

**HIGHLIGHTS OF ANNUAL SUPPLEMENT 2012-13
TO
FOREIGN TRADE POLICY 2009 -14**

**ANNOUNCED BY
MINISTER FOR COMMERCE, INDUSTRY & TEXTILES
SHRI ANAND SHARMA
On Tuesday, the 5th June 2012**

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2 % INTEREST SUBVENTION SCHEME: Continuation and Expansion

1. Two per cent Interest Subvention Scheme was available only to Handlooms, Handicrafts, Carpets and SMEs till 31st March 2012. **Now this would be continued till 31st March 2013. It is also being extended to labour intensive sectors, namely, Toys, Sports Goods, Processed Agricultural Products and Ready-Made Garments,** in addition to four sectors benefitting from the scheme earlier.

TECHNOLOGICAL UPGRADATION / EPCG SCHEME

2. Zero Duty EPCG Scheme had come to an end on 31st of March 2012. For continued technological up-gradation of export sectors, **this Scheme has now been extended up to 31st March 2013.** There is no change in the coverage of the sectors benefitting from this scheme.
3. Though the coverage of the sectors remains unchanged, **scope of Zero Duty EPCG Scheme has been enlarged.** At present, Zero Duty EPCG Scheme is not available to units that are availing the benefits of Technology Up-gradation Fund Scheme (TUFS). Henceforth, even if the benefit of TUFS has been availed, additionally the Zero Duty EPCG Authorisation can be availed for another line of business by the same applicant. Further, if it is the same line of business, Zero Duty EPCG Scheme could still be availed if the benefits of TUFS already availed are surrendered/refunded with applicable interest.
4. Upto 31st March 2012, the benefit of Zero Duty EPCG Scheme was not available to such applicants who would have availed benefit of Status Holder Incentive Scrip (SHIS). It is now decided that if such SHIS benefit already

availed is surrendered subsequently with applicable interest to the concerned RA, and then the benefit of Zero Duty EPCG Scheme would be extended.

5. **Introduction of A new Post-Export EPCG Scheme:** Exporters if they choose to, may import Capital Goods on payment of duty in cash and subsequently receive duty credit scrip on completion of export obligation. Thus there would be no duty remission / duty exemption at the time of import of the Capital Good (CG). Applicant will have to inform the Regional Office of DGFT (RA) about the import of CG and based on which RA will fix export obligation. Since the duties have been paid upfront at the time of import of CG, the EO would be 85 % of normal EO. On the basis of export performance, a Duty Credit Scrip will be issued subsequently, by RA, in proportion to export obligation so fixed. This would obviate the monitoring and reporting requirements, as the scheme would be self-monitored. Reduced transaction cost coupled with comparatively reduced EO would make this scheme attractive.
6. Under the EPCG Scheme, at present, the condition of maintenance of average level of exports is not applicable to some sectors, namely, Handicrafts, Handlooms, Cottage Sector, Tiny Sector, Agriculture, Aquaculture (including fisheries), Horticulture, Pisciculture, Viticulture, Poultry and Sericulture. **Three new sectors** are being added to this list, namely, **Carpet, Coir and Jute**. This would provide substantial relief to these labour intensive industries, which find it difficult to maintain the average export obligation.
7. Presently under EPCG scheme, catalysts are allowed only once for the initial charge. It has been decided to permit a second charge of the catalysts.
8. To facilitate setting up of Common Service Centres located in the town of export excellence (TEE), a Common Service Provider (CSP) under EPCG Scheme will henceforth be **permitted to give a single Bank Guarantee**

(BG). The quantum of BG will be equivalent to the amount of duty foregone. It is open to CSP to provide the BG for full amount by himself or on a sharing basis along with the users of the common service.

SUPPORT FOR EXPORT OF PRODUCTS FROM NORTH EASTERN REGION.

9. To promote manufacturing activity and employment in the North Eastern Region of the country, export obligation under the EPCG Scheme shall be **25% of the normal export obligation.** This would be applicable to the States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Tripura, and Sikkim.
10. Export of specified products through notified Land Customs Stations of North Eastern Region shall be provided **additional incentive to the extent of 1%** of FOB value of exports. This benefit shall be in addition to any other benefit that may be available under Foreign Trade Policy in respect of these exports.

