

This column is compiled by Consultant [EXIM Policy] of EPCH. It contains recent Public Notices, Notifications and Circulars of DGFT, CBEC and Department of Revenue. If a handicraft exporter has question[s] to ask on Foreign Trade Policy, he/she may please write / e-mail to EPCH at policy@epch.com

Impex # 1

'Interest Equalisation Scheme' extended to 'merchant exporters'

RBI issues circular to include merchant exporters also under the 'Interest Equalisation Scheme' w.e.f. 2nd Jan 2019.

It has been a constant demand of all stake holders including EPCH that merchant exporters who had not been included in the 'Interest Equalisation Scheme' of RBI should also be included in it as they also play an important role in exports and their number is also quite substantial.

The above demand has been accepted and now RBI has issued a circular dt. Jan 11, 2019 including merchant exporters also (w.e.f. 2nd Jan 2019) under the ongoing Interest Equalisation Scheme for Pre and Post Shipment Rupee Export Credit.

Copy of RBI Circular dt. Jan 11, 2019 referred to above is reproduced below:

(Copy)

RBI Circular No. RBI/2018-19/107
DBR.Dir.BC.No.22/04.02.001/2018-19
January 11, 2019

All Scheduled Commercial Banks (excluding RRBs)
Small Finance Banks and
Primary (Urban) Cooperative Banks

Dear Sir / Madam,

Interest Equalisation Scheme on Pre and Post Shipment Rupee Export Credit

Please refer to the operational instructions for the captioned scheme contained in RBI circular on Interest Equalisation Scheme on Pre and Post Shipment Rupee Export Credit issued vide DBR.Dir.BC.No.62/04.02.001/2015-16 dated December 4, 2015; DCBR.CO.SCB.Cir.No.1/13.05.000/2015-16 dated February 11, 2016 and DBR.Dir.BC.No.09/04.02.001/2018-19 dated November 29, 2018.

2. In this regard, it has been decided by the Government of India to include merchant exporters also, w.e.f. January 2, 2019, under the ongoing Interest Equalisation Scheme for Pre and Post Shipment Rupee Export Credit and allow them interest equalisation at the rate of 3% on credit for export of products covered under 416 tariff lines identified under the Scheme.

It is also stated that the RBI vide its Circular No. DBR.Dir.BC.No.09/04.02.001/2018-19 dated November 29, 2018 increased the rate of Interest Equalisation from 3 per cent to 5 per cent and the same was covered in the last issue of CRAFTCIL.

Exemption from payment of IGST restored on exports without pre-import under Advance Authorisation Scheme

DGFT issued Notification amending FTP to remove pre-import condition to avail exemption from IGST under Advance Authorisation Scheme.

It is a main thrust of GST Scheme that you may the GST upfront and then avail ITC or refund wherever admissible. On account of this criteria Advance Authorisation holders were made to pay IGST on their advance authorisations.

On representations the CBEC granted such exemption(through notification 79/2017-Cus) under certain categories of advance authorisations with effect from Oct. 13, 2017 with difficult condition of 'pre-import' that denied IGST exemption if the export is discharged before import.

On representations, the above condition of 'pre-import' has been removed by DGFT vide his Notification No. 53/2015-20 dt. 10th Jan, 2019 (Copy reproduced below):

(Copy)

Notification No.53/2015-20 New Delhi, dated 10th January, 2019

Subject:Amendment in Para 4.14 and 4.16 (ii) of the Foreign Trade Policy 2015-20.

S.O.(E): In exercise of the powers conferred by Section 5 of FT(D&R) Act, 1992, read with Paragraph 1.02 of the Foreign Trade Policy (FTP), 2015-20, as amended from time to time, the Central Government hereby makes the following amendment in Para 4.14 and 4.16 (ii) of Chapter 4 of Foreign Trade Policy 2015-20.

