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

Bad News for Moradabad Exporters

Office of the Joint Director General Foreign Trade, Moradabad, merged in the office of the Director General Foreign Trade, New Delhi.

DGFT has issued a Trade Notice No. 31/2019-2020 dated 6.9.2019 on the subject of 'Reorganisation of Regional Authorities of DGFT'. As per this Trade Notice smaller Regional Licencing Authorities have been merged with the relatively bigger Regional Licencing Authorities. The two reasons given for the above action are given below:

1. Various initiatives have been taken in DGFT in the recent past leading to automatic issue of paperless MEIS, automatic issuance of IEC, paperless issuance of Advance Authorisation and EPCG Authorisation etc. It has also led to substantial reduction of work in the relatively small regional authority offices. Physical interactions have been minimised for improving ease of doing business.
2. With a view to improve and equip the bigger regional authorities of DGFT with sufficient human resources and better infrastructure to cater to the exporter community, instructions have been issued reorganising the regional authorities of DGFT by merging the smaller Regional Authorities with the relatively bigger RA's [Annex-1]-O&M No. 7/2019 dated 5.9.2019.

The details of the mergers have been given in 'O&M' Instruction No. 07/2019 dt 5.9.2019.

As per the above Instructions, the office of the Joint DGFT, Moradabad has been merged with the office of the Additional, DGFT, New Delhi [CLA].

Chairman, EPCH, has written to DGFT for reconsideration of the above merger with detailed justification for continuance of the office of the DGFT, Moradabad as hitherto. His main plea is that Moradabad is one of the major craft clusters of Artmetal wares and their exports in 2018-19 was about one billion US dollars which is about 28 per cent of the total exports of handicrafts from India. More than 3500 exporters export from Moradabad and the number of artisans engaged in export production is more than 2.60 lakhs. Further, there may be a large no. of pending cases for discharge of export obligations (advance authorisations and EPCG authorisation) and these cases do not get close with the closed Moradabad office. Now the authorisation holders will have to visit CLA, New Delhi for closure of the pending cases. This will cause great inconvenience to them.

The Applications may be filled electronically but in most cases, the authorisation do not get issued straightaway but objection(s) are raised. To remove the deficiencies the exporters may have to visit New Delhi licensing office. Overall it does not appear to a step of increasing 'ease of doing business' and 'reduction of cost' in export business for Moradabad exporters.

Impex # 2 Good News for Domestic Manufacturers of 'Agarbatti'

DGFT issues notification shifting the import of 'Agarbatti' etc. from 'free import policy to 'restricted import policy'.

DGFT has issued a Notification No. 15/2015-20 dt. 31st August 2019 according to which the import policy for Agarbatti, etc. has been changed from free category to restricted category (copy reproduced below):

(Notification No. 15/2015-2020 dt 31st August 2019)

Subject: Amendment of import policy of "Agarbatti" and other odoriferous preparations which operate by burning under Exim code 33074100 and 33074900 of ITC (HS) 2017 - Schedule - 1 (Import Policy). - 15/2015-2020 - Foreign Trade Policy

S.O. (E) : In exercise of powers conferred by Section 3 of FT (D&R) Act, 1992, read with paragraph 1.02 and 2.01 of the Foreign Trade Policy, 2015-2020, as amended from time to time, the Central Government hereby amends of import policy of "Agarbatti" and other odoriferous preparations of ITC (HS) 2017-Schedule-1 (Import Policy) as under :

Exim Code	Item description	Existing import policy	Revised import policy
33074100	"Agarbatti" and other odoriferous preparations which operate by burning	Free	Restricted
33074900	Other	Free	Restricted

Effect of this Public Notice: Import policy of "Agarbatti" and other odoriferous preparations which operate by burning under Exim code 33074100 and "Others" under Exim Code 33074900 of ITC (HS) 2017-Schedule-1(Import Policy) is revised from 'Free' to 'Restricted'.

This issues with the approval of Minister of Commerce & Industry.

The above change will be welcomed by the domestic manufacturers of agarbatti etc. as they will be able to manufacture extra to the extent, the importers are not made.

Impex # 3 Duty drawback entitlement allowed on short realisation on export proceeds

CBIC issues custom circular allowing duty drawback on short realisation of export proceeds due to bank charges deducted by foreign banks.

