

Highlights of mid-term review of Foreign Trade Policy 2015-20

Background

The long awaited mid-term review of the Foreign Trade Policy 2015-20 (the FTP or the Policy) was released by the government. The Policy focuses on expanding market, alignment with GST, data analytics backed policy intervention and trade facilitation with specific emphasis on MSME and labour intensive sectors.

The highlights of the amendments made to the Policy are summarised below:

Merchandise Exports From India Scheme (MEIS)

Incentive increased by two percent for major sectors viz., leather, agriculture, carpets, hand tools, handloom, handicrafts, medical and scientific products and telecom equipment/ components etc.

Service Exports From India Scheme (SEIS)

- Incentive increased by two percent for eligible services for exports effected from 01 November 2017.
- Benefit extended to ground handling services as part of Air Transport Services. Benefit restricted to specified payments which is approved by RBI as deemed foreign exchange payments.

Advance Authorisation Scheme

- Self-ratification scheme notified for export products with no notified Standard Input Output Norms/ adhoc norms or exporter intends to use additional inputs. Exporter, in such cases, eligible to seek authorisation on self-declaration and certification basis.

Scheme presently extended to exporters holding Authorised Economic Operator status with Customs. The scheme is not eligible for specified products like Bio-technology items, insecticides, etc.

- Advance authorisation can now be issued basis applicant specific prior norms as fixed by the Norms Committee or on the basis of self-ratification scheme.

Export Promotion Capital Goods Scheme

Specified capital goods excluded from benefit under the scheme. Negative list to be notified.

Export Oriented Unit Scheme (EOU)

- Earlier restriction of undertaking domestic sales upto 50 percent of FOB value of exports dispensed with.
- Against the domestic sales, apart from reversing basic customs duty on inputs, requirement to refund deemed export benefits availed by the unit or supplier.
- Procedure for transfer of manufactured goods, capital goods and goods between EOUs prescribed. Such transfer subject to payment of applicable GST and Compensation Cess.

Miscellaneous

- Revised guidelines and procedure notified for approaching Policy Interpretation Committee and Policy Relaxation Committee.
- As part of trade facilitation, professional team envisaged to support exporters on specific issues.
- New Logistics Division to be established to assist in removing impediments and improving trade related infrastructure through partnership with stakeholders.

PwC comments

The much awaited mid-term review of FTP has not notified any new schemes, however, has realigned the policy *vis-a-vis* GST and at the same time provided relief to exporters through enhancement of benefits under MEIS/SEIS. The focus of initiatives seems to be on MSMEs, agro sector and small exporters.

Specific procedural relaxation and trade facilitation measures have been taken to assist exporters. Further, the commitment to use data analytics for continuous monitoring of trade performance and take real time policy intervention as needed is proactive approach which hopefully will be leveraged to gain greater share of global trade.

Overall a welcome realignment which hopefully will provide relief to exporters and improve the export outlook and at the same time promote trust based trade partnership.

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