

## MEETING ON SECTORAL PERFORMANCE REVIEW

S. No.	Suggestion
1.	<p><b>Extending the 7% duty credit scrip benefit to Handicrafts items in the focus products list at Table 4</b></p> <p>During the annual supplement of Foreign Trade Policy 2009-14 announced on 13.10.2011, 27 handicrafts items were added for the focus products benefit of duty credit scrip of 2% of fob value of exports under the Focus Product Scheme (Table-4).</p> <p>It is suggested that a similar benefit as is available under Table-7 i.e (5% +2% bonus duty credit scrip of fob value of exports may be extended to table 4 items.</p>
2.	<p><b>Deemed Exports</b></p> <p>The provisions of Deemed Exports benefit on the sale of handicrafts items to foreign tourists existed till 1990-1993 in the Exim policy.</p> <p>It is requested that deemed export benefits be restored to the dealers / shop keepers for sale to foreign tourists made in foreign exchange so that both the exporter and the foreign tourist is encouraged to sell and purchase the products which are always in demand by the foreign travelers visiting India. This provision will help production of quality handicrafts by local dealers and also generate additional employment for the sector.</p>
3.	<p><b>Towns of Export Excellence</b></p> <p>In continuation with the announcement of some of the important craft cluster as Town of Export Excellence, the following towns may also be accorded the status of Town of Export Excellence:-</p> <ul style="list-style-type: none"> <li>• <b>Channapatna</b> for Lacquerware and wooden handicrafts</li> <li>• <b>Thanjavur</b> for Thanjavur paintings and sea shell products</li> <li>• <b>Mahabalipuram</b> for Woodcarving and soapstone products</li> <li>• <b>Varanasi</b> for zari and zari products</li> <li>• <b>Narsapur</b> for Lace and Lace products</li> </ul> <p>Further a grant of ` 100 crores for each town may also be provided for implementing the scheme of skill development and technological up gradation.</p>
4.	<p><b>Expansion of the list of embellishments and trimmings and tools.</b></p> <p>Duty free import of trimmings and embellishments and tools @ 5% of exports of handicrafts is allowed to the handicraft exporters as per sl. No. 114(a) to (za) of customs notification no.21/2002-customs dated 1.3.2002 (as amended). The list of items allowed at sl. No. 114 does not cover many important items required by our exporters in the manufacture of their export products.</p> <p>In view of this, it is suggested that an additional entry as detailed below may be added.</p> <p>“(zb) Any other item of trimmings &amp; embellishments and tools as endorsed by EPCH” on the duty free import certificate issued by EPCH.</p>

5.	<p><b>Removal of restricted utilization of Status Holders Incentive scrip (SHIS)</b></p> <p>As per Para 3.16.3 of FTP (RE-2010), the SHIS can be used only for payments of custom duty of capital goods. The same cannot be used for payment of custom duty on import of raw materials, components etc. by the SHIS holder. This very much restricts the utilization of SHIS. Its utilization should be widened and the same should be allowed to be used for payment of custom duties of any imported item (except restricted) required by the SHIS holder for his use.</p> <p>Furthermore, the SHIS cannot be used for payment of custom duty on import of second hand capital goods imported under even EPCG scheme. This is on account of the fact that the words including second hand capital goods have not been incorporated in para 3.16.3 referred to above. So the above para should be amended to include second hand capital goods imported under EPCG Scheme &amp; non-EPCG Scheme.</p>
6.	<p><b>Shipments directly consigned to buyer by non status holders</b></p> <p>As per present policy, only Status Holders can directly consign their shipments in the name of Buyer for Direct Delivery terms</p> <p>When the goods are consigned in the name of destination Bank, and the documents are routed through an Authorised Dealer Banker of the exporter, who then couriers the documents to his counterpart or the destination Banker, this whole process takes minimum 10 days to 2 weeks, resulting in the shipment incurring demurrage at destination</p> <p>We therefore request that Direct Delivery terms shipments be allowed to the Buyer for all exporters especially so in case where ECGC has given approval for direct shipments</p>
7.	<p><b>Handicrafts Exports to Latin America</b></p> <p>Latin America is one of the important new markets that is being targeted for exports of handicrafts. The export to Latin American Countries suffers from a disadvantage of distance as logistical support to these countries is a major bottleneck.</p> <p>In order to develop the concept of availability of ready stock in the buyers country and to take on spot orders, the warehousing facility in Montevideo, Uruguay is planned. The feasibility study with respect to setting up of warehouse and showrooms in Latin America have been carried out by M/s Ernst &amp; Young and the report has already been submitted to the Ministry of Commerce and Industry.</p> <p>It is proposed that freight subsidy may be extended towards exports to Latin American markets. Further, the warehousing facility proposal may also be supported in order to achieve higher export growth to the new markets of Latin America.</p> <p><b>Warehousing facility with minimum 5 years support to cover 100% for storage, space, marketing and distribution expenses.</b></p>