The above is good news for exporters - albeit to a small extent. The persistent demand of the exporters and their organisation that the duty drawback should not be recovered on shortfall of realisation of export proceeds on account of bank charges deducted by banks has been accepted by CBIC and they have issued a Customs Circular No. 33/2019 dt. 19-09-2019 (Copy reproduced below):

(Copy of Circular No. 33/2019 dt. 19-09-2019)

Subject: Clarification regarding duty drawback allowed in cases of short realisation of export proceeds due to bank charges deducted by foreign banks.

Representations have been received from Export Promotion Councils, Trade Bodies, and individual exporters regarding show cause notices issued by some Customs field formations for recovery of duty drawback on account of short realisation of export sale proceeds due to bank charges deducted from export invoice by the banks. Exporters have contended that these short realisations are actually service charges deducted by intermediary banks while remitting payments from abroad and that said charges are documented by the banks. It has been requested such short realised export sale proceeds may be considered as full realisation and that duty drawback not be recovered for such short realisation.

2. The matter has been examined. In this regard, RBI has clarified that such deductions are enabled under notification No. FEMA 23(R)2015-RB dealing with Foreign Exchange Management (Export of Goods and Services) Regulations 2015. In respect of various export promotion schemes, para 2.52 of FTP 2015-20 also states that free foreign exchange remitted by buyer after deduction of bank service charges are taken as export realisation under export promotion schemes of FTP. Earlier also, in respect of agency commission paid to agents abroad for securing export contracts, Board vide Circular No. 64/2003- Customs dated 21.07.2003 has allowed such commission up to the limit of 12.5% of FoB value to be considered for payment of duty drawback without deducting it from FoB value in line with the RBI's Circular No.AD (MA Service) 17, dated 19.5.1999 and DGFT's Policy Circular No. 55 (RE- 98) dated 10.02.1998.

3. In view of the above, it is clarified that duty drawback may be permitted on FoB value without deducting foreign bank charges. It is further clarified that since agency commission up to the limit of 12.5% of the FoB value has been allowed, such deduction on account of foreign bank charges is allowed within this overall limit of 12.5% of the FoB value. From the average rates of agency commission and foreign bank charges in respect of export shipments, it is seen that these deductions fall within the aforesaid overall limit of 12.5% of FoB value allowed by the Board. Agency commission and foreign bank charges, separately or jointly, exceeding this limit should be deducted from the FoB value for granting duty drawback.

4. Field formations may consider on merits exporter's requests for regularising such short realisation on account of foreign bank charges based on documentary evidence such as export invoice, bank's confirmation regarding foreign bank charges, etc. to justify such deductions. Field formations are also requested to deal with the show cause notices already issued by them accordingly.

Impex # 4

Correction made in the description and ITC HS code of carpets and floor coverings of Coir

DGFT issues a Public Notice in which the description and ITC HS code of Carpets and floor coverings of Coir have been amended and corrected.

While processing the application for MEIS, the licencing authorities see that the description & HS code of the export product is as given in Appendix 3B of H.B. of Procedure (Vol. 1) of 2015-20. Since the above was not happening in case of export product at S. No. 3730 of Appendix 3B of the current Handbook of Procedure. DGFT has issued a Public Notice No. 31/2015-20 dt. 6th Sept. 2019 to remove the anomaly (copy reproduced below):

(Copy of Public Notice 31/2015-2020 dated 6th Sept., 2019)

Subject: Amendment/correction in the Appendex 3B, Table 2 of the Merchandise Exports from India Scheme (MEIS)

In exercise of poerts conferred under paragraph 1.03 of the Foreign Trade Policy (2015-2020), the Director General of Foreign Trade hereby makes the following amendments in the Appendex 3B Table 2 notified vide Public Notice 61/ 2015-20 dated 07.03.2017 and as amended from time to time to be applicable with effect from 01.01.2017.

MEIS Sl. No.	Current ITC HS Code as per Appendix 3B, Table 2 as notified in PN 61 dated 07.03.2017	Amended/Corrected ITC HS Code to be applicable with effect from 01.01.2017	Corrected Description
3730	57039090	57039020	Carpets and Floor Coverings of Coir

This MEIS entry No. 2730 is also removed from the Annexure in the Public Notice No. 68 dated 09.01.2019.

Effect of this Public Notice: A correction has been made in the Appendix 3B, Table 2 to align/harmonize it with the ITC HS 2017/Customs Tariff Schedule and the item entry is removed from the list of items, for which description matching is required to be done by RAs while processing the MEIS applications, as explained in Public Notice 68 dated 09.01.2019 and Public Notice 62 dated 16.02.2018.

Impex # 5 Questions & Answers

Question : If there a difference between GSTR-3B and GSTR-2A, then how do we rectify the same in the annual return GSTR-9?

