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Highlights of the Annual Supplement 2013-14 to Foreign Trade Policy

The Hon'ble Commerce & Industry Minister has released the Annual Supplement 2013-14 to the Foreign Trade Policy (FTP), 2009-14 on 18 April, 2013 to boost foreign trade, especially in the employment intensive sectors.

The key points of the Annual Supplement are as follows:

1. Promotional Measures

Export Promotional Capital Goods (EPCG) Scheme

- The Central Government has merged the existing Zero Duty EPCG Scheme available to few sectors and 3% EPCG Scheme for all sectors. Now, the Zero duty EPCG benefit will be available to all sectors.
- Authorisation holders will have export obligation (EO) of 6 times the 'duty saved' amount and the EO has to be completed in a period of 6 years.
- The period of import under this Scheme would be 18 months.
- EO discharge by export of alternate products as well as accounting of export to group companies will not be allowed under this scheme.
- Import of motor cars, SUVs, all purpose vehicles for hotels, travel agents, or tour operators and companies owning/operating golf resorts will not be allowed under this scheme.
- EO in case of domestic sourcing of capital goods has been reduced by 10%.
- EO will be 25% of normal EO for units in J&K.

Focus Market Scheme (FMS), Special FMS and Focus Product Scheme (FPS)

- Norway has been added under FMS and Venezuela has been added under Special FMS.
- About 126 new products have been added under FPS which includes items from engineering, electronics, chemical, pharmaceuticals and textiles sector.
- Incentives on export of High Tech products would be notified on 30 June, 2013.

Market Linked Focus Product Scheme (MLFPS)

- MLFPS has been extended till 31 March, 2014 for export of garments covered under chapter 61 and 62 of Customs Tariff Act, 1975 to the USA and the EU.
- About 47 new products from engineering, auto components and textiles sectors have been added under this scheme.
- Brunei and Yemen have been added as new markets.

Served from India Scheme (SFIS)

- SFIS benefit @10% will now be available on net free foreign exchange earned by the service providers.
- Service exporters, who are also engaged in manufacturing activity, are permitted to use SFIS scrips for importing/domestically procuring capital goods related to manufacturing sector business.
- Hotels, travel agents, tour operators and companies owning/operating golf resorts having SFIS can import/domestically procure motor cars, SUVs and all purpose vehicles using SFIS scrips provided such vehicles need to be registered for tourist purpose only.
- Limited transferability of SFIS scrips within the group companies shall be allowed by Regional Authority.

Interest Subvention Scheme

- Scope of 2% interest subvention scheme has been extended to 134 specified sub-sectors of engineering sector.
- Benefit of this scheme has also been extended till 31 March, 2014.

Incremental Export Incentivisation Scheme (IEIS)

- Benefit available under IEIS available on export to the USA, the EU and Asia has been extended for the year 2013-14.
- 53 countries of Latin America and Africa have been added to this Scheme.

2. Measures to reduce transaction costs and increase trade facilitation

- Utilisation of re-credited SAD in various Scrips issued under FTP shall be allowed up to 30 September, 2013. This is the last extension being granted by the Central Government.
- Initiative has been taken to improve quality and accuracy of foreign trade data.
- Items falling under chapter 3 schemes have been aligned with ITC (HS) and have been uploaded on DGFT website for public comments.
- Second Task Force for reduction of transaction costs has been constituted by the Central Government to submit its report in six months.
- Online Export Obligation Discharge Certificate (EODC) issuance scheme has been introduced.
- Submission of physical copies of IEC and RCMC with individual application has been dispensed with.
- Duty Credit Scrips of chapter 3 can be used for payment of Service Tax within the legal framework of service tax exemption notification under the Finance Act, 1994. These scrips can also be used for payment of any application fee with DGFT.

3. Special Economic Zone (SEZ) Scheme

- Minimum land Area requirement reduced to half of existing i.e. for Multi-product SEZ from 1000 hectares to 500 hectares and for sector specific SEZ from existing 100 hectares to 50 hectares.
- Sectoral broad-banding introduced to encompass similar/related areas under the same sector specific SEZ.
- Now, there will be no minimum land requirement for setting up an IT/ITES SEZ. There will be a minimum build up area requirement of 0.1 Mn. sq. meters for 7 major cities viz. Mumbai, Delhi (NCR), Chennai, Hyderabad, Bangalore, Pune and Kolkata. This requirement for Category B cities will be 50,000 sq. meters and for remaining cities it will be 25,000 sq. meters.
- Transfer of ownership of SEZ units, including sale permitted.

4. One Time Relief to Authorisation Holders not able to fulfil EO

- The Central Government has issued one time relief scheme under which the Advance Authorisation and EPCG Licence holders can close the cases of non-fulfilment of EO by paying customs duty along with interest.
- The total payment to be made under this scheme shall not exceed two times of the duty saved amount on default of EO.
- The duty and interest will have to be paid within 6 months from the date of notification of this scheme.

Our Offices

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Ahmedabad President Plaza, 1st Floor Plot No 36 Opp Muktidham Derasar Thaltej Cross Road, SG Highway Ahmedabad, Gujarat 380054 Phone +91-79 3091 7000	**Bangalore** 6th Floor, Millenia Tower 'D' 1 & 2, Murphy Road, Ulsoor, Bangalore 560 008 Phone +91-80 4079 7000	**Bhubaneswar** IDCOL House, Sardar Patel Bhawan Block III, Ground Floor, Unit 2 Bhubaneswar 751009 Phone +91-674 253 2279 / 2296	**Chennai** PwC Center, 2nd Floor 32, Khader Nawaz Khan Road Nungambakkam Chennai 600 006 Phone +91-44 4228 5000	**Hyderabad** #8-2-293/82/A/113A Road no. 36, Jubilee Hills, Hyderabad 500 034, Andhra Pradesh Phone +91-40 6624 6600
Kolkata South City Pinnacle, 4th Floor, Plot – XI/1, Block EP, Sector V Salt Lake Electronic Complex Bidhan Nagar Kolkata 700 091 Phone +91-33 4404 6000 / 44048225	**Mumbai** PwC House, Plot No. 18A, Guru Nanak Road - (Station Road), Bandra (West), Mumbai - 400 050 Phone +91-22 6689 1000	**Gurgaon** Building No. 10, Tower - C 17th & 18th Floor, DLF Cyber City, Gurgaon Haryana -122002 Phone : +91-124 330 6000	**Pune** GF-02, Tower C, Panchshil Tech Park, Don Bosco School Road, Yerwada, Pune - 411 006 Phone +91-20 4100 4444	For more information contact us at, pwctrs.knowledgemanagement@in.pwc.com