

SEGMENT - 31
FOREIGN TRADE POLICY



FOREIGN TRADE POLICY

Foreign Trade Policy is a set of guidelines or instructions issued by the Central Government which specifies policy for exports and imports viz., foreign trade. Its primary purpose is not merely to earn foreign exchange, but also to stimulate greater economic activity.

FTP
Regulates,
Develops
and
Promotes
international
trade

Customs Act,
1962 contains
procedures,
valuation,
consequences

The provisions of FTP are governed by Foreign Trade (Regulation and Development) Act, 1992. The FTP is formulated, supervised and controlled by Directorate General of Foreign Trade (DGFT) & Regional Authorities (RA)

Current FTP 2023 is w.e.f 1.04.23

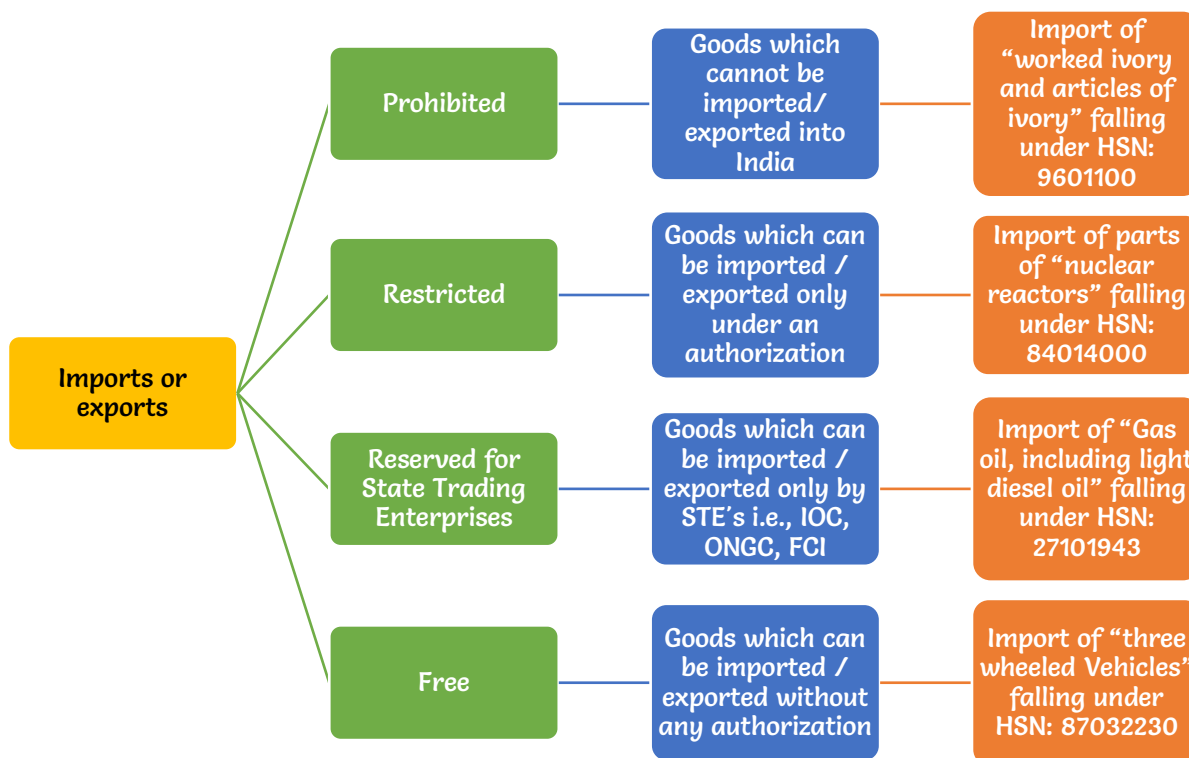
No end date specified for FTP 2023

Contents of FTP are: [DGFT issues authorization i.e. permission to import and export]

Basic policy + Export Incentives

Handbook of Procedures - Vol. I & II

Harmonized system of coding [ITC(HS)]



ADMINISTRATION OF FTP:

Authorization – License required to import or export, issued by Director General of Foreign Trade (DGFT) through its Regional Authorities (RA’s).

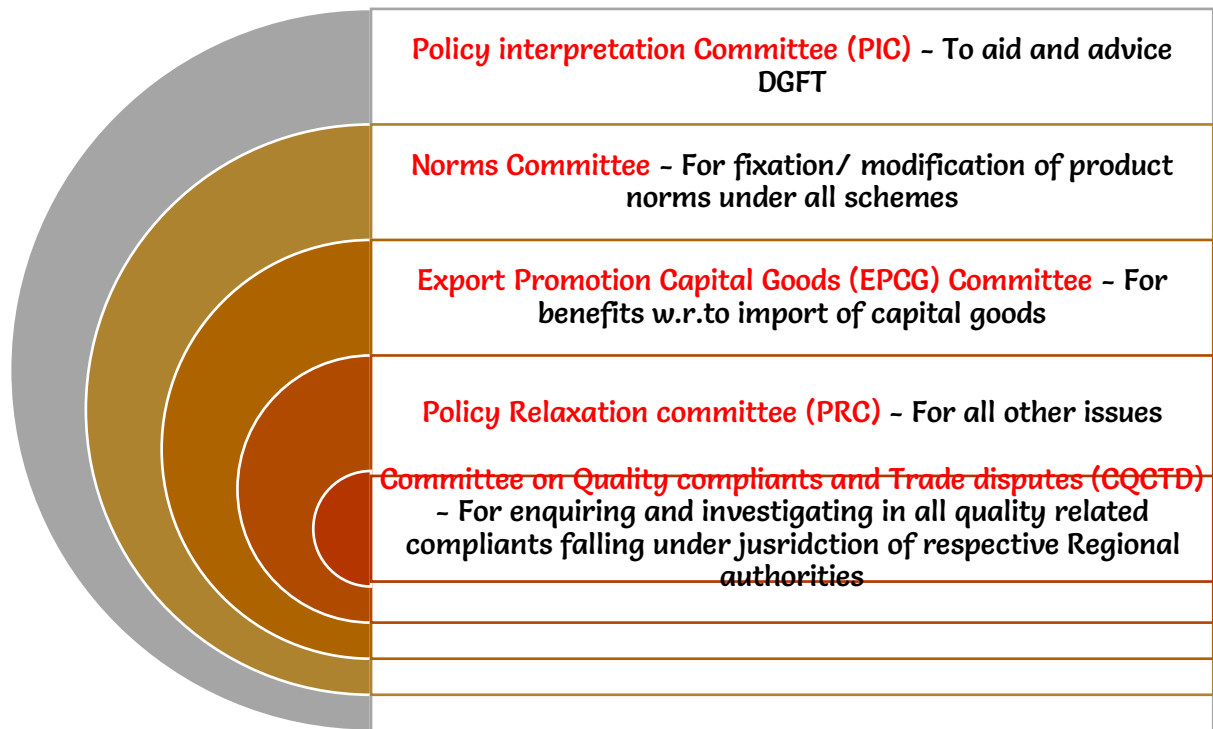
Directorate General of Foreign Trade (DGFT) – A final authority for interpretation of policy (In case of dispute in implementation, DGFT overrides CBIC). DGFT may in public interest pass such orders or grant such exemption, relaxation or relief, as it may deem fit and proper, on grounds of genuine hardship and adverse impact on trade to any person or class or category of persons from any provision of FTP or any Procedures.

Settlement commission – Authority setup by department of revenue has been empowered to settle matters of default in export obligation also.

Reserve Bank of India (RBI) – It works under ministry of finance and monitors receipts and payments for exports and imports

Central Board of Indirect Taxes and Customs (CBIC) – Facilitate in implementing the provisions of FTP. Customs department is responsible for clearances in line with policy formed by DGFT. GST authorities to be involved in the matters relating to export.

