

**Impex # 1**

**Highlights of the Union Budget 2015-16**

No specific incentive for handicrafts which means no proposal from EPCH to Ministry of Finance has been accepted.

The Union Budget 2015-16 was presented by the Union Finance Minister to the Parliament on 28.02.2015.

As regards promotion of exports matters, there is no general incentive in the Budget. The Budget does not contain any specific incentive/ promotional measure for handicrafts which means no proposal from the side of EPCH to Ministry of Finance has been accepted.

However, the Budget contains a number of measures which will have a bearing on the export business including handicrafts. The details of the same are given below:

**1. Service Tax**

Service Tax has been increased from 12.3% to 14%. However, transport of goods for export by road from factory to land custom station has been exempted.

**2. Excise Duty**

Excise Duty has been increased from 12.36% to 12.50%. However, Excise Duty Exempted for captivity consumed intermediate compound coming into existence during the manufacture of Agarbathi.

**3. GST (Goods and Services Tax)**

GST will be put in place (a State-of-the-art indirect tax system) by 1st April, 2016. When GST comes into force many taxes like Excise Duty, VAT, many State Taxes and Municipal Taxes will get abolished.

**4. Skill Development**

In his Budget Speech the Finance Minister has said that we will soon be launching a 'National Skill Mission' through the Skill Development and Entrepreneurship Ministry. The Mission will consolidate skill initiative spread across several Ministries and allow us to standardized procedures and outcomes across over 31 Sector Skill Councils

**5. Establishment of 'Mudra Bank'**

It has been announced that a Mudra Bank with a capital of Rs. 20,000 crores will be started to provide credit facilities to SC/ST businesses.

**Impex # 2**

**Less Documentation in Foreign Trade**

CBEC issues Custom Circular 'merging of commercial invoice and packing list'

It has been a constant demand of importers and exporters to simplicity custom procedures for enhanced ease of doing business and trade facilitation. In this connection they cite examples of many foreign countries where import and export documentation is much less compared to what is in India. The Govt. on its part has done a lot to ease things.

Now the Department of Revenue has issued a custom circular No: 01/15 customs dt 12-01-2015 merging the commercial invoice and packing list.

Copy of the above custom circular is reproduced on the following page:

### Subject: **Merging of Commercial invoice and packing list - reg**

Simplification of Customs procedures for enhanced ease of doing business and trade facilitation is the top priority of the Government. One of the identified areas for such simplification is reduction in the number of mandatory documents required by Customs for import and export of goods.

2. As per the extant Customs procedures for both import and export, an importer / exporter is required to submit a commercial invoice and packing list along with the Customs declaration form viz. Bill of Entry/Shipping Bill. Both commercial invoice and packing list are critical for Customs purposes as the former evidences the value of the import/ export goods while the latter facilitates examination of goods for ascertaining correctness of duty and quantity. However, there are many identical data fields in a commercial invoice and packing list. Therefore, an exercise was undertaken to explore the feasibility whether these documents can be merged into one document, which would have the advantage of reducing the total number of documents to be submitted to Customs with resultant benefit to trade. In this regard, it is seen that the following data fields / information are invariably contained in a packing list (other than the common data fields / details of commercial invoice):

Description of Goods: Marks and Numbers; Quantity;

Gross Weight;

Net Weight;

Number of Packages;

Types of Packages (such as pallet, box, crates, drums etc.).

3. The Board has decided that as a measure of simplification, in case an importer/exporter submits a commercial invoice cum packing list that contain above mentioned data fields / information in addition to the details in a commercial invoice, a separate packing list should not be insisted upon by Customs. However, the option should be given to the importer/exporter to do so. In other words, for Customs purposes a commercial Invoice cum packing list (with details of marks and numbers as mentioned in para 2 above) would suffice but if importer/exporter desires to give a separate packing list for some reason, the same would also be accepted, as at present.

### Impex # 3

### Simplification in Import Payments

#### RBI issues Circular dispensing with Form A-1 for import payments

It is an admitted fact that 'ease of doing business' in India is quite bad. One of the factors responsible for this sorry state of affairs is heavy documentation.

Since the foreign exchange of the country are at comfortable level, the RBI does not mind liberalization of documentation wherever deemed fit.

Now RBI has issued a circular No: AP, (DIR series) Cir. 76 dt 12-02-2015 dispensing with A-1 Form for payment of imports (copy reproduced below:)

#### Subject: : **Foreign Exchange Management Act, 1999 - Import of Goods into India**

Attention of Authorized Dealer Category -I(AD Category-I) banks is invited to the A.P. (DIR Series)

Circular No. 82 dated February 21, 2012 in terms of which applications by persons, firms and companies for making payments, exceeding USD 5,000 or its equivalent towards imports into India must be made in Form A-1.

2. To further liberalize and simplify the procedure, it has been decided to dispense with the requirement of submitting request in Form A1 to the AD Category -I Banks for making payments towards imports into India. AD Category-I may however, need to obtain all the requisite details from the importers and satisfy itself about the bonafides of the transactions before effecting the remittance.

3. AD Category-1 banks may bring the contents of this circular to the notice of their constituents and customers concerned.
4. The directions contained in this circular have been issued under Section 10 (4) and Section 11 (1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and are without prejudice to permissions/ approvals, if any, required under any other law.

