

*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

## RBI extends the Interest Equilisation Scheme upto 31-03-2021

RBI extends the 'Interest Equilisation Scheme on Pre and Post shipment Rupee Credit Scheme' for one year upto 31-03-2021

It has been a constant complaint/ grievance of the Indian exporters that the transactions cost in export is quite high due to which they are not very competitive in international markets. The high cost is on account of high cost of components which constitute the transaction cost. High interest rate on export finance is one of them.

To reduce the cost of interest in export, the Govt. of India has in operation a scheme known as 'Interest Equalisation Scheme' operated through RBI. It is in operation since 2015.

The above scheme ended on 31-03-2020. Now RBI has issued a Notification No. RBI/2019-20/231(DOR.Dir.BC.No.69/04.02.001/2019-20) Dt 13-05-2020 in which the RBI has extended the scheme from 01-04-2020 to 31-03-2021 on the same lines as applicable before 31-03-2020. (Copy reproduced below)

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RBI/2019-20/231DOR.Dir.BC.No.69/04.02.001/2019-20, dtd. May 13, 2020

### **Interest Equalisation Scheme on Pre and Post Shipment Rupee Export Credit-Extension**

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, DBR.Dir.BC.No.09/04.02.001/2018-19 dated November 29, 2018 and DBR.Dir.BC.No.22/04.02.001/2018-19 dated January 11, 2019.

2. In this connection, Government of India has approved the extension of Interest Equalization Scheme for pre and post shipment Rupee export credit, with same scope and coverage, for one more year i.e. upto March 31, 2021. The extension shall take effect from April 01, 2020 and end on March 31, 2021 covering a period of one year.

3. Consequently, the extant operational instructions issued by the RBI under the captioned Scheme shall continue to remain in force upto March 31, 2021.

Further DGFT has also issued a Trade Notice No. 11/2020-21 Dt 14-05-2020 containing the salient features of the RBI Notification referred to above (Copy reproduced below)

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Trade Notice No. 11/2020-21, dtd. 14th May 2020

**Subject: Extension of Interest Equalisation Scheme (IES) for Pre and Post shipment Rupee Export Credit for one more year i.e. upto 31.03.2021 with same scope and coverage.**

Attention of Trade and Industry is invited to the Trade Notice no. 45 dt. 01.02.2019 issued by DGFT. In continuation, it is hereby informed that Interest Equalisation Scheme for Pre and Post shipment Rupee Export Credit is further extended for one more year i.e. upto 31.03.2021 with same scope and coverage. RBI has issued Notification no. RBI/2019-20/231 dt. 13.05.2020 in this regard which is available at the link: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11887&Mode=0>.

2. The Scheme shall remain effective from 01.04.2020 till 31.03.2021 or until further orders, whichever is earlier.

3. Guidelines issued by Reserve Bank of India and Relevant RBI notifications issued from time to time on this subject may be referred.

RBI issues circular extending the period of realisation of export proceeds by six months from the date of exports, for the exports made upto or on July 31st, 2020

Exporter trade bodies including Export Promotion Council for Handicrafts (EPCH) represented to Govt of India and to RBI that the period of realisation of export proceeds should be suitably extended in view of difficulties created by outbreak of pandemic COVID-19.

issued a A. P. (DIR Series) Circular No. 27 Dt 01-04-2020 extending the period of realisation and repatriation of export proceeds by six months from the date of exports, for the exports made up to or on July 31st, 2020. (Copy given below).

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RBI/2019-20/206 A. P. (DIR Series) Circular No. 27, dtd. April 01, 2020

**Subject: Export of Goods and Services- Realisation and Repatriation of Export Proceeds-Relaxation**

The Government of India as well as the Reserve Bank has been receiving representations from Exporters Trade bodies to extend the period of realisation of export proceeds in view of the outbreak of pandemic COVID- 19. It has, therefore, been decided, in consultation with Government of India, to increase the present period of realization and repatriation to India of the amount representing the full export value of goods or software or services exported, from **nine months to fifteen months** from the date of export, for the exports made up to or on July 31, 2020.

2. The provisions in regard to period of realization and repatriation to India of the full export value of goods exported to warehouses established outside India **remain unchanged**.
3. AD Category - I banks may please bring the contents of this Circular to the notice of their constituents concerned.
4. The directions contained in circular have been issued under Section 10(4) and 11(1) of Foreign Exchange Management Act, 1999 (42 of 1999) and without prejudice to permissions / approvals, if any, required under any other law.