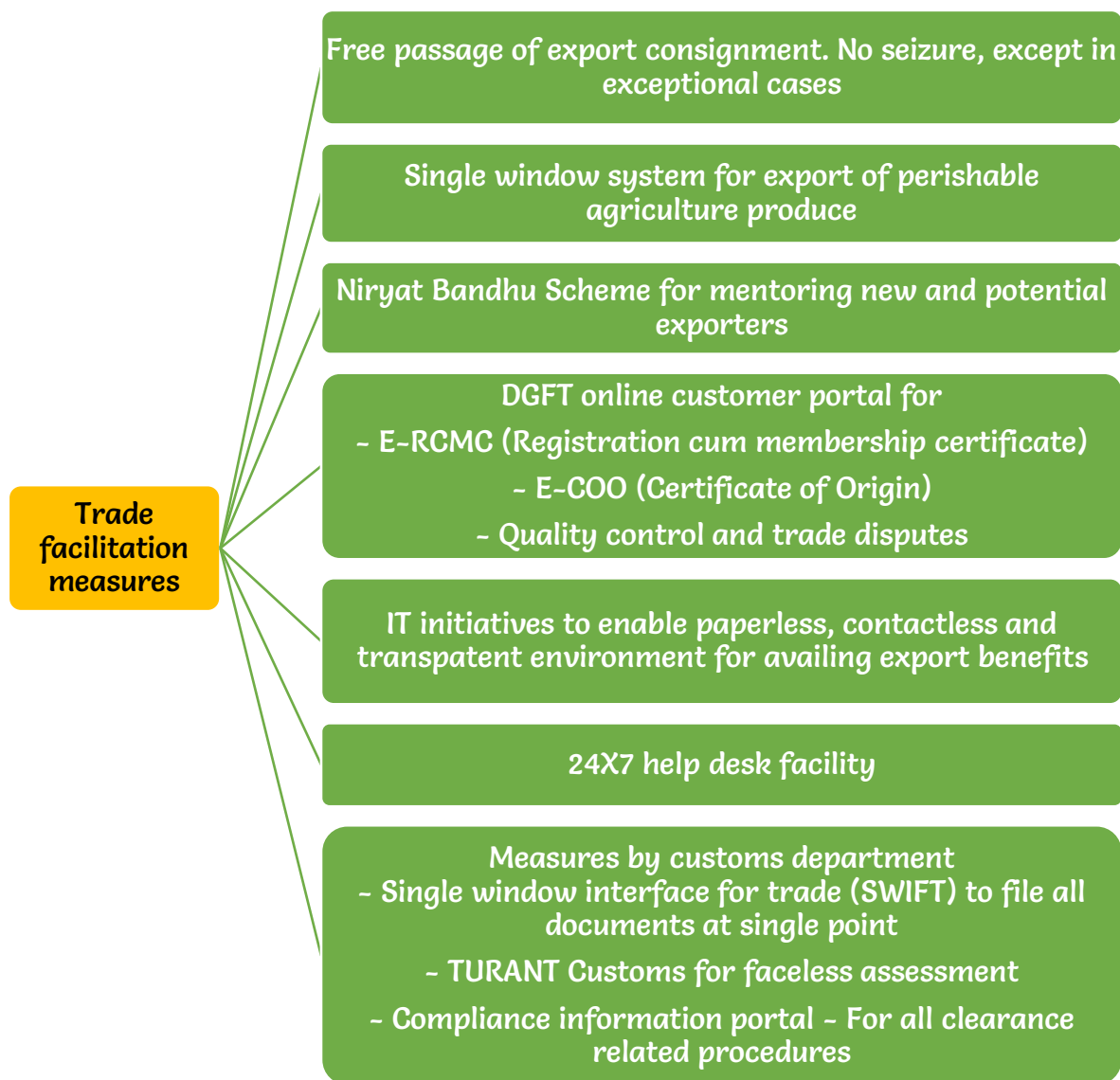
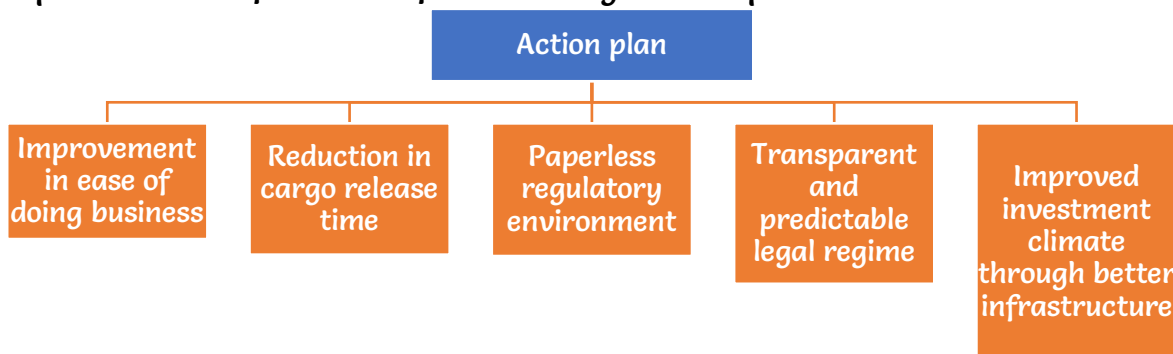
State GST departments – To avoid dual control, some taxable persons are under the jurisdiction of state GST authorities. In their case, state GST authorities are controlling authorities.

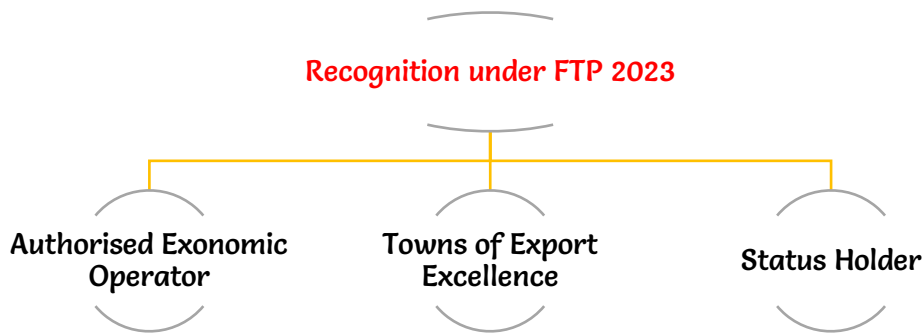


Note: If an importer/exporter is aggrieved by any decision taken by PRC, or a decision/order by any authority in the DGFT, a specific request for personal hearing has to be made to DGFT, which may consider for relation after consulting with all committees and the decision conveyed in pursuance to the personal hearing shall be final and binding.



National committee on Trade Facilitation (NCTF) – To facilitate coordination and implementation of the trade facilitation agreement provisions.



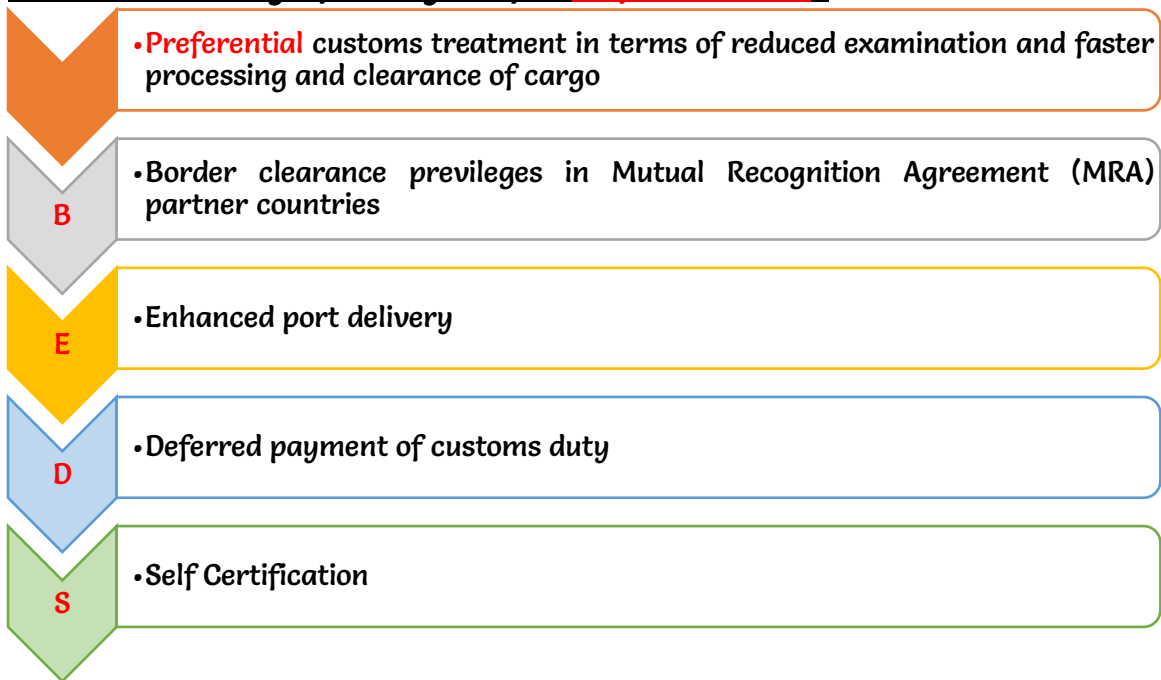


Authorised Economic Operator (AEO)

Under AEO programme of Indian Customs, a business entity engaged in international trade is granted AEO status if it is approved by Customs as compliant with supply chain security standards based on World Customs Organization’s SAFE framework Standards.

Such entities are considered as trusted trade partner of Indian customs.

AEO status holders get following benefits [Preferential BEDS]:



Towns of Export Excellence (TEE):

- Selected towns which are contributing handsomely to India’s exports by producing goods of specified amount may be granted recognition as TEE.
- They will be provided targeted support and infrastructure development to maximize their export competitiveness and enable them to move up the value chain and also to tap new markets by granting specified privileges to them.

STATUS HOLDER = Exporter granted Status Certificate in terms of FTP. Business leaders who have excelled in international trade and have successfully contributed to India’s exports and also providing guidance to new entrepreneurs.

Export Performance criteria in terms of FOB/FOR value in \$ - Star Export House (EH)

1 star EH = \$ 3 million

2 star EH= \$ 15 million

3 star EH= \$ 50million

4 star EH= \$ 200 million

5 star EH= \$ 800 million

Benefits to status holders

[WIPES] [Made in India] [Exempted]

Warehouse licence to 2 star and above

Input Output Norms on priority i.e. within 60 days by norms committee

Preferential treatment and priority in handling

Exports free of cost (Except gems & gold jewellery)

Self declaration w.r.to authorization and customs clearances

“Made in India” self certification for 3 star and above

Exempted from furnishing bank guarantee & compulsory negotiation of documents*

***After shipment of goods, exporter has to negotiate the documents through a bank within 21 days from the date of shipment. Submission of relevant documents to the bank and the process of obtaining payment is called “Negotiation of documents”.**

How to compute Export Performance???

- ✓ Status recognition depends upon export performance.
- ✓ All exporters of goods or services having an IEC shall be eligible for recognition.
- ✓ Export performance is counted on the basis of FOB value of export proceeds realized in free foreign exchange or in Indian rupees¹, during **current and previous three financial years**.²

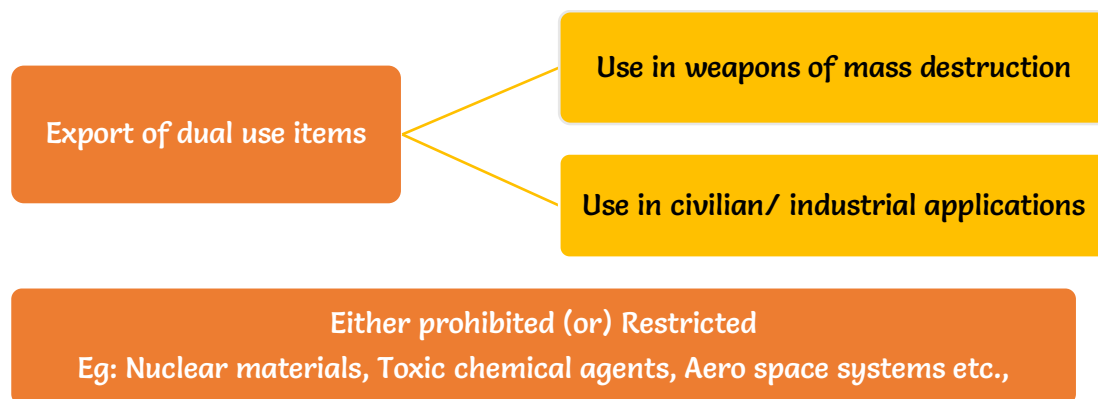
¹ In case of deemed export, FOR value of exports in Indian rupees shall be converted in \$ at the exchange rate notified by CBIC, as on 1st April of each financial year

² However for Gems & Jewellery Sector, the performance during current and previous two years shall be considered for recognition as status holder.