Answer : The difference between auto-populated ITC details from GSTR-2A and those declared in GSTR-3B need to be explained in GSTR-9 under the following two heads:

- Table 8E: ITC available but not availed
- Table 8F: ITC available but ineligible

Question : Can an exporter file his return with the data auto-populated by the GSTN in the GSTR-9 return?

Answer : The GSTN auto-populates several tables in the GSTR-9 return for convenience and ease of taxpayers. However, this does not necessarily mean that the auto-populated data is accurate. It is the duty of every taxpayer to verify this data with their books of accounts and their GST returns filed. If any figure is found to be inaccurate, then the figure as per the books of accounts/GST returns, whichever is correct, needs to be reported in the GSTR-9 return.

Question : What is the situation in which "Nil" GSTR-9 return can be filed?

Answer : Nil GSTR-9 annual return can be filed only if all of the below criteria are met for that financial year:

- No outward supply
- No receipt of goods/services
- No other liability to report

Question : What is the difference betweer GSTR-9 & GSTR-9C?

Answer : GSTR-9 is an annual return under GST to be filed once every year only by registered taxpayers under GST under the Regular Scheme (Monthly/Quarterly). GSTR-9C is a reconciliation statement between GSTR-9 and the audited books of accounts.

Question : Is GSTR9 supposed to be filed on the entity level or in respect of each GSTIN?

Answer : The annual return has to be furnished by every registered person as stipulated under section 44(1). In GST, as per section 25(4) of the GST Act, 2017, every person who has obtained more than one registration, whether in one state or more than one state, shall be treated as distinct person in respect of each such registration. Further, annual return is merely the consolidation of all the details filed in the regular returns applicable, i.e. GSTR 1 and GSTR 3B, by the taxpayer during the financial year. Hence, annual return is required to be furnished in respect of each GSTIN

Question : Our customer in the US has asked us to deliver our goods to a SEZ unit and agreed to pay us in foreign currency. Will this be considered as export for the purpose of drawback and other incentives?

Answer : As per Rule 24(3) of the SEZ Rules, 2006, "drawback or any other similar benefit under the Customs and Central Excise Duties Drawback Rules, 2017, as amended from time to time, against supply of goods by Domestic Tariff Area supplier shall be admissible where payments for the supply are made from the Foreign Currency Account of the Unit". As per Para 4.21(iii) of FTP, "export to SEZ Units shall be taken into account for discharge of export obligation provided payment is realised from Foreign Currency Account of the SEZ unit." Also, as per Para of 5.11 of HBP, "realization in case of supplies to SEZ units shall be from foreign currency account of the SEZ unit." These conditions are not fulfilled on your case.

Question : In the recent Budget speech, the finance minister announced an amnesty scheme for service tax and excise duty dues. Is it still available?

Answer : The Sabka Vishwas (Legacy Dispute Resolution) Scheme, 2019 came into force with effect from September 1, 2019. Please see notification no. 05/2019-Central Excise (NT) dated August 21, 2019, for the necessary forms and Rules.

News from 'Print Media'

Financial Express 15.09.2019

PUSH FOR EXPORTS

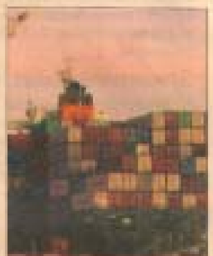
Govt to replace MEIS with ₹50k-cr scheme

FE BUREAU
New Delhi, September 14

FINANCE MINISTER NIRMALA Sitharaman on Saturday announced a new ₹50,000-crore scheme to make exports zero rated and replace the government's flagship, but WTO-incompatible, Merchandise Exports From India Scheme from January 2020 to boost faltering outbound shipments that have contracted twice in the past five months.

Since potential revenue forgone in the current MEIS is around ₹40,000-45,000 crore year, the new scheme —which will reimburse all taxes and duties paid on inputs consumed in exports in sync with WTO norms — is expected to cost the government an additional ₹5,000-10,000 crore a year. The existing remission of central and state levies scheme, meant for just garments and made-ups exports, will also be subsumed by the new scheme called Remission of Duties and Taxes on Export Product.

Sitharaman also announced a raft of other measures, including easier priority-sector lending norms for exports, greater insurance cover under ECGC and lower premium for MSMEs to avail of such cover, to ensure that exporters get larger credit at cheaper rates.