8.	<p><b>"Port of Registration" under Para 3.11.3 to be amended so as to allow single consolidated application for all exports made from EDI enabled Ports irrespective of year of exports/ Ports</b></p> <p>Earlier, until the issuance of FTP/HBP on 27.08.2009, the Port of Registration for all Types of Licenses (Duty Credit Scrip) under Chapter 3 Benefits, was any single port of Registration as per the choice of the applicant exporter in respect of a single consolidated Application for all exports through EDI enabled Ports;</p> <p>Since, in the FTP /HBP introduced from 27.08.2009, Para 3 .11.3 (meant for Port of Registration) was amended, wherein the above stated provision was amended, which now reads as : <b>"Duty Credit Scrip shall be issued with a single Port of Registration, which shall be the Port of Export"</b>.</p> <p>This effectively means, that unlike earlier when the exporter could make single consolidated application for all export made through EDI Ports, now the exporter has to make multiple applications based on port of exports, that too separate applications need to be filed separately for year wise exports.</p> <p>Whereas, earlier the exporter made periodical single consolidated application for all exports made through different EDI ports irrespective of year of exports, in which case there were lesser number of applications and follow up actions and there was lesser load factor at the RLA.</p>
9.	<p><b>To allow Import of Samples of Indian Origin as part of passenger baggage</b></p> <p>DGFT vide its notification No. 45 dated 3rd May, 2011 has allowed that exporters can now take bonafide trade samples as part of their passenger baggage.</p> <p>However, when these samples are brought back to India especially after participation in Trade Fair or Export Promotion trips, an exporter has to face a lot of problems by the Customs at the airport even for Sample folders of as small size as 12" X 15" Samples are an essential tool of marketing without which it is not possible to promote export business may be issued regarding the same.</p>
10.	<p><b>Withdrawal of increase in processing fees of certificate of origin for India's export under Generalized System Preferences (GSP) scheme</b></p> <p>As per Public notice. 40/2009-14(RE-2010) dated 9th March 2011 the Fee for issuance of certificate of origin for India's Export under Generalised System Preferences (GSP) scheme has been increased.</p> <p>It has been a constant complaint of the Indian exporters that the transaction cost in export (GSP Certificate is also a component of transaction cost through to a small extent) is very high and is required to be reduced.</p> <p>A number of initiatives have been taken by the Government of India to find ways to reduce the transaction cost in exports which include a special task force recommending the reduction of transaction cost through its report. Also, the application fees on the incentives available on exports covered under Chapter -3 of the Foreign Trade Policy 2009-14 (as amended) has been done away with.</p> <p>Keeping in view of facts, the increase in the issuance of GSP Certificate charges from `150/- to `350/- (increase of 133%) appears to be very high. It is our earnest request that a status quo may kindly be maintained and increase may please be withdrawn.</p>
11.	<p><b>Credit card as Export Payment mode</b></p> <p>Many buyers do not want to go through the hassle of making Wire Transfer of funds due to time constraint and paper work involved. They want to pay On line by Credit card. At present there is no clear policy on acceptance of export realization through Credit card since Banks do not issue FIRC for such payments</p> <p>If the payment through Credit card is allowed and a Circular / Notification is issued in this regard, it will greatly enhance exports of small exporters especially those engaged in Handicrafts.</p>

12.	<p><b>Rupees export credit interest rates with reference to “Base Rates” from 01.07.2010</b></p> <p>As per RBI Circular No. RBI/2009-10/425 (Ref. No. MPD.BC.330/ 07.01.279/2009-10 dt. April 23, 2010), the exporters are charged interest with reference to ‘Base Rate’ with effect from 01.07.2010. It is found that the interest charged at present is about two per cent above the ‘Base Rate’. Before 01.07.2010 the interest rate charged was 2.5 percentage point less than the Prime Lending Rate (P L R). The rate being charged at present is quite high. It is requested that the RBI should issue instruction to the Authorized Dealer (A. Ds.) not to charge interest at rates higher than ‘Base Rate’. Even at ‘Base Rate’, the interest may not be less than 10% which is much higher than the rate of 7% applicable to agriculture sector.</p>
13.	<p><b>Liberalization under Market Development Assistance Scheme (MDA)</b></p> <p>Handicrafts items are voluminous and there is a very limited scope of export promotion through web or photo offer. It is important that exporters should sit across the buyers which are possible only by participation in the fairs of their choice.</p> <p>a) Number of exhibition in general area should be increased at least to three so that exporters can frequently visit their buyers for their business promotion. It is recommended that handicraft exporters should be allowed at least three export promotion activities in General areas instead of one provided presently</p> <p>b) An increase in the reimbursement of space grant to Rs 2.00 lakhs from the present level of Rs 1.50 lakhs for general areas Rs 2.25 lakhs (space + airfare) from the present level of Rs 1.80 Lakhs for Focus LAC; Rs 2.00 lakhs (space + airfare) from the present level of Rs 1.50 Lakhs for Focus CIS/AFRICA/ASEAN</p> <p>c) Earlier MDA assistance was available for participation in trade fairs/exhibition with 5 participating exporters. However, since 1st April 2011 the minimum number of participating exporters has been increased to 10. It is requested that the number of participants may be decreased to 5 for the handicrafts sector as suitability of fairs as per diversity of products in wide.</p> <p>d) Special provision for hiring international designers for design development</p> <p>e) Addition of China, Middle &amp; South East Asia in Focus Market Scheme for handicrafts</p> <p>Two thirds of the handicrafts exports is to the traditional markets of Europe and North America, however, remaining one third is spread across the world. Additional funds may be allocated towards targeting new markets in Middle East and South East Asia. China should also be included in Focus Countries. MDA should be provided on higher rates for focus market.</p>
14.	<p><b>Product Development Scheme</b></p> <p>It is important that new products with new designs are produced on a regular basis specific to the changing tastes and preferences of the international buyers. With increase in competition from China and other South Eastern countries, the need to have innovative products becomes even more evident</p> <p>In order to provide support to the exporters, and entrepreneurs a scheme similar to the market development assistance scheme may be created to provide product development assistance.</p> <p>2 lac grant under MDA of MOC to exporter for Product Development Assistance scheme Funding to the extent of 60% by Gol through anchoring EPC.</p>