- ✓ For granting status, export performance is necessary in **all the three preceding financial years**.
- ✓ Export performance in not transferrable among IEC holders
- ✓ Exports made on re-export basis shall not be counted for recognition.
- ✓ Export of items under authorization, including SCOMET³ items, would be included for calculation of export performance.
- ✓ For calculating export performance for grant of **One Star Export House Status** category, exports by following IEC holders shall be **granted double weightage once** in any of these categories
 - Micro and Small Enterprises,
 - manufacturing units having ISO/BIS certification,
 - units located in Northeastern States including Sikkim and Union Territories of Jammu,
 - Kashmir and Ladakh and
 - export of fruits and vegetables

Skilling and mentorship obligations of Status Holders - Status Holders (other than One Star Export House) are being made “partners” in providing mentoring and training in international trade to specified number of trainees each year based on status they achieve.

SCOMET: SPECIAL CHEMICALS, ORGANISMS, MATERIALS, EQUIPMENT AND TECHNOLOGIES



DEVELOPING DISTRICTS AS EXPORT HUBS:

Every district has products and services which are being exported, and can be further promoted, along with new products/ services, to increase production, grow exports, generate economic activity and achieve the goal of **Atma Nirbhar Bharat, Vocal for local and Make in India**.

³ Special Chemicals, Organisms, Materials, Equipment and Technologies



DISTRICT EXPORT HUB VISAKHAPATNAM		DISTRICT EXPORT HUB GUNTUR	
PRODUCTS IDENTIFIED FOR EXPORTS POTENTIAL	PRESENCE OF 12,571 MSMEs	PRODUCTS IDENTIFIED FOR EXPORTS POTENTIAL	PRESENCE OF 15,938 MSMEs
<ul style="list-style-type: none"> AGRI & FOOD PROCESSING Araku Coffee FURNITURE & HANDICRAFTS Etikoppaka Toys, Coir Products AQUA & SEA FOOD Sea Food PHARMACEUTICALS Bulk Drug 	<ul style="list-style-type: none"> 151 LARGE & MEGA INDUSTRIES INVESTMENT OF INR 60,698 CR EMPLOYMENT GENERATED 2,67,468 MINERAL BASE Heavy Mineral Beach Sand, Bauxite, Graphite, Calcite 	<ul style="list-style-type: none"> AGRI & FOOD PROCESSING Chillies, Turmeric, Tobacco AQUA & SEA FOOD Fish TEXTILES & APPARELS Cotton Yarn 	<ul style="list-style-type: none"> 102 LARGE & MEGA INDUSTRIES INVESTMENT OF INR 9,008 CR EMPLOYMENT GENERATED 1,87,056 MINERAL BASE Limestone, Low-grade iron ore, Lead-zinc, Copper

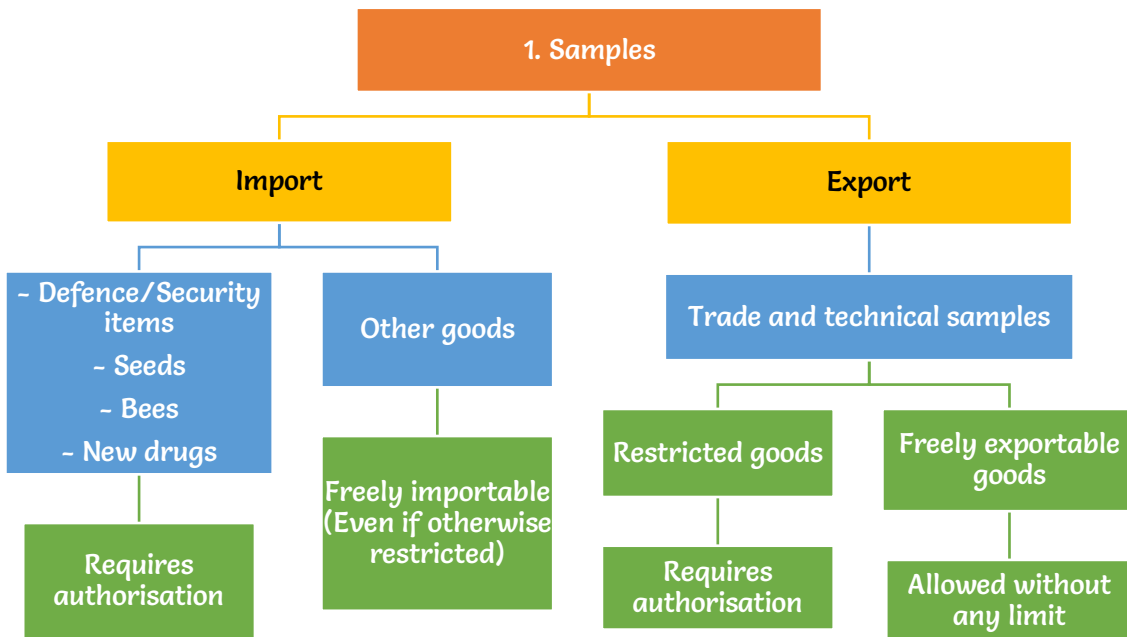
REGISTRATIONS UNDER FTP:

Import Export Code (IEC) – An identification number (Which is nothing but PAN of the person), without which import and export is not permitted, unless exempted. IEC details have to be electronically updated every year, even if there are no changes, failing which it will be deactivated till updation.

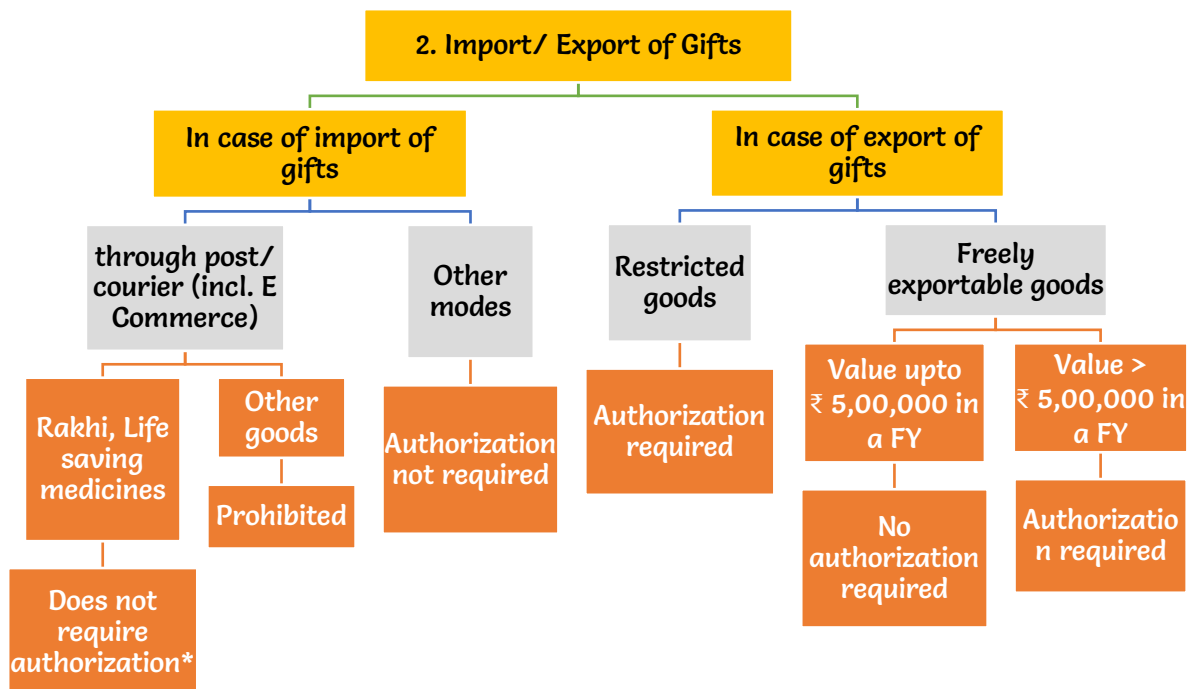
State Trading Enterprises (STE) – certain goods can be imported/exported only through ‘State Trading Enterprises’ notified by DGFT. State Trading Enterprises (STEs) are governmental/non- governmental enterprises, including marketing boards, which deal with goods for export and /or import. However, DGFT has the discretion to issue authorization to other entities to import or export goods that are notified for exclusive trading through STEs.

Export Promotion Councils (EPCs) – organizations of exporters, set up to promote and develop Indian exports. Each Council is responsible for promotion of a particular group of products/ projects/services. EPCs shall issue **Registration-cum-Membership Certificate (RCMC)**. RCMC is required to be furnished by any person, applying for an Authorisation or for any other benefit or concession under FTP.