Impex # 4

## RBI Liberalizes FCY-INR Swaps Policy

### RBI issues Circular allowing fresh FCY-INR swaps after expiry of cancelled swaps

Since the foreign exchange reserves of the country are at comfortable level, the RBI has been following a liberal policy in respect of hedging of exchange rate and/or interest rate risk exposure arising out of long term foreign currency borrowing etc.

As a measure in the above direction, RBI has issued a circular No: AP (DIR Srs) cir. 78 dt 13-02-2015 in which fresh FCY-INR swaps allowed after expiry of cancelled swaps (copy of circular reproduced below):

### Fresh FCY-INR Swaps Allowed after Expiry of Cancelled Swaps

Subject: **Risk Management and Inter Bank Dealings: Foreign Currency (FCY) - INR Swaps**

Attention of Authorized Dealers Category I (AD Category 1) banks is invited to the Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000 dated May 3, 2000 (Notification No. FEMA/125/RB 2000 dated May 3, 2000) as amended from time to time and A.P. (DIR Series) circular no. 32 dated December 28, 2010, as amended from time to time.

2. In terms of paragraph (1) (iv) of section B contained in the annex to the above circular, eligible residents can enter into FCY INR swaps to hedge exchange rate and/or interest rate risk exposure arising out of long term foreign currency borrowing or to transform long term INR borrowing into foreign currency liability, subject to operational guidelines, terms and conditions listed thereunder. As per condition listed at (e), swap transactions, once cancelled, shall not be rebooked or reentered, by whichever mechanism or by whatever name called. 3. To permit greater flexibility to the residents borrowing in foreign currency, it has been decided that in cases where the underlying is still surviving, the client, on cancellation of the swap contract, may be permitted to reenter into a fresh FCY INR swap to hedge the underlying but only after the expiry of the tenor of the original swap contract that had been cancelled. All other operational guidelines, terms and conditions governing FCY INR swaps remain unchanged.

Impex # 5

## Questions & Answers

**Question :** Against our EPCG Authorization, we want to obtain invalidation letter in the first instance and then take delivery of capital goods from DTA without the payment of excise duty. But our DTA supplier of capital goods wants us to pay the excise duty first to them and then take the refund of excise duty from the DGFT. Kindly advise about the correct position in this regard.

**Answer :** The supply of capital goods from domestic supplier to EPCG holder is not exempted from excise duty. The supplier has to pay duty and subsequently can take refund of the same from DGFT. Since, refund takes time and due procedure has to be followed; the suppliers are reluctant and advise EPCG holder to claim such refund.

**Question : We are a merchant exporter. Can we get the benefit of factory stuffing?**

Answer : The facility of factory stuffing is available to both manufacturer exporters and merchant exporters. You may kindly go through Central Excise Circular dated September 8, 2011 available at [www.cbec.org](http://www.cbec.org).

**Question : What are the criteria which decide whether a company has to execute a Bank Guarantee or Bond while importing against advance authorization?**

Answer : The bond under Advance License to be furnished in the format given below. The bond shall cover the duty ordinarily leviable on the goods but for the exemption. The bond should be backed by a Bank Guarantee. The Bank Guarantee should be as per the following norms for the purpose of permitting clearance of imported goods under Advance License Schemes.

Category of Importer	Quantum of Bank Guarantee/cash security
a) All exporters who have an export turnover (physical exports) of Rs 5 crores in current or preceding financial year and having a good track record of three years of exports	Nil
b) Public Sector Undertaking	Nil
c) Star Export House	Nil
d) Manufacturer exporters registered with Central Excise, who have been exporting during the previous two financial years and have minimum export of Rs 1 crore or more during the preceding financial year.	Nil
e) Manufacturer exporters registered with Central Excise, who have paid central excise duty of Rs.1crore or more during the preceding financial year.	Nil
f) Manufacturer exporters who are not covered under (a), (b), (c), (d1 and (e) above.	25 per cent
g) Others	100 per cent

**Question : We have exported few shipments after expiry of 36 months EO period available to us in the advance authorization. Can we get it regularized?**

Answer : You have to approach Policy Relaxation Committee (PRC) in DGFT for getting it regularized. However, generally PRC regularizes exports made within 48 months from the issue of Autheorization towards discharge of export obligation. The accounting of exports made outside the original obligation period, though, it shall be subject to payment of composition fee at the rate of per cent on FOB value.

**Question : We have our own warehouse where we keep exports goods ready for dispatch as per instruction of buyers. What is the maximum time period permitted to keep such goods in our own warehouse?**

Answer : Warehousing of goods is initially allowed for a period up to six months, which may be further extended by the Assistant or Deputy Commissioner. Each extension being for a period not exceeding six months, subject to the verification that the goods have not deteriorated in quality. The maximum period, for which goods may be left in the warehouse in which they are deposited, or in any warehouse to which such goods have been removed, shall be three years from the date on which such goods were first warehoused. Excisable goods shall be deemed to be cleared for home consumption on expiry of the warehousing period including the extensions granted, if any. Duty and interest at the rate of 24 per cent per annum is charged on such deemed removal.