports and exports**.

# Benefits for MSMEs in Exports

## Lower Compliance and Simplified Procedures

- **Ease of Documentation:** The new FTP simplifies export procedures for MSMEs by reducing the paperwork required for obtaining various export clearances. MSMEs benefit from the **electronic processing** of documentation via the **DGFT e-platform**, enabling faster approvals and fewer physical interactions with government departments.

## Duty Remission Schemes

- **RoDTEP (Remission of Duties and Taxes on Exported Products):** MSMEs can take advantage of **RoDTEP**, which refunds embedded taxes and duties not covered by other mechanisms. This refund ensures that MSMEs can maintain cost competitiveness in global markets.

## **Districts as Export Hubs (DEH)**

- The policy promotes the **Districts as Export Hubs (DEH)** initiative, where districts with export potential are identified, and local MSMEs are encouraged to promote products unique to their regions. Infrastructure support, branding, and market access are provided to help MSMEs from these districts enter international markets.

## **E-Commerce Export Promotion**

- **Dedicated E-Commerce Export Support:** The new FTP focuses on boosting **e-commerce exports**, which is particularly beneficial for MSMEs that deal in smaller consignments. MSMEs can now benefit from simplified processes for **low-value shipments**, and specialized hubs for **e-commerce export facilitation** will be established, providing necessary logistical and regulatory support

## **Export Credit and Finance**

- **Access to Affordable Export Credit:** The FTP works in tandem with schemes such as the **Interest Equalization Scheme (IES)** to ensure MSMEs have easier access to affordable export credit. Under the **IES**, MSMEs receive an interest subsidy on pre-shipment and post-shipment export credit, helping them manage the cost of finance.

## **Capacity Building and Skill Development**

- The policy provides for **skill development programs**, technology upgrades, and capacity-building initiatives to help MSMEs adopt global best practices. This enables them to improve product quality and scale production, enhancing their competitiveness in international markets

# Branding and Market Access

- **Support for Brand Building:** The FTP supports MSMEs in **branding** and **international market access**. MSMEs receive assistance in participating in international trade fairs, buyer-seller meets, and online export promotions.
- **Geographical Indications (GI):** MSMEs producing region-specific or traditional products can benefit from **GI recognition**, which helps in gaining global visibility and protects the authenticity of their products.

# Benefits for MSMEs in Imports

## Duty-Free Import of Raw Materials

- MSMEs engaged in export-oriented production can benefit from schemes such as:
  - **Advance Authorization Scheme:** Allows MSMEs to import raw materials and inputs **duty-free**, provided these are used for the production of export goods.

**Export Promotion Capital Goods (EPCG) Scheme:** MSMEs can import capital goods such as machinery and equipment **without paying customs duty**, provided these are used to produce goods for export. This helps MSMEs modernize and upgrade their manufacturing units without incurring high import costs

## **Access to Raw Materials under FTAs**

- The government is negotiating and entering into **Free Trade Agreements (FTAs)** and **Preferential Trade Agreements (PTAs)** with various countries. MSMEs benefit from preferential duty rates on raw material imports from countries with which India has FTAs, thus reducing the cost of production.

## **Support for Technology Imports**

- MSMEs looking to import **technology and machinery** can benefit from various schemes that allow the import of advanced technology equipment at lower costs or duty-free under certain conditions, such as the **EPCG scheme**

# Other Key Support Mechanisms for MSMEs

## Trade Infrastructure for Export Scheme (TIES)

- **TIES** aims to create **export-related infrastructure** for MSMEs, including testing labs, certification centers, and cold storage facilities. The scheme helps MSMEs by improving the infrastructure in their regions, enabling them to meet international standards.

## One-Time Amnesty Scheme for Export Obligations

- To encourage MSMEs to comply with export obligations, the new FTP introduces a **one-time amnesty scheme**. MSMEs that have failed to meet past export obligations can settle their defaults by paying a reduced penalty, clearing any backlog of non-compliance without facing harsh penalties

## **MSME-Focused Incentive Programs**

- The FTP encourages collaboration between the Ministry of Commerce and the **Ministry of MSMEs** to align **MSME incentive programs** with trade policy. This includes providing financial assistance for product development, research and development, and market promotion.

## **Production Linked Incentive (PLI) Scheme**

- While the **PLI Scheme** primarily focuses on boosting domestic manufacturing, certain sectors within the PLI scheme are specifically designed to benefit **export-oriented MSMEs**, particularly in industries like electronics, textiles, and pharmaceuticals. This enables MSMEs to increase production, reduce import dependency, and boost exports.

# Sum-up

- The **New Foreign Trade Policy 2023-2028** offers numerous benefits tailored for MSMEs, including simplified procedures, financial incentives, enhanced market access, and logistical support. With a focus on reducing compliance burdens and increasing the competitiveness of MSMEs in global markets, the policy ensures that MSMEs can take full advantage of global opportunities, driving India's growth as a major export hub. By providing targeted support for both imports and exports, the policy aims to make Indian MSMEs a key player in global value chains





**THANK YOU!**