2. **Existing para 4.14 of FTP 2015-20:-**

4.14 Details of Duties exempted

Imports under Advance Authorisation are exempted from payment of Basic Customs Duty, Additional Customs Duty, Education Cess, Anti-dumping Duty, Countervailing Duty, Safeguard Duty, Transition Product Specific Safeguard Duty, wherever applicable. Import against supplies covered under paragraph 7.02 (c), (d) and (g) of FTP will not be exempted from payment of applicable Anti-dumping Duty, Countervailing Duty, Safeguard Duty and Transition Product Specific Safeguard Duty, if any. However, imports under Advance Authorisation for physical exports are also exempt from whole of the integrated tax and Compensation Cess leviable under sub-section (7) and sub-section (9) respectively, of section 3 of the Customs Tariff Act, 1975 (51 of 1975), as may be provided in the notification issued by Department of Revenue, and such imports shall be subject to pre-import condition. Imports against Advance Authorisations for physical exports are exempted from Integrated Tax and Compensation Cess upto 01.10.2018 only.

3. **The amended Para 4.14 of FTP 2015-20:-**

4.14 Details of Duties exempted

Imports under Advance Authorisation are exempted from payment of Basic Customs Duty, Additional Customs Duty, Education Cess, Anti-dumping Duty, Countervailing Duty, Safeguard Duty, Transition Product Specific Safeguard Duty, wherever applicable. Import against supplies covered under paragraph 7.02 (c) and (g) of FTP will not be exempted from payment of applicable Anti-dumping Duty, Countervailing Duty, Safeguard Duty and Transition Product Specific Safeguard Duty, if any. However, imports under Advance Authorisation are also exempt from

whole of the Integrated Tax and Compensation Cess leviable under sub-section (7) and sub-section (9) respectively, of section 3 of the Customs Tariff Act, 1975 (51 of 1975), as may be provided in the notification issued by Department of Revenue, for making physical exports or domestic supplies notified at Sr Nos. 1, 2 and 3 of the table contained in Notification no. 48/2017-Central Tax dated 18.10.2017 issued by Department of Revenue. Imports against Advance Authorisations are exempted from Integrated Tax and Compensation Cess upto 31.03.2019 only.

4. In **Para 4.16 (ii)**, reference to jurisdictional customs authority is deleted.

Effect of this Notification: Para 4.14 of FTP 2015-20 is amended to remove pre-import condition to avail exemption from Integrated Tax and Compensation Cess and exemption from Integrated Tax and Compensation Cess is also extended to deemed supplies.

To operationalise the above relaxation, CBIC has issued Custom Notification No. 1/2019-Cust dt. 10.01.2019.

The present position is that holders of advance authorisations and annual advance authorisations may import their inputs under Notification No. 18/2015-Cus or 20/2015-Cus both dt 01.04.2015 without payment of IGST.

Impex # 3

Demat system introduced in transfer of duty credit scrips

DGFT issues a Trade Notice for 'Mandatory recording of information on DGFT website about transfer of MEIS/SEIS Scrips issued from 14.01.2019 onwards (for EDI ports only).

The Govt. of India has already launched a very ambitious programme for digitization under its 'Digital India' initiative. Under this scheme 'e-Trade' is a strong focal point.

As a step towards furtherance of 'e-Trade', DGFT has issued a Trade Notice No. 42/2015-20 dt. 11.11.2019 on the subject given in the heading above (copy reproduced below without annexure).

(Copy)

Trade Notice No. 42/2015-2020, Dated: 11th January 2019

Sub: **Mandatory recording of information on DGFT website about transfer of MEIS/SEIS Scrips issued from 14.1.2019 onwards (for EDI ports only)**

In order to improve ease of doing business, it is being planned to discontinue issue of MEIS/SEIS scrips in physical form. For this purpose, it is important to have information about the current owner of the scrip online so that the current owner only can be allowed, to use the scrip for duty payment, by Customs Authorities. Therefore, a facility has been created on DGFT website to record the information about transfer of scrip. Before it is decided to discontinue with physical issue of scrip, it is planned that each transfer of every scrip should be mandatorily recorded on this DGFT facility, and Customs Authorities will check the ownership information of the scrip, before the owner is allowed to use the scrip for payment of duty.