SPECIFIC PROVISIONS RELATING TO IMPORT AND EXPORT:

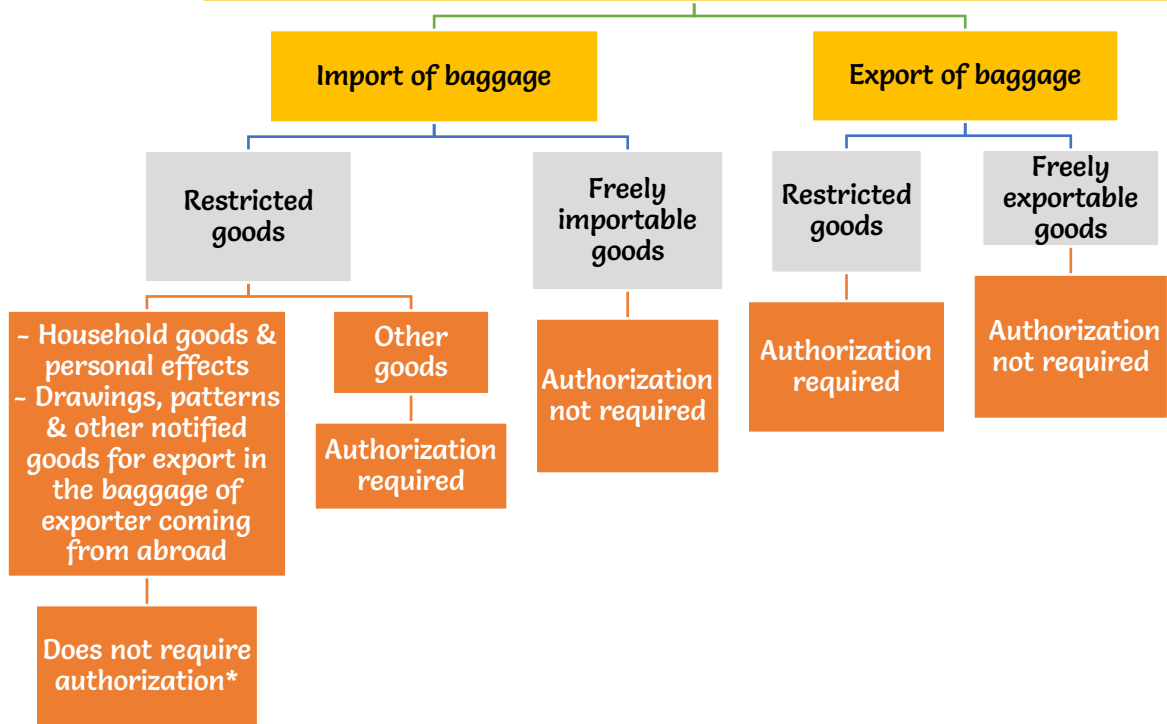


Note: Duty free import of samples (Without payment of customs duty) upto ₹3,00,000 for all exporters shall be allowed.

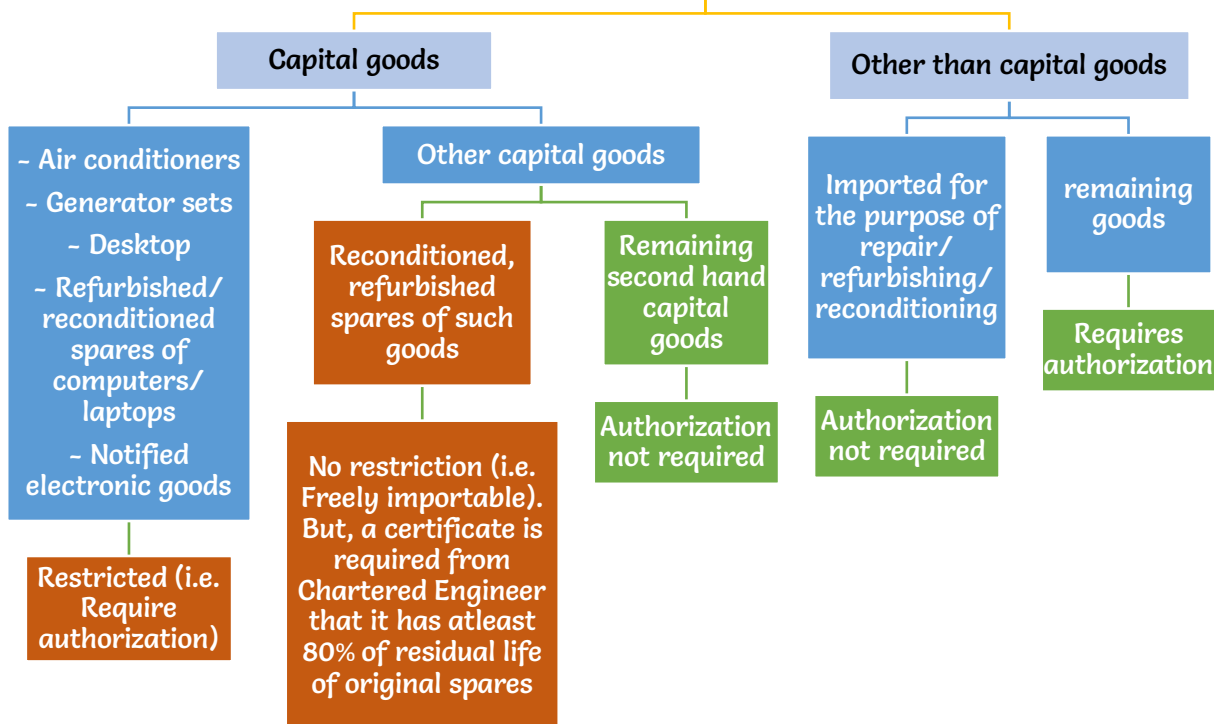


*Customs duty payable on gifts imported. However, if CD on Rakhi is upto ₹100 then it is exempted.

3. Passenger Baggage - accompanied (or) unaccompanied within 1 year before or after passengers departure/arrival



4. Import of Second hand goods

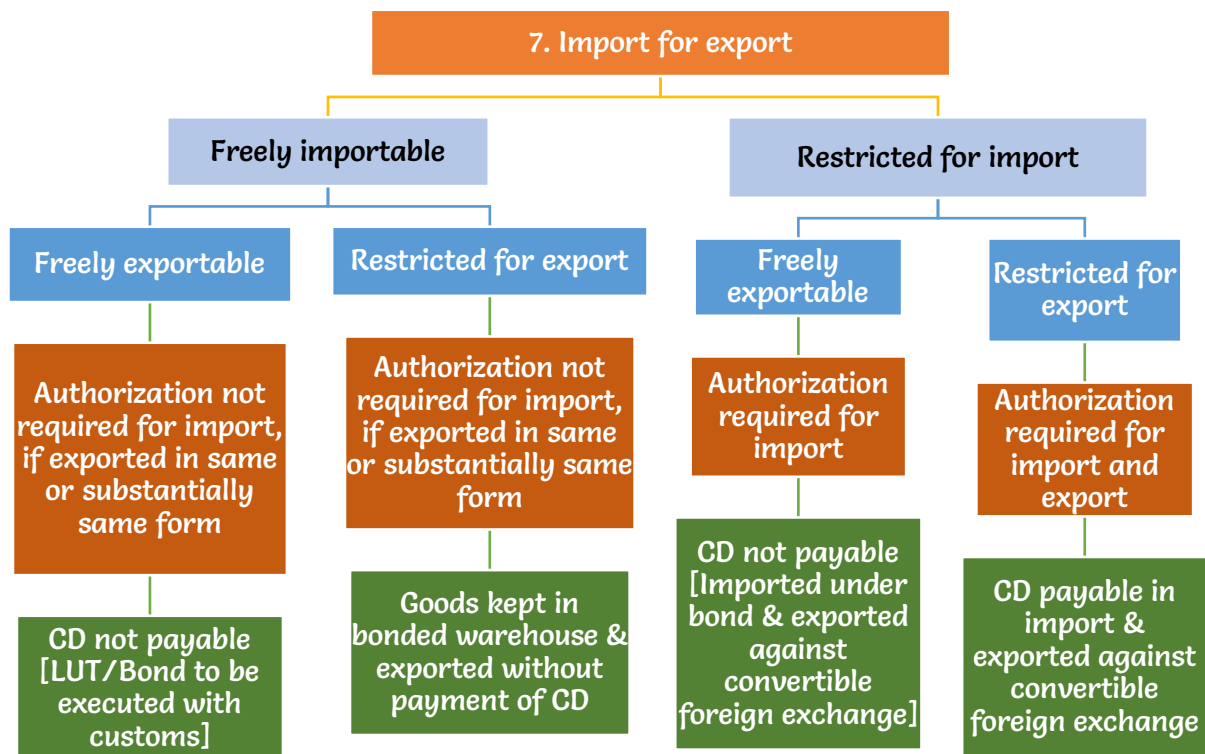


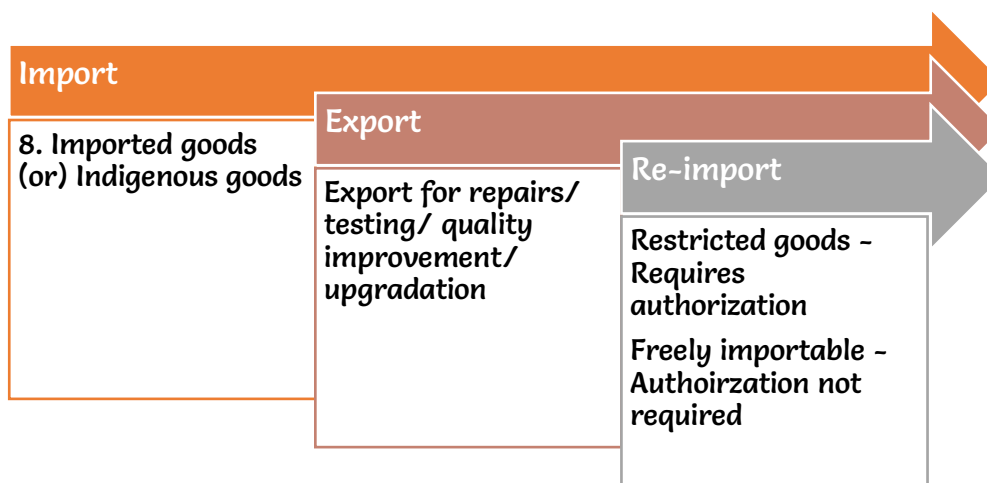
Note: Goods (incl. Capital goods) used abroad for at least 1 year, can be imported without any authorization, even if such goods are otherwise restricted.

