

DGFT needs to cut this red tape

TNC Rajagopalan July 24, 2016 Last Updated at 21:35 IST

Many exporters have a new, not wholly unexpected, problem. Their claims under the Merchandise Exports from India Scheme (MEIS) are being held on the ground that the description of the product in the shipping bill does not exactly match the description given in the MEIS rate schedule.

However, it is well known that these cannot always match. Under MEIS, exporters get duty credits at a notified percentage of the free on board value for exports to notified countries. Appendix-3B of the Handbook of Procedures, Vol 1, gives the list of eligible items and the entitlement rates. The list gives the description and classification code under the Harmonised System. Broadly these are aligned with the Customs Tariff. Many exporters, however, cannot use the same description in invoices to their customers.

For example, an exporter of a chemical under the classification 29343000 can give the name of his product in the invoice but not describe it as 'compounds containing a phenothiazine ring-system (whether or not hydrogenated) not further fused', which is what is given in the Customs Tariff or MEIS rate schedule. Many a time, the exporter might prefer to give a description that tallies with the description of the export product given in the advance authorisation. Usually, the description in the invoice gets carried over in the shipping bill.

Similarly, the descriptions 'Other Excl. Cod, Haddock, Coalfish, Hake, Alaska Pollack, Blue Whittings', 'Other Incl Druggets', 'Other Parts And Accessories Of Goods Of SubHeading 844331, 844332' are some examples of descriptions given in the MEIS rate schedule that cannot find their way into invoices or shipping bills. Such instances abound.

The exporters give the descriptions in line with their contracts or as required in their authorisations, along with the classification. It is for the Customs to examine whether the item falls under the given classification. Once they accept this and the declaration of the exporter that they are claiming rewards under MEIS, the latter should not face any problems in getting the duty credit entitlements under that classification.

This issue was flagged in this column on April 27, 2015, as follows: "Mostly, the description of items in the MEIS table are aligned with the descriptions in the Customs Tariff. However, the description of the same item may be different in the duty drawback All Industry Rate (AIR) schedule or the Standard Input Output Norms. When exports are made under the drawback or duty exemption scheme, exporters have to give the description in the shipping bill as per the description in the AIR schedule or the advance authorisation. Exporters are apprehensive that in such cases, their MEIS entitlements may be denied on the grounds that the description in the shipping bill does not tally with the description given in the MEIS table. They need to be assured that the MEIS entitlement will be based on the classification code declared on the shipping bill."

Many exporters have taken up this issue with the Directorate General of Foreign Trade (DGFT). However, nothing has been done. So, many now find themselves at the mercy of the dealing officials who can hold up the claims unless their demands are met, although this practice is not uniform at all offices of the DGFT. Many do grant the entitlements on the basis of classification.

The DGFT must immediately clarify and issue suitable instructions.

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