2. In view of the above, it has been decided that transfer of MEIS/SEIS scrips, which have been issued on or after 14.1.2019, for EDI ports only, will have to be mandatorily recorded on the DGFT website (www.dgft.gov.in). Detailed procedure for recording of transfer of MEIS/SEIS scrips is at Annexure.

3. MEIS/SEIS scrip owner will continue to 'transfer' the scrip to another 1EC firm/company in the same manner

as was being done by them earlier i.e. as per the negotiated terms & conditions between the buyer and the seller. However, the information about the new owner (transferee) has to be recorded on the DGFT website by the current owner (transferor), before the new owner (transferee) can utilise the scrip. Thus, it is very important for both transferor and transferee to ensure that information regarding transfer is recorded by the transferor. After the information is recorded on the DGFT website, the old owner cannot record further transfer, and only the new owner can record any further transfer, if any.

Impex # 4

Questions & Answers

Question : What are the conditions necessary for obtaining ITC?

Answer : Four conditions are to be satisfied by the registered taxable person for obtaining ITC - (a) he is in possession of tax invoice or debit note or such other tax paying documents (such as bill of entry or any other document prescribed under the Customs Act. ISD invoice as prescribed in Rule 36(1) of the CGST Rules); (b) he has received the goods or services or both; (c) the supplier has actually paid the tax charged in respect of the supply to the government; and (d) he has furnished the return under section 39.

Question : What are the checks required for claiming IGST on export of goods?

Answer : For claiming IGST refund, an exporter should ensure that:

- GSTR-3B is filed for the corresponding period, with admitted tax liability under Table 3.1(b)
- Export invoices are submitted in GSTR-a/Table 6A and have correct shipping bill number, shipping bill date and port code.
- The admitted tax liability of IGST under table 3.1 (b) of GSTR-3B is equal to, or greater than, the IGST amount claimed to have been paid under Table 6A of GSTR-1 of the corresponding period.

Question : What is the rate of GST charged on the removal of goods from a licensed warehouse to another licensed warehouse or free zone?

Answer : The removal of goods from a licensed warehouse to another licensed warehouse or free zone does not attract any GST.

Question : As LUT is valid for one financial year, therefore, we made online application in the month of March 2018 for the renewal of LUT for FY 2018-19, and got ARN receipt as acknowledgment. Is ARN number sufficient for acceptance of LUT or do we need to wait for the new LUT number?

Answer : The issuance of ARN is sufficient for acceptance of LUT. CBIC Circular No. 40/14/2018-GST dated 6th April, 2018 amply clarifies this.

News from 'Print Media'

Restriction on GST export incentive lifted

INDIRA BHASKARA
New Delhi, 31 January

The government has issued a notification to withdraw a condition that restricts claiming of an export incentive under goods and services tax (GST), after various petitions were filed in courts against the curb.

However, the petitioners say that they will not take back the petitions since the removal happened only prospectively.

Earlier, the Directorate General of Foreign Trade (DGFT) and the customs department had imposed a condition that the advance authorisation scheme would be available to exporters only if imports have been undertaken by them.

This is termed pre-import condition, which was effective from October 13, 2017.

An advance authorisation licence is issued to allow duty-free import of inputs,

which are used in exports. There was no such condition imposed on the scheme in the pre-GST period.

Change in the condition meant that imports done after exports cannot avail exemptions from ITC and compensation cess. This led exporters and importers to move courts, including Delhi High Court, Gujarat High Court and Punjab and Haryana High Court as the Directorate of revenue intelligence started issuing notices to them.

Advance authorisation is generally used for importing goods after exports are undertaken, as against the pre-import condition imposed, said Abhishek Rastogi, counsel for the petitioners. As such, the condition defeats the purpose of the scheme, he added. After much hue and cry, the customs department and DGFT on Thursday issued a notification, withdrawing the condition.

Business Standard 12.01.2019

Make GST input tax credit claims online: Prabhu to finmin

PRESS TRUST OF INDIA
New Delhi, January 9



Suresh Prabhu

COMMERCE MINISTER SURESH Prabhu on Wednesday urged the finance ministry to make the process of refund of GST input tax credit online.