5. Prototypes: New / second hand prototypes / second hand samples may be imported without an Authorisation on the following conditions:

- ❑ The importer is an Actual User (industrial)
- ❑ He is engaged in production of, or having industrial license / letter of intent for research in an item for which prototype is sought for product development or research, as the case maybe,
- ❑ The importer files a self-declaration to that effect, to the satisfaction of Customs authorities.

6. Metallic waste & scrap: Import of any form of metallic waste, scrap will be subject to the condition that it will not contain hazardous, toxic waste, radioactive contaminated waste / scrap containing radioactive material, any type of arms, ammuniton, mines, shells, live or used cartridge or any other explosive material in any form either used or otherwise.





Miscellaneous provisions w.r.to imports/exports:

9. **Authorization** – Import/export of restricted goods is possible only through authorization (i.e., licence) obtained through DGFT using applicants IEC. Usually, such authorization is with actual user condition (i.e., only importer of such goods should use), unless it is specifically dispensed with.

10. **Mandatory documents to be filed:**

Import	Export
1. Bill of Entry	1. Shipping bill/ Bill of export
2. Document of title: Vessel – Bill of lading Aircraft – Airway Bill Vehicle – Lorry receipt/railway receipt Post – Postal receipt	
3. Commercial invoice cum packing list (or separate invoice and packing list)	

11. Import of capital goods under lease financing does not require any specific permission from DGFT

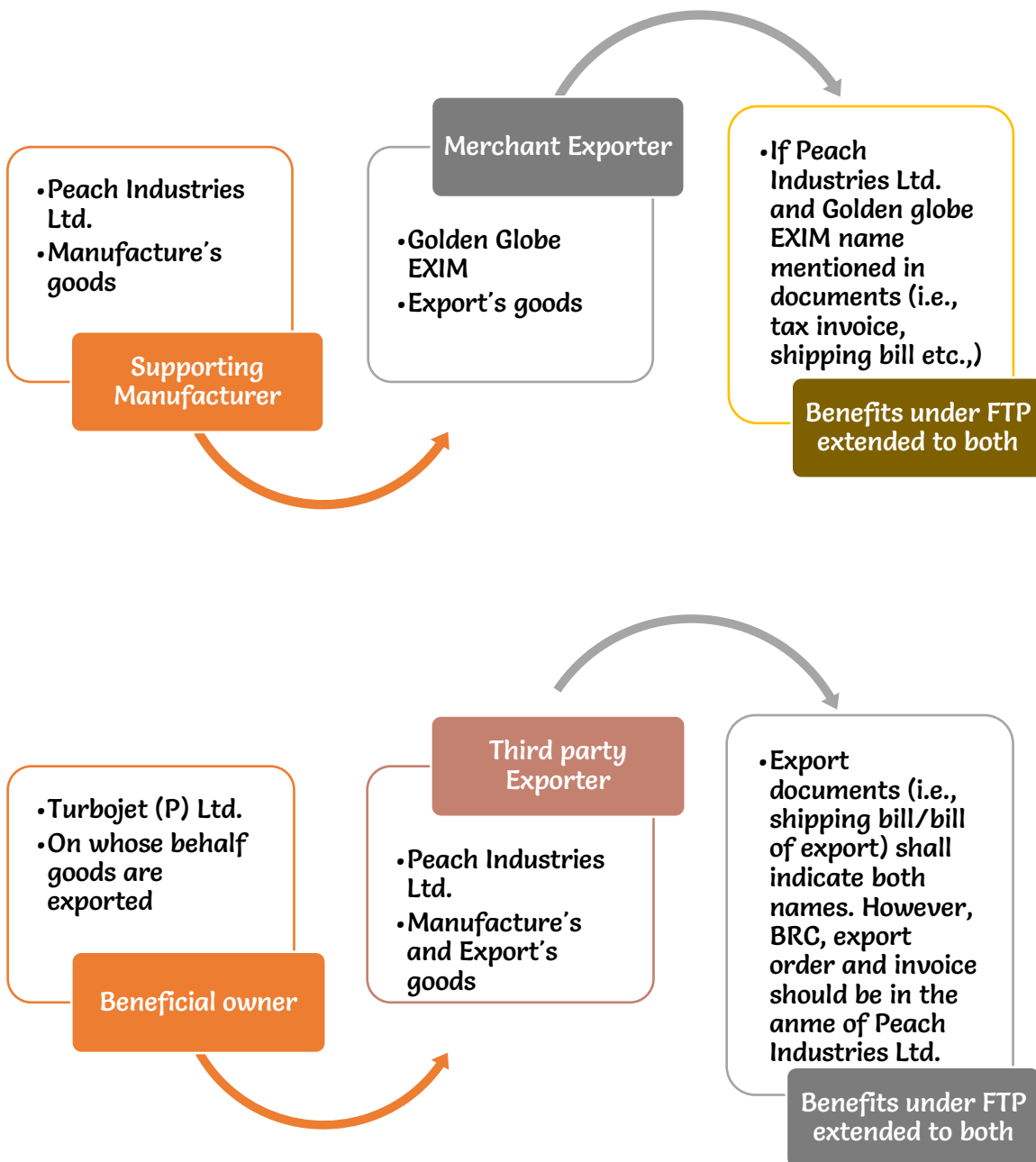
12. **Merchanting trade:**



- Shipment do not touch Indian ports
- This is allowed subject to RBI guidelines
- All goods are allowed, other than SCOMET, Specimens of wild animals and plants covered under CITES (Convention on international trade in Endangered species)

13. In case of import of goods without payment of customs duty or at concessional rate, bank guarantee/bond/LUT to be executed with customs. However, for domestic procurement without payment of GST, it is to be executed with regional authority.

14. **Benefits to supporting manufacturers and third-party exports:**



VARIOUS EXPORT PROMOTION SCHEMES:



AA V. DFIA – FOR PROCUREMENT OF GOODS WITHOUT PAYMENT OF DUTY:

Basis of Difference	Advance Authorization (AA)	Duty Free Import Authorization (DFIA)
1. Transferability of authorization	AA is subject to actual user condition which cannot be transferred	DFIA is transferable after completion of export obligation
2. Outward supply	<ul style="list-style-type: none"> ✓ Physical export (Incl. supply to SEZ) ✓ Deemed Export under FTP ✓ Supply as stores to foreign going vessel or aircraft 	Only Export
3. Minimum value addition required for outward supply.	Minimum VA = 15% (However, in case of specified goods, it can be less than 15%)	Minimum VA = 20%
4. Eligibility	<ul style="list-style-type: none"> - An exporter (manufacturer or merchant), who holds Authorized Economic Operator Certificate - A status holder with 2-star or above status, 	Any exporter (manufacturer or merchant)

	subject to approval by DGFT	
5. Fixation of Standard Input SION	AA can be issued even if SION for that product is not fixed, based on self-declaration	DFIA can be issued only if SION has been fixed for the product to be exported.
6. Duties that are exempt	All duties (incl. IGST and GST Comp. Cess) payable on imports under AA are exempted.	Only BCD payable in imports under DFIA is exempted.
7. Applicability of authorization.	Only manufacturer – Exporter or merchant exporter tied to supporting manufacturer is eligible for AA. (In case of pharmaceutical products it shall be issued to manufacturer exporter only)	A merchant exporter even though not tied to supporting manufacturer is eligible for DFIA. However, they need to mention name and address of supporting manufacturer in export documents.
8. When available?	<ul style="list-style-type: none"> - Imported inputs are subject to pre import condition and they should be physically incorporated in the export product (making normal allowance for wastage). - In case of local procurement, the inputs shall be procured prior to manufacture of export item and shall be physically incorporated in the export product. 	It shall be issued on post export basis based on exports made, which is useful for subsequent imports
9. When it is not available?	The scheme is not available for the specified export products as well as specified inputs.	<ul style="list-style-type: none"> ⇒ No DFIA shall be issued for an input which is subject to pre-import condition or where SION prescribes ‘Actual User’ condition or certain other specified inputs with pre import condition ⇒ Import of Tyre

10. Validity?	<p>Deemed Exports: Co-terminus with contracted duration of the project or 12 months, whichever is later.</p> <p>Other cases: 12 months from the date of issue (Revalidation for further 12 months only once)</p>	12 months from the date of issue (No further revalidation)
11. Export obligation period	90 days from the date of clearance of import consignment (No further extension)	12 months from the date of online filing of DFIA application and generation of file number

Common Provisions applicable to AA & DFIA:

Accounting of Input	<ul style="list-style-type: none"> - Where SION permits use of either (a) a generic input or (b) alternative input, <u>the name/description of the input used (or to be used) in the Authorization must match exactly with the name/description endorsed in the shipping bill.</u> - At the time of discharge of export obligation (issue of EODC) or at the time of redemption, Regional Authority shall allow only those inputs which have been specifically indicated in the shipping bill together with quantity. - <u>The above provisions will also be applicable for supplies to SEZs and supplies made under Deemed exports.</u>
Importability / Exportability of items that are Prohibited/ Restricted / STE	<p>Prohibited items – Not allowed unless separately notified.</p> <p>Reserved for STE – Import not allowed without Advance Release Order (ARO), or Invalidation Letter. Export only after obtaining a ‘No Objection Certificate’ from the concerned STE.</p> <p>Restricted items – Import allowed unless specifically disallowed. Export of restricted / SCOMET items however, shall be subject to all conditionalities or requirements of export authorization or permission.</p>
Domestic Sourcing of Inputs	<p>Holder of an AA / DFIA can procure inputs from indigenous supplier/ State Trading Enterprise/EOU/EHTP/BTP/ STP in lieu of direct import.</p> <p><u>Such procurement can be against Advance Release Order (ARO), or Invalidation Letter.</u></p>

Currency for Realisation of Export Proceeds.	Export proceeds shall be realized in freely convertible currency or in Indian Rupees, except otherwise specified.
Re-import of exported goods	Goods exported under AA/ DFIA may be re-imported in same or substantially same form subject to the conditions.