SUPPORT FOR EXPORT OF GREEN TECHNOLOGY PRODUCTS

11. To promote exports of 16 identified green technology products, export obligation for manufacturing of these products, under the EPCG Scheme, is **being reduced to 75% of the normal export obligation.**
12. The 16 products are: Equipment for Solar Energy decentralized and grid connected products, Bio-Mass Gassifier, Bio-Mass / Waste Boiler, Vapour Absorption Chillers, Waste Heat Boiler, Waste Heat Recovery Units, Unfired Heat Recovery Steam Generators, Wind Turbine, Solar Cells, Solar Collector and Parts thereof, Water Treatment Plants, Wind Mill, Wind Turbine/Engine, Other Generating Sets; wind powered, Electrically Operated Vehicles – Motor Cars, Electrically Operated Vehicles – Lorries and Trucks, Electrically Operated Vehicles – Motor Cycles / Mopeds.

SUPPORT FOR INFRASTRUCTURE FOR AGRICULTURE SECTOR

13. Status holders exporting products under ITC (HS) Chapter 1 to Chapter 24 (both inclusive) are provided Duty Credit Scrip equivalent to 10% of FOB value of agricultural products so exported. These scrips are issued for import of Capital Goods and equipments for Cold Storage Units, Pack-houses etc. **Now these scrips will be eligible for import of 14 specified equipments for setting up of Pack-houses.**

14. The 14 equipments are: Packing grading equipments for fruits and vegetables, Equipments for ripening of fruits including ethylene generator, Adiabatic humidifiers for cold rooms, Gas sensor and controlled system covering CO₂, ethylene and oxygen levels, ethylene scrubbers, CO₂ Scrubbers, Blast freezers for IQF plants, Doors for gastight rooms, applications like CA, Banana/fruit ripening, Nitrogen generators, Gas controlling systems for CA stores, Bulk bins for CA stores, Reach stakers for cold stores and warehouses, Belt driven conveyors for bulk handling of cargo, Gantry cranes, unloading, mechanized loaders for bulk and break bulk cargo.

INCENTIVES FOR PROMOTING INVESTMENT IN LABOUR INTENSIVE SECTORS

15. Status holders are issued Status Holders Incentive Scrip (SHIS) to import Capital Goods for promoting investment in up-gradation of technology of some specified labour intensive sectors like Leather, Textile & Jute, Handicrafts, Engineering, Plastics and Basic Chemicals. It is now decided that up to **10% of the value of these scrips will be allowed to be utilized to import components and spares of capital goods imported earlier.** Such a dispensation was not available earlier.

16. At present these scrips are subject to Actual User Condition and are not transferable. Since a status holder may or may not have manufacturing facility, it is now decided to allow **limited transferability of SHIS scrip.** However, such Transferee shall have to (a) be a status holder and (b) have manufacturing facility.

ENCOURAGEMENT FOR MANUFACTURING SECTOR IN DOMESTIC MARKET

17. The present Policy allows scrips under different schemes of Chapter 3 of Foreign Trade Policy, namely, Focus Product Scheme (FPS), Focus Market Scheme (FMS), Vishesh Krishi and Gram Udyog Yojana (VKGUY) Scheme, Status Holder Incentive Scrip (SHIS) Scheme, Market Linked Focused Product (MLFPS) Scheme, Served From India Scheme (SFIS) and Agri. Infrastructure Incentive Scrip (AIIS) Scheme, for import of goods as per conditions of these Schemes. **Now these scrips shall be permitted to be utilized for payment of Excise Duty for domestic procurement.** Earlier only scrips under SFIS were so permitted for procurement of goods from domestic market. Now all scrips would be permitted to source from domestic market so as to encourage manufacturing, value addition and employment. This will be an important measure for import substitution and will help in saving of foreign exchange in addition to creating additional employment.

USE OF “DELIVERY AGAINST ACCEPTANCE (DA)” TERMS NOT TO BE ENCOURAGED FOR EXPORT OF CARPETS / HANDICRAFTS.