Prabhu, along with commerce and revenue department officials, met exporters to discuss the problems faced by the sector.

Banking issues, like caution listing of exporters, third party/ third country exports and list of items to be traded with Iran, were also discussed. The finance ministry officials would discuss the issues which were flagged in a meeting with banks on January 22, an official statement said.

Prabhu also highlighted the declining trend of export credit in recent months and suggested that banks may be asked to encourage flow of credit to the export sector particularly to MSMEs for generating more employment.

"The commerce minister also urged to make input tax credit (ITC) refund online to ensure that the export refund is seamless and also transparent and accountable," the statement said.

As of November-end, ₹91,149 crore has been issued to exporters as Goods and Services Tax (GST) refund, which was 93.77% of total claims with the tax authorities.

While Integrated GST (IGST) refund process is online, claiming of ITC refund still requires manual intervention.

Cheaper credit for merchant exporters

INDIRA BHASKARA
New Delhi, 1 January

Merchant exporters can now avail of pre-and post-shipment credit at lower rates through the Interest Equalisation Scheme (IES) following the long-standing demand by the trading community.

The proposal will avail benefits of around 600 crore to exporters on interest equalisation. For the remaining period of the scheme, set to end in April 2020, the IES allows small and medium exporters to borrow from banks at a lower rate of 3 per cent.

Originally announced as a measure to boost exports for five years, the IES on pre- and post-shipment export credit was revised in 2015 at a rate of 3 per cent for 400 specific goods categories (four-digit tariff).

The sectors covered are mainly labour-intensive and include agriculture or food items, auto components, handcraft, electrical engineering items, and telecom equipment. The scheme is, however, not available for merchant exporters. The last Budget had allocated ₹2,500 crore for the IES.

"The support to merchant exporters is most timely as interest rates are moving upwards in the country and the 3 per cent subsidy will reduce their cost of operation significantly. Therefore, the benefit will push manufacturing in micro, small and medium enterprises (MSMEs), creating job opportunities as well," said Ganesha Kumar Gupta, president, Federation of Indian Export Organisations.

Merchant exporters play an important role in finding overseas markets, getting export orders, communicating to MSME manufacturers the current preferences, trends and demand for products in international export markets.

Merchant exporters also play a pivotal role in exports of MSME manufacturers as they export a significant quantity of products through merchant exporters. The high cost of credit equally impacts their competitiveness as they factor in the high interest costs in their export costing.

Merchant exporters account for over 25 per cent of the country's exports. Operating on low margins of 2-4 per cent, many of them have stopped entering into new contracts after the demonetisation exercise of the government and continue to face crippling liquidity issues, industry leaders said.

Inclusion of these exporters in the scheme may make them competitive, encouraging them to export more products manufactured by MSMEs, adding to the country's exports. Additional exports by them will increase production by MSMEs, giving a fillip to employment generation.

Exporters have been persistently demanding inclusion of the merchant exporters in the ongoing

Financial Express 10.01.2019

Soon, no e-way bill if GST returns not filed for 6 mths

PRESS TRUST OF INDIA
New Delhi, 20 January

Non-filers of the goods and services tax (GST) returns for six consecutive months will soon be barred from generating e-way bills for movement of goods.

The GST Network (GSTN) is developing an information technology system that would debar businesses, which have not filed returns for two cycles (six months), an official said. "As soon as the new system is put in place, the rules will be notified," the official said. The move, officials believe, would help check GST evasion. Central tax officers have detected 3,626 cases of GST evasion/violations cases, involving ₹15,278.18 crore in April-December period.

The e-way bill system was rolled out on April 1, 2018, for moving goods worth over ₹50,000 from one state to another. The same for intra or within the state movement was rolled out in a phased manner from April 15. Transporters of goods worth over ₹50,000 would be required to present e-way bill during transit to a GST inspector, if asked.

Officials feel that to shore up revenue and increase compliance, stringent anti-evasion measures have to be put in place.

To this effect the revenue department is working towards integrating that e-way bill system with NHAI's FASTag mechanism beginning April to help track movement of goods.

Business Standard 21.01.2019

Business Standard 03.01.2019