Advance Authorization for Annual Requirement and Eligibility Conditions:

- Advance Authorization for Annual Requirement shall only be issued for items notified in SION and it shall not be available in case of adhoc norms under Self-Declared Authorizations where SION does not exist.
- **Advance Authorization for Annual Requirement shall also not be available in respect of SION where input is notified.**
- Exporters having past export performance (in at least preceding two financial years) shall be entitled for Advance Authorization for Annual requirement.
- Entitlement in terms of CIF value of imports shall be upto 300% of the FOB value of physical export and / or FOR value of deemed export **in preceding financial year or Rs 1 Crore, whichever is higher.**

FULFILMENT OF EXPORT OBLIGATION:

- For the purpose of duty exemption and remission schemes, Value Addition (VA) shall be calculated as follows: -
- Value Addition = $A - B/B \times 100$
- where:
- A = FOB value of export realized (In case of actual exports)/ FOR value received (In case of deemed exports)
- B = CIF value of inputs covered by Authorization, plus any other imported materials used on which benefit of DBK is claimed or intended to be claimed.

Note: In case of free of cost material supplied by foreign buyer, notional value of material (notional CIF as declared before Customs) shall be added to the CIF value and also to FOB value to arrive at the value addition.

Illustration - 1:

CIF value of Input = ₹2,50,000 & Fob Value of export = ₹3,25,000 whether VA delivered under AA?

$$\frac{3,25,000 - 2,50,000}{2,50,000} \times 100 = 30\% \therefore \text{VA Achieved}$$

Illustration - 2:

If FOB value of export is ₹ 4,80,000, what should be CIF value of import to achieve VA under DFIA?

CIF Value of import + 20% = FOB value of export

$$1.2 \times \text{CIF value of import} = ₹4,80,000$$

$$\therefore \text{CIF Value of import} = \frac{4,80,000}{1.2} = ₹4,00,000$$

Illustration - 3:

If FOB value of export in ₹ 8,00,000 & goods freely supplied by recipient outside India with a national cost of ₹ 2,00,000, what should be CIF value of other imports if VA under AA to be achieved?

CIF value of import \times 115% = FOB value of export

$$(X + ₹2,00,000) \times 115\% = ₹8,00,000 + ₹2,00,000$$

$$X + ₹2,00,000 = ₹10,00,000 / 1.15 = ₹8,69,565$$

$$X = ₹8,69,565 - ₹2,00,000 = ₹6,69,565$$

REMISSION OF DUTIES AND TAXES ON EXPORTED PRODUCTS (RODTEP) SCHEME:

- Refund to exporters central, state and local duties/taxes that were so far not being rebated/refunded (Eg: Corporation tax, municipal tax, mandi tax, Local body tax, garbage tax etc.,)
- Refund credited to Electronic Duty Credit ledger through e-Scrip, maintained under Sec. 51B of Customs Act, 1962 which can be used **only for payment of Basic Customs Duty on import** (or) can be transferred to other importers
- The rebate under the scheme shall not be available in respect of duties and taxes already exempted or remitted or credited.
- Under the scheme, a rebate would be granted to eligible exports at a notified rate as a % of FOB value with a value cap per unit of the exported product, wherever required, on export of items which are categorized under the notified 8 digit HS code. However, for certain export items, a fixed quantum of rebate amount per unit may also be notified.
- The rebate allowed is subject to the receipt of sale proceeds within time allowed under the FEMA, 1999 failing which such rebate shall be deemed never to have

been allowed. The rebate would not be dependent on the realization of export proceeds at the time of issue of rebate.

⇒ If the sale proceeds are not realized within the time allowed under FEMA, then the rebate granted shall be recovered from the person to whom the rebate is granted, even if such duty credit is transferred to any person.

⇒ Ineligible supplies/Items/Categories under the scheme:

(i)	Export of imported goods
(ii)	Exports through transshipment
(iii)	Exported goods subject to minimum export price or export duty
(iv)	Restricted goods for export as per ITC (HS)
(v)	Prohibited goods for export as per ITC (HS)
(v)	Deemed Exports
(vii)	Supplies of products manufactured by DTA units to SEZ/FTZ units
(viii)	Products manufactured by 100% EOU/EHTP/BTP/Customs bonded warehouse/SEZ/FTZ
(ix)	Products manufactured or exported in discharge of export obligation against AA (or) DFIA

EXPORT PROMOTION CAPITAL GOODS (EPCG) SCHEME:

- **What is this scheme about?** Export Promotion Capital Goods Scheme (EPCG) permits exporters to procure capital goods at zero customs duty or procure them indigenously without payment of GST^[Deemed Exports under GST]. In return, exporter is under an obligation to fulfill the export obligation.

Note: Exemption w.r.to IGST & GST comp. cess on import.

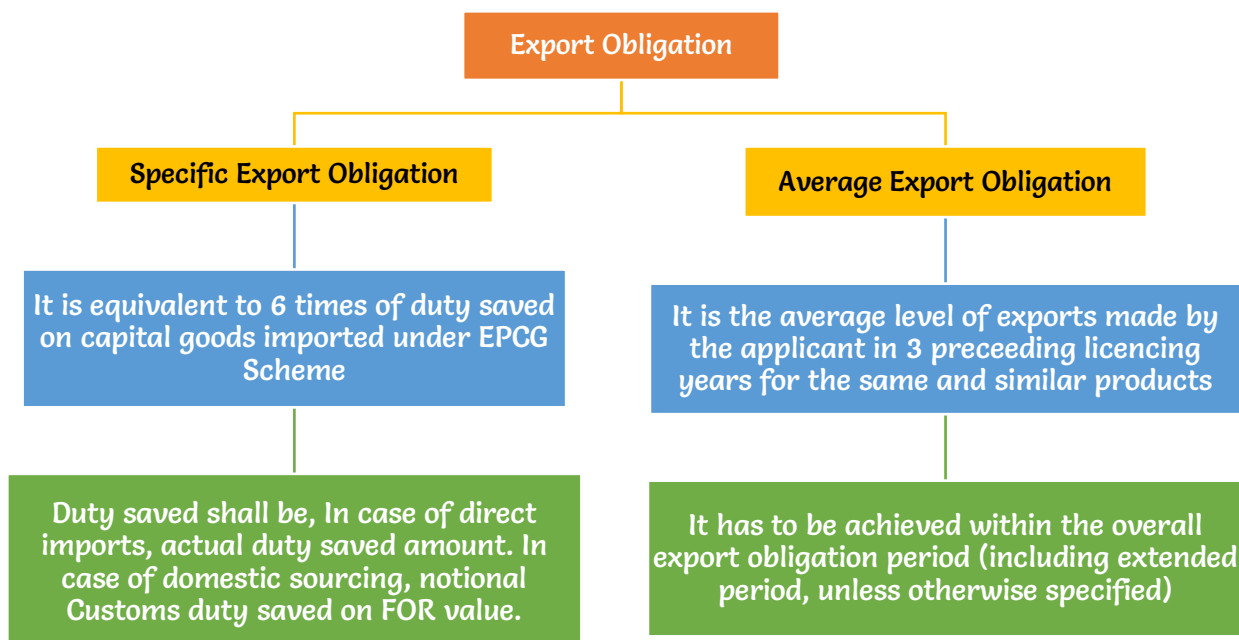
- **Who are eligible?**

- Manufacturer exporters with or without supporting manufacturers
- Merchant exporters tied to supporting manufacturer
- Service providers including service providers designated as Common Service Provider (CSP) subject to prescribed conditions

- **Meaning of capital goods:**

- “Capital Goods” means any plant, machinery, equipment or accessories required for manufacture or production, either directly or indirectly, of goods or for rendering services, including those required for replacement, modernisation, technological up-gradation or expansion.

- Capital goods may be for use in manufacturing, mining, agriculture, aquaculture, animal husbandry, floriculture, horticulture, pisciculture, poultry, sericulture and viticulture as well as for use in services sector.
 - The license holder can either procure the capital goods (whether used for pre-production, production or postproduction) from global market or domestic market.
 - **Restricted capital goods shall be imported only after requisite approval.**
 - Capital Goods including capital goods in CKD/SKD condition are eligible
 - Computer systems and software which are a part of the Capital Goods being imported are eligible
 - Spares, moulds, dies, jigs, fixtures, tools, refractories & Catalysts for initial charge plus one subsequent charge, are also eligible
 - Import of capital goods shall be subject to **actual user condition** till export obligation is completed. After export obligation is completed, capital goods can be sold (or) transferred.
- **Export obligation?** Export obligation means obligation to export products covered by authorization/ permission in terms of quantity or value or both, as may be prescribed/specified by regional or competent authority. Export obligation (EO) consists of specific export obligation and average export obligation. Specific EO is over and above average EO (Therefore first average EO should be met and then Specific EO should be met)



- **Validity of authorization:** Valid for import for **24 months** from the date of issue of authorization. Revalidation shall not be permitted.