15.	<p><b>Refund of VAT from Germany, USA and Canada</b></p> <p>Govt. of India has at present VAT refund reciprocal agreement with the following European countries : Austria, Belgium, Denmark, Finland, France, Iceland, Ireland, Netherlands, Norway, Sweden and United Kingdom</p> <p>Under this VAT - usually between 15% to 23% charged on Certain expenses such as participation in Trade Fairs, etc are refunded back if he is citizen of India since our country is having reciprocal VAT refund agreement with the above mentioned countries</p> <p>However, Germany which is a major hub for Exhibitions especially at Frankfurt, Cologne and Munich, Indian participants are not able to get back the VAT as our country is not having an agreement with Germany.</p> <p>A similar agreement with Germany may be pursued.</p>
16.	<p><b>Export Credit Guarantee Corporation Ltd (ECGC) coverage to Handicrafts Exporters [Under MDA Scheme or Special Scheme]</b></p> <p>It is requested that cases of handicrafts exporters, which are mostly SMEs and have been provided insurance cover under ECGC, their claims may be settled on priority. The premium charged for the policy cover from handicrafts exporters needs to be reduced by 50%.</p>
17.	<p><b>Waiving of Service Tax in relation to business exhibition organized within India</b></p> <p>As per the Service Tax Notification No. 5/2011 dated 1<sup>st</sup> March 2011, the said notification exempts the taxable service specified in sub clause (zoo) of the clause (105) of section 65 of the said Finance Act when provided by an organizer of business exhibition for holding a business exhibition outside India, from the whole of the service tax leviable thereon under section 66 of the said Finance Act.</p> <p>The EPCH being a national level institution, the Central Board of Direct Taxes (CBDT) has notified Council's income exempt u/s 10(23C)(iv) of Income Tax Act 1961 since its incorporation, after ascertaining the fact that the nature of activities carried out by the Council are in the nature of public service and charitable nature.</p> <p>In wake of the participation of a large number of handicraft exporters in the Council's shows, the amount of business generated and vital foreign exchange earned by the country, the notification No. 5/2011 may kindly be extended to the business exhibition organized within India.</p>
18.	<p><b>Waiving of Service tax on Membership fee of the Council</b></p> <p>In the Budget for 2009 announced on 06.07.2009, exemption was provided for payment of service tax for payment of service tax on the annual membership fee of Export Promotion Councils (EPC's) till 31.03.2010. This was interpreted by the Ministry of Finance as exemption for the period 06.07.2009 to 31.03.2010 and not from date of imposition of service tax i.e. from 16.05.2005 to 31.03.2010.</p> <p>On representation the exemption was granted from 16.06.2005 to 31.03.2008 in the Budget 2011. The provisions in the two Budget of 2009 and 2011 has left out a period from 01.04.2008 to 05.07.2009 uncovered for the purpose of exemption of service tax. There is no reason to exclude this period specifically. This appears to have happened inadvertently as the period from 16.06.2005 to 31.03.2010 was covered in two Budgets of 2009 and 2011.</p>
19.	<p><b>Assistance for Packaging In Handicraft Sector</b></p> <p>Handicrafts Items are voluminous items and require specific packaging. Assistance to exporters with respect to establishment of packaging units/plants under PPP model may be allowed. Assistance may be to the tune of Rs. 10 lac, (other than land and building).</p>

20.	<p><b>Reduction of custom duty from 30% to zero per cent for sea shells (HS code -05080010-90).</b></p> <p>Imports Duty levied by India for importing raw sea shell is 36.136% whereas competing countries such as Indonesia 0%, Vietnam 5%, Singapore 3%, Philippines 3%, China 12%, Malaysia 0%. Myanmar 1.5%. Thus the high import duty makes exports uncompetitive</p>
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