Scheme to be in effect from Jan 2020, to boost outbound shipments

The Reserve Bank of India will soon declare the relaxation in priority-sector lending norms for exports, which will release an extra ₹36,000-48,000 crore loans to this sector that has witnessed a persistent contraction in credit.

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The Export Credit Guarantee Corporation (ECGC) will also offer up to 90% insurance cover to banks lending working capital to exporters, against 60% now. This will likely make banks more comfortable to lend to exporters. As per the government's assessment, rupee credit will be available to exporters at a cheaper rate of around 8% and dollar credit at around 4%. Similarly, the premium incidence of MSME to avail of such insurance cover will be trimmed, which could cost the government ₹1,700 crore a year. Recently, commerce and industry minister Piyush Goyal told the Rajya Sabha that banks' outstanding export credit, which rose from ₹1,85,591 crore in March 2015 to ₹2,43,890 crore in March 2018, dropped to ₹2,26,363 crore at the end of March 2019.

FE had on August 11 reported that the government was considering a new scheme to fully reimburse imposts exporters pay and also easier lending norms. Additionally, the minister said a slew of steps will be initiated to make Indian exports more competitive — by reducing turnaround time at ports, sensitising exporters through a mechanism to better exploit India's various free trade agreements and overcome non-tariff barriers imposed by others (especially countries like China).

Coming to the relief of exporters, especially the MSMEs who take working capital loans to pay input credit taxes, the finance minister said refund process will be expedited through a completely-automated mechanism. Similarly, an inter-ministerial group will be set up monitor export finance data, along with the RBI, to ensure swift intervention, if required. Exporters' body FIEO president Sharad Kumar Saraf said: "Slew of new measures announced for the exports sector in the form of incentives and refund of taxes, export finance, export facilitation, free trade agreements, engineering and handicrafts will not only go a long way in enhancing the growth prospects of the sector in the short-term, but will also give it a much needed boost in the medium-term and long-term and will stimulate the overall economy."

To promote handicrafts, yoga, tourism, textiles and leather, the government will organise Dubai-like annual mega shopping festivals in four places in March 2020.

Financial Expres 22.09.2019

RBI eases priority-sector lending norms for exporters

FE BUREAU
New Delhi, September 21

THE RESERVE BANK of India (RBI) has relaxed the priority-sector lending (PSL) rules for exporters, scrapping the turnover limit for an exporter to be eligible for such loans and increasing the sanction limit per borrower, to complement the government's efforts to boost the flow of credit and reverse a slide in outbound shipments in recent months.

Last week, finance minister Nirmala Sitharaman had announced that RBI would soon ease PSL norms for exports, which will release an extra ₹36,000-₹68,000-crore loans to this sector that has witnessed a persistent contraction in credit flow.

Before the RBI's notification dated Friday, exporters with a turnover of up to ₹100 crore each were eligible for credit under the PSL norms. With the abolition of this criterion, a larger number of exporters will benefit. Similarly, the maximum sanction limit of loan to exporters is now raised to ₹40 crore per borrower from ₹25 crore earlier.

However, the cap on export credit banks can disburse as part of their priority-sector lending portfolio remains unchanged. The RBI said: "The existing guidelines for domestic scheduled commercial banks to classify 'Incremental export credit over corresponding date of the preceding year, up to 2% of ANBC (Adjusted Net Bank Credit) or Credit Equivalent Amount of Off-Balance Sheet Exposure, whichever is higher' under PSL will continue to be applicable..." "There is no change in the present instructions in respect of foreign banks," the central bank added.

Business Standard 20.09.2019

Tax amnesty scheme: Panel to decide in 60 days

PRESS TRUST OF INDIA
New Delhi, 20 August

The revenue department on Monday said the designated committee will take a decision within 60 days on declaration made by an assessee for relief under the service tax and excise duty amnesty scheme.

Sabka Vishwas — Legacy Dispute Resolution Scheme, 2019, to reduce legacy service tax and central excise cases will become operational for four months beginning September 1. The scheme provides for total waiver of interest, penalty and fine in all cases, and also immunity from prosecution, the Central Board of Indirect Taxes and Customs (CBIC) said in FAQs on the scheme.

On how will an applicant come to know about the final decision taken by the designated committee on his or her declaration, the FAQs said: "Within 60 days of filing of a declaration, you will be informed electronically about the final decision taken in the matter".

The dispute resolution component of the scheme is aimed at liquidating the legacy cases of central excise and service tax that are subsumed in GST and are pending in litigation at various forums. The amnesty component offers an opportunity to taxpayers to pay the outstanding tax and be free of any other consequence under the law.