Special points w.r.to export obligation:

- The Average Export Obligation (AEO) shall be fulfilled every financial year, till export obligation is completed. Exports/supplies made over and above AEO shall only be considered for fulfillment of Export Obligation.
- EO shall be fulfilled by the authorisation holder through export of goods which are manufactured by him or his supporting manufacturer / services rendered by him, for which the EPCG authorisation has been granted. Exports can be direct or through third parties.
- In case of **indigenous sourcing of capital goods**, **Specific EO shall be 25% less than the EO mentioned above**, i.e. EO will be 4.5 times (75% of 6 times) of duty saved on such goods procured. There shall be **no change in average EO** imposed, if any
- Exports under Advance Authorisation, DFIA, Duty Drawback, RoSCTL and RoDTEP Schemes would also be eligible for fulfilment of EO under EPCG Scheme
- Exports made from DTA units shall only be counted for calculation and/or fulfillment of AEO and/or EO
- EO can also be fulfilled by the supply of Information Technology Agreement (ITA-1) items to DTA, provided realization is in free foreign exchange
- Both physical exports as well as specified deemed exports shall also be counted towards fulfilment of export obligation

Illustration - 4:

Duty saved on import of capital goods = ₹20,00,000 → Specific EO = 80,00,000 EPCG granted on 1/04/2023. Determine whether export obligation is achieved based on the following information pertaining to exports for various years:

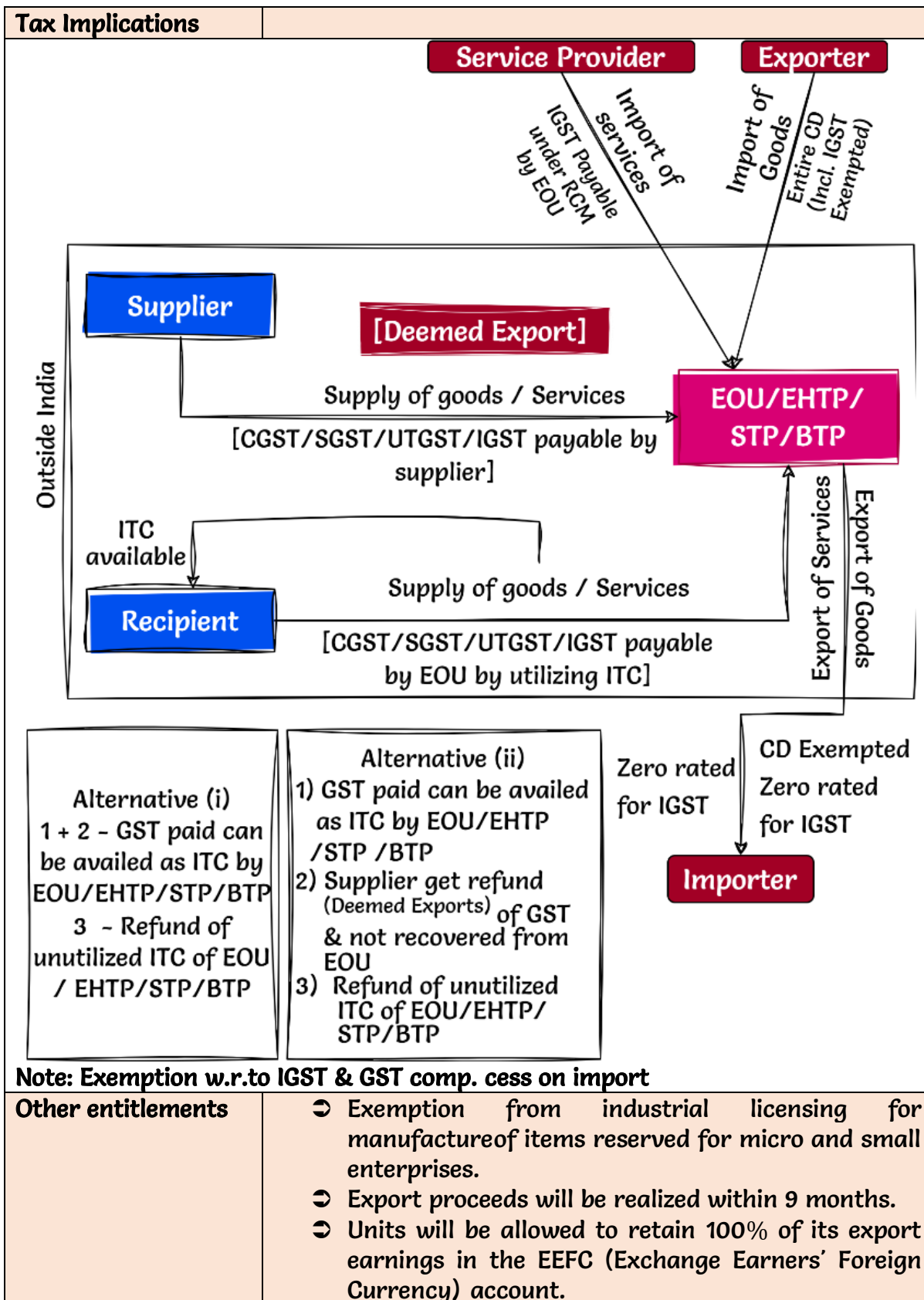
2019	2020	2021	2022	2023	2024
₹10 lakhs	₹40 lakhs	₹20 lakhs	₹50 lakhs	₹45 lakhs	₹60 lakhs
2025	2026	2027	2028	2029	2030
₹55 lakhs	₹55 lakhs	₹80 lakhs	₹90 lakhs	₹80 lakhs	₹75 lakhs

6 years from the date of EPCG	Actual Exports (i)	Average of 3 preceding years (ii)	Amount towards Specific EO (iii) = (i) – (ii)	Cumulative amount towards specific EO
2023	₹45 lakhs	$\frac{40+20+50}{3} = 36.67$ lakhs	8.33 lakhs	8.33 lakhs
2024	₹60 lakhs	$\frac{20+50+45}{3} = 38.33$ lakhs	21.67 lakhs	30 lakhs
2025	₹55 lakhs	$\frac{50+45+60}{3} = 51.67$ lakhs	3.33 lakhs	33.33 lakhs
2026	₹55 lakhs	$\frac{45+60+55}{3} = 53.33$ lakhs	1.67 lakhs	35 lakhs
2027	₹80 lakhs	$\frac{60+55+55}{3} = 56.67$ lakhs	23.33 lakhs	58.33 lakhs
2028	₹90 lakhs	$\frac{55+55+80}{3} = 63.33$ lakhs	26.67 lakhs	85 lakhs

In the present case, both average EO and Specific EO is achieved and they will get export obligation discharge certificate.

EXPORT PROMOTION ZONES SCHEME:

What are the notified areas?	<ol style="list-style-type: none"> 1. EOU – Export Oriented Unit 2. EHTP – Electronic Hardware Technology Park 3. STP – Software Technology Park 4. BTP – Bio Technology Park
Objective	To promote exports, enhance foreign exchange earnings, attract investment for export production and employment generation.
Units Covered under the Scheme?	<ul style="list-style-type: none"> ➤ All units OTHER THAN TRADING UNITS are covered under this Scheme ➤ Majorly exports of goods or services, other than prohibited (Except permissible sales in DTA)
Applications & Approvals/Letter of Permission (LOP)/ Letter of Intent (LOI)	Application for setting up an EOU shall be considered by Unit Approval Committee (UAC)/ Board of Approval (BoA) as the case may be.
What is the validity of LoP/LoI	Once unit commences production, LOP/LOI issued shall be valid for a period of 5 YEARS for its activities. This period may be EXTENDED further by DC for a period of 5 YEARS at a time.



	<ul style="list-style-type: none"> ⇒ Unit will not be required to furnish bank guarantee at the time of import or going for job work in DTA subject to fulfilment of specified conditions. ⇒ 100% FDI investment permitted through automatic route similar to SEZ units
Inter unit transfer	<p>Transfer of manufactured goods/capital goods from one EOU/ EHTP/STP/BTP unit to another EOU / EHTP/ STP/ BTP unit is allowed on payment of applicable GST and compensation cess with prior intimation to concerned Development Commissioners of the transferor and transferee units as well as concerned Customs authorities as per the specified procedure.</p> <p>Goods supplied by one unit to another unit shall be treated as imported goods for second unit for payment of duty, on DTA sale by second unit.</p>
Who can establish EOU? Is there any investment criteria?	<ul style="list-style-type: none"> ⇒ Only projects having a minimum investment of ₹ 1 Crore in P&M shall be considered for establishment as EOUs. However, this shall not apply to existing units and units in EHTP/ STP/ BTP, Handicrafts/ Agriculture/ Floriculture/ Aquaculture/ Animal Husbandry/ Information Technology, Services, Brass Hardware and Handmade Jewellery sectors. ⇒ BoA (Board of Approval) may also allow establishment of EOUs with a lower investment criteria.
Conversion of DTA into EOU?	<p>Existing DTA units may also apply for conversion into an EOU / EHTP / STP/ BTP unit. Existing EHTP / STP units may also apply for conversion / merger to EOU unit and vice-versa. In such cases, units will avail exemptions in duties and taxes as applicable.</p>
Net Foreign Exchange Earning (NFE) condition	<p>In a period of 5 years EOU units have to achieve a positive NFE Earning cumulatively. Such period of 5 years can be extended in specified cases.</p>
Exit from scheme	<p>With approval of DC/Designated officer of EHTP/ STP/BTP, an EOU/EHTP/STP/BTP unit may opt out of scheme.</p> <p>Such exit shall be subject to payment of applicable excise and customs duties and on payment of applicable IGST/ CGST/ SGST/ UTGST and compensation cess, if any, and industrial policy in force.</p> <p>If unit has not achieved obligations, it shall also be liable to penalty at the time of exit.</p>