18. Export of Handicraft items and export of Hand-Made Woollen Carpets including other floor coverings like Woollen Durries, Druggets, Gabbas, Namdhas and Shaggy **shall not be allowed on the basis of “Delivery against Acceptance (DA)” terms**, unless they are covered by Bank Guarantee or ECGC guarantee. This would significantly protect the business and financial interests of small exporters.

SIMPLIFICATION OF PROCEDURES

19. Import under Advance Authorisation (AA) **will henceforth be permitted at any of the EDI ports, irrespective of EDI port in which the AA has been registered.** There would be no requirement of Transfer Release Advice

(TRA). This would facilitate imports under AA and would significantly bring down transaction costs of the exporters.

20. Exports shipments from Delhi & Mumbai through Post, through Courier or through e-Commerce shall be entitled for export benefits under FTP.

An Inter-Ministerial Task Force constituted by the Ministry of Finance would expeditiously look into various aspects to the feasibility of enabling shipments through all postal locations.

21. Exporters will be henceforth permitted to give **single revolving Bank Guarantee** for different transactions.

VISAKHAPATNAM AIRPORT RECOGNISED UNDER EXPORT PROMOTION SCHEMES

22. Visakhapatnam Airport has been identified **as a new Port** for the purpose of benefits under Export Promotion Schemes.

DUTY FREE IMPORT OF EMBELLISHMENTS FOR EXPORTS OF SYNTHETIC MADE-UPS

23. At present duty free import of embellishments is allowed against exports of Handloom made-ups, Cotton made-ups and Polyester made-ups. This facility will now be **extended to the export of Synthetic made-ups.**

NEW “e-BRC” INITIATIVE: A MAJOR EDI INITIATIVE

24. An extremely challenging and significant EDI initiative, **“e-BRC” has been launched by DGFT.** “e-BRC” would herald electronic transmission of Foreign Exchange Realization from the respective Banks to the DGFT’s server on a daily basis. Exporter will not be required to make any request to bank for issuance of Bank Export and Realization Certificate (BRC). This will establish a seamless EDI connectivity amongst DGFT, Banks and Exporters. “e-BRC” would facilitate early settlement and release of FTP incentives / entitlements. This is a significant step to reduce transaction cost to the exporters.

SEARCH BASED “ITC (HS)” ON DGFT WEBSITE

25. DGFT has published a new, updated, ITC (HS) classification of Export and Import items. On the DGFT website (<http://dgft.gov.in>), **a facility has been provided to search / enquire about the current Import Policy of an item** by entering either ITC (HS) Code of that item or brief description of that item. This would be of major help to trade and industry as well to academicians and researchers.

RE-WRITING OF FTP/HBP TO MAKE IT MORE USER-FRIENDLY

26. DGFT has undertaken a **through revision of Foreign Trade Policy / Handbook of Procedures, Vol.1** to make it more user friendly. Substantial efforts have been made to remove ambiguities in language, delete repetitions and harmonise the text with amendments to policy and new policy announcements.

MARKET & PRODUCT DIVERSIFICATION

27. 7 new markets are being added to Focus Market Scheme (FMS). These countries are Algeria, Aruba, Austria, Cambodia, Myanmar, Netherland Antilles, and Ukraine

28. 7 new markets are being added to the Special Focus Market Scheme (Special FMS). These countries are Belize, Chile, El Salvador, Guatemala, Honduras, Morocco, and Uruguay.

29. 46 new items are being added to Market Linked Focus Product Scheme (MLFPS). This would have the effect of including 12 new markets for the first time.

30. MLFPS is being extended till 31st March 2013 for export to USA and EU in respect of items falling in Chapter 61 and Chapter 62.

31. 110 new items are being added to the Focus Product Scheme (FPS) list.

32. 2 new items are being added to VKGUY. These are roasted cashew kernel, and protein concentrates & textured protein substances.

TOWNS OF EXPORT EXCELLENCE

33. 3 new towns are being declared as Towns of Export Excellence (TEE). These are Ahmedabad (Textiles), Kolhapur (Textiles), and Shaharanpur (Handicrafts)