RBI issues circular extending the period of advance relating to pre-shipment and post-shipment export credit by 3 months (12 months to 15 months) for disbursement made upto July 31st, 2020.

To lessen the difficulties of the exporters on account of outbreak of COVID-19 such as delays/ postponement of orders, delay in realization of bills etc. RBI has issued a circular No. DOR.DIR.BC.No.73/04.02.002/2019-20 Dt May 23, 2020 in which the period of advance of pre-shipment & post-shipment as been extended by three months from 12 months to 15 months for disbursement made upto July 31, 2020. (Copy reproduced below)

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RBI/2019-20/246 DOR.DIR.BC.No.73/04.02.002/2019-20 dtd. May 23, 2020

**Pre-shipment and Post-shipment Export Credit - Extension of Period of Advance**

Please refer to the Master Circular on 'Rupee / Foreign Currency Export Credit and Customer Service to Exporters' issued vide DBR.No.DIR.BC.14/04.02.002/2015-16 dated July 1, 2015 and other associated circulars on the subject.

2. In view of the outbreak of Covid-19 pandemic, the exporters have been facing genuine difficulties such as delay/ postponement of orders, delay in realisation of bills, etc. In this regard, RBI has already permitted the period of realisation and repatriation of the export proceeds to India to be increased from nine months to 15 months from the date of export in respect of exports made upto July 31, 2020. In line with this relaxation, it has been decided to increase the maximum permissible period of pre-shipment and post-shipment export credit sanctioned by banks from one year to 15 months, for disbursements made upto July 31, 2020.

**Question :** I am an exporter and a holder of an ECGC Policy. Do I get any relaxation in submission of claims, returns, representations, etc. amidst COVID-19 pandemic?

**Answer :** ECGC has come up with the following relaxations in respect of policies directly obtained by the exporters from the ECGC:

- ECGC has extended time limit up to 31.05.2020 for all returns, extension requests, default notifications, etc. to policy holders.
- Time for filing claim, reply to claim queries, representations have been extended up to June 2020. ? Specific Shipment Policy expiring in March 2020 is now extended automatically up to June 2020.

**Question :** Are we required to refund the GST benefits availed on exports, if buyer fails to pay us?

**Answer :** A new Rule 96B has been inserted recently. Therefore, if refund of unutilised ITC on account of export of goods or of IGST paid on export of goods has been paid to an applicant but the sale proceeds in respect of such export goods have not been realised, in full or in part, in India within the period allowed under the Foreign Exchange Management Act, 1999, including any extension of such period, the person to whom the refund has been made shall deposit the amount so refunded.

**Question :** What will happen if I realize the payment subsequently from the buyer? Will I get back the GST?

**Answer :** Where the sale proceeds are realised by the exporter, in full or in part, after the amount of refund has been recovered from him and the exporter produces evidence about such realisation within a period of three months from the date of realisation of sale proceeds, the amount so recovered shall be refunded to the exporter to the extent of realisation of sale proceeds, provided the sale proceeds have been realised within such extended period as permitted by the RBI.

**Question :** What is the time limit for settlement of imports?

**Answer :** In terms of the RBI regulations, remittances against imports should be completed no later than six months from the date of shipment, except in cases where amounts are withheld towards guarantee of performance, etc. However, recently looking into Covid-19 challenges, RBI has extended the 6 months period to 12 months for imports made up to 31st July, 2020

**Question :** What are the permitted uses of money lying in EEFC Account?

**Answer :** The permitted debits from EEFC account are:

1. Payment outside India towards a permissible current account transaction [in accordance with the provisions of the Foreign Exchange Management Act (FEMA)] and permissible capital account transaction [in accordance with the FEMA].
2. Payment in foreign exchange towards cost of goods purchased from a 100 percent Export Oriented Unit or a Unit in (a) Export Processing Zone or (b) Software Technology Park or (c) Electronic Hardware Technology Park.
3. Payment of customs duty in accordance with the provisions of the Foreign Trade Policy of the Central Government for the time being in force.
4. Trade related loans/advances, extended by an exporter holding such account to his importer customer outside India, subject to compliance with the FEMA.
5. Payment in foreign exchange to a person resident in India for supply of goods/services including payments for airfare and hotel expenditure.