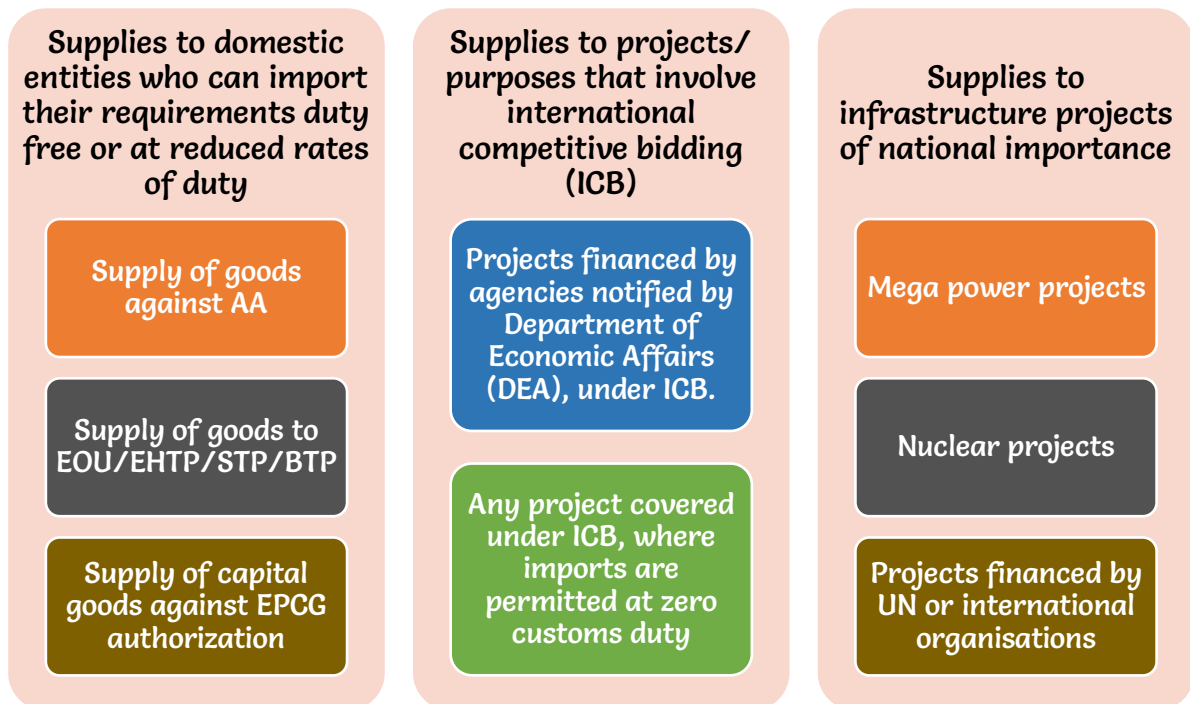
V. DEEMED EXPORTS:

Objective: Indian manufacturers are treated on par with foreign suppliers, to promote make in India initiative (i.e., Rather than purchasing from foreign suppliers, purchases can be made from Indian manufacturers)

Underlying theory: Foreign Exchange Saved = Foreign Exchange earned

Consideration: Either in Indian Rupees (₹) or Free foreign exchange

Categories of supplies considered as deemed export:



Benefits for Deemed Exports:

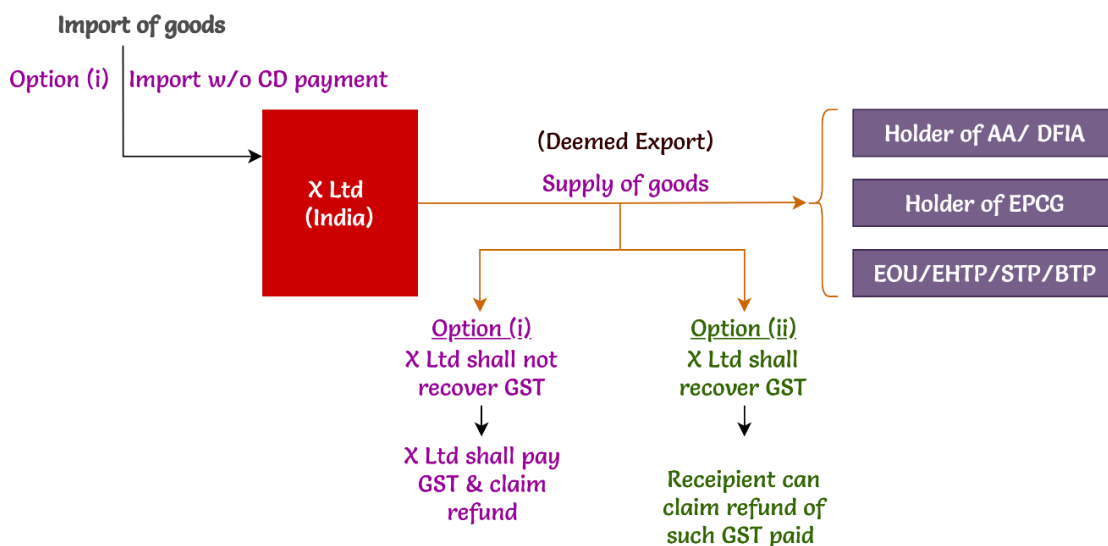
Deemed exports shall be eligible for any/all of following benefits in respect of manufacture and supply of goods, qualifying as deemed exports

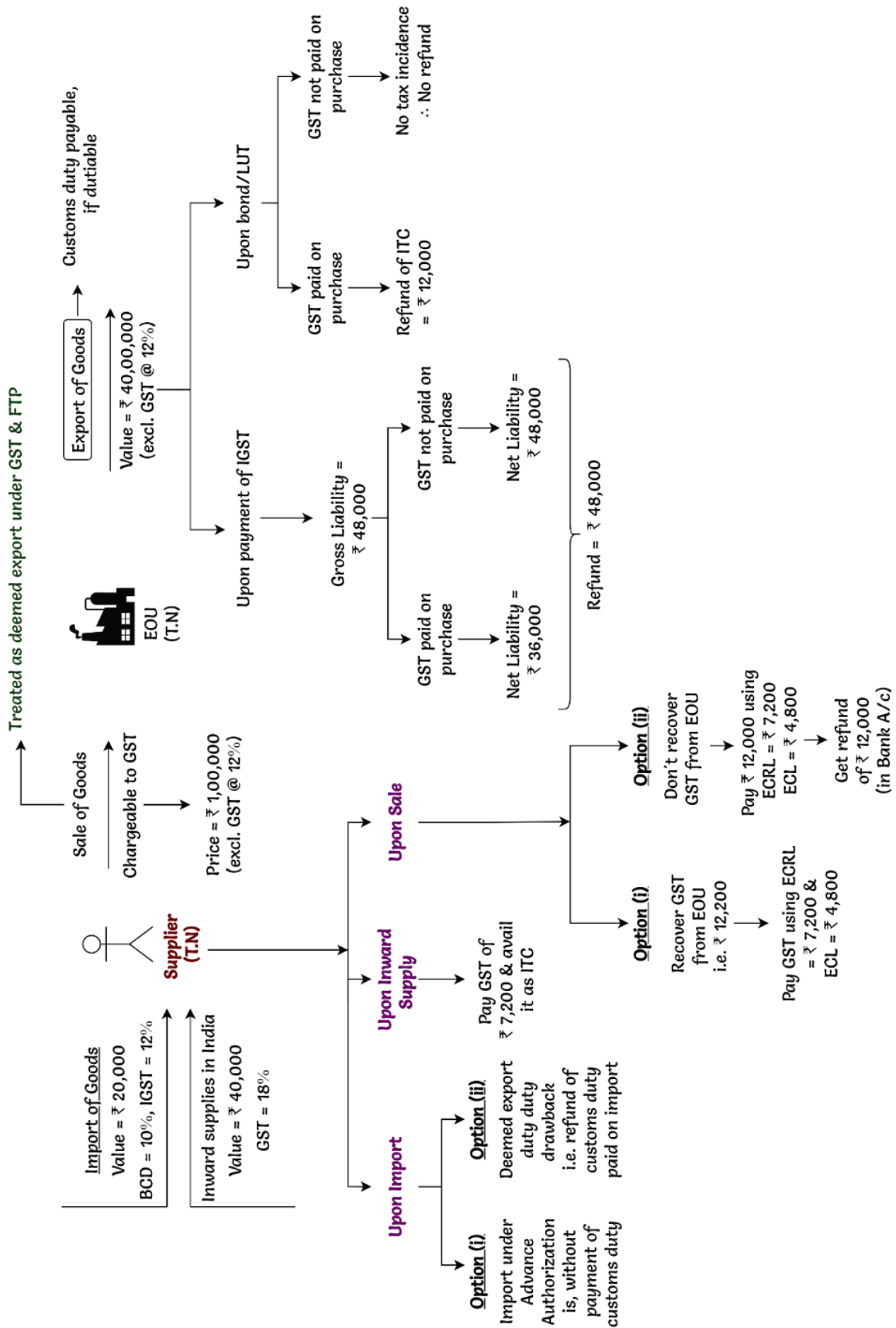
- (a) Advance Authorization (AA)/Advance authorization for annual requirement/ Duty Free import authorization (DFIA) – Import without payment of customs duty, as per the scheme
- (b) Deemed Export Drawback – Refund of customs duty paid on import
- (c) Refund of terminal excise duty for specified excisable goods – Refund of excise duty (i.e., CVD) paid on import

Conditions for deemed exports:

- Supplies shall be made directly to entities listed above. Third party supply shall not be eligible for benefits/exemption.
- In all cases, supplies shall be made directly to the designated Projects/Agencies/Units/ Advance Authorization/ EPCG Authorization holder. Sub-contractors may, however, make supplies to main contractor instead of supplying directly to designated Projects/ Agencies. Payments in such cases shall be made to sub-contractor by main-contractor and not by project Authority.
- Supply of domestically manufactured goods by an Indian Sub- contractor to any Indian or foreign main contractor, directly at the designated project’s/ Agency’s site, shall also be eligible for deemed export benefit

Deemed Export under FTP vs. Deemed Export under GST





PENAL ACTION AND PLACING OF AN ENTITY IN DENIED ENTITY LIST:

Penal action

In following situations, a person shall be liable to penal action under FT (D&R) Act and rules and orders made thereunder, FTP and any other law for time being in force:

(i) **Authorization holder:**

- violates any condition of such Authorization
- fails to fulfill export obligation
- fails to deposit the requisite amount within the period specified in demand notice

(ii) **any information/particulars furnished by applicant subsequently found untrue/incorrect** [With a view to raising ethical standards and for ease of doing business, DGFT has provided for self-certification system under various schemes in FTP. In such cases, applicants is expected to undertake self-certification with sufficient care and caution in filling up information/ particulars]

Denied Entity List (DEL)

A firm may be placed under DEL, by the concerned Regional Authority (RA) of the DGFT.

In such a case:

- (i) firm may be refused grant or renewal of a licence/authorization/certificate/scrip/any instrument bestowing financial/fiscal benefits, and
- (ii) all new licences, authorizations, scrips, certificates, instruments etc. will be blocked from printing/ issue/renewal.

A firm's name can be removed from DEL, by the concerned RA for reasons if the firm completes Export Obligation/ pays penalty/ fulfils requirement of demand notice(s) issued by the RA/submits documents required by the RA.