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

Big Blow on MEIS benefits for big exporters

DGFT issues notification imposing ceiling/cap on MEIS benefits on exports made from 01.09.2020 to 31.12.2020.

DGFT has issued a Notification No. 30/2015-20 DT 1st Sept, 2020 imposing limit on total reward under MEIS so that for exports made in the period 01.09.2020 to 31.12.2020 the total reward which can be claimed by an IEC holder does not exceed the ceiling cap of Rs. 2 Cr. Further, it has also been notified that any IEC holder who has not made any exports for period of one year preceding 01.09.2020 or any new IECs obtained on or after the date of publishing of this Notification would not be eligible for submitting any claim under MEIS. In addition, it has been notified that MEIS Scheme is withdrawn with effect from 01.01.2021. The aforesaid ceiling will be subject to further downward revision to ensure that the total claim under MEIS for the period (01.09.2020 to 31.12.2020) does not exceed the prescribed allocation by the Government, which is Rs. 5000 Cr.

The above has been done by inserting two new paragraphs 3.04A and 3.04B of the FTP.

The above harsh step of ceiling/cap on MEIS benefit has been taken by the Govt. on account of difficult financial position even though they know that it will affect exports badly.

Copy of DGFT Notification No. 30/2015-2020 Dt 1st Sept, 2020 is reproduced below:

(Copy)

DGFT Notification No. 30/2015-2020 Dt 1st Sept, 2020

Subject: Ceiling/ cap on MEIS benefits available to exporters on exports made from 01.09.2020 to 31.12.2020

S.O. 2980(E)-In exercise of the powers conferred by Section 5 of the Foreign Trade (Development and Regulation) Act, 1992 read with Para 1.02 of the Foreign Trade Policy, 2015-20 and the enabling para 3.13 of the FTP, the Central Government hereby makes the following amendments in the Foreign Trade Policy 2015-20 with immediate effect:

2. Two new paragraphs, 3.04A and 3.04B are inserted in the Foreign Trade Policy as below:

3.04 A The total reward which may be granted to an IEC holder under the Merchandise Exports from India Scheme (MEIS) shall not exceed Rs. 2 Crore per IEC on exports made in the period 01.09.2020 to 31.12.2020 [period based on Let Export Order (LEO) date of shipping bill(s)]. Any IEC holder who has not made any export with LEO date during the period 01.09.2019 to 31.08.2020 or any new IEC obtained on or after 01.09.2020 would not be eligible for submitting any claim for benefits under MEIS for exports made with effect from 01.09.2020. The aforesaid ceiling may be subject to further downward revision to ensure that the total claim under the Scheme for the period (01.09.2020 to 31.12.2020) does not exceed the allocation prescribed by the Government, which is Rs. 5,000 Cr.

3.04 B Benefits under MEIS shall not be available for exports made with effect from 01.01.2021."

Effect of this Notification: A limit on total reward under MEIS has been imposed so that for exports made in the period 01.09.2020 to 31.12.2020 the total reward which can be claimed by an IEC holder does not exceed the ceiling of Rs. 2 Cr. Further, it has also been notified that any IEC holder who has not made any exports for a period of one year preceding 01.09.2020 or any new IECs obtained on or after the date of publication of this Notification would not be eligible for submitting any claim under MEIS. In addition, it has been notified that MEIS Scheme is withdrawn with effect from 01.01.2021. The aforesaid ceiling will be subject to further downward revision to ensure that the total claim under MEIS for the period (01.09.2020 to 31.12.2020) does not exceed the prescribed allocation by the Government, which is Rs. 5,000 Cr.

Impex # 2 Export policy of textile raw material for mask and coveralls revised

DGFT issues notification clarifying that only melt blown fabric is prohibited for exports. All other non-woven fabrics of any GSM are freely allowed for exports.

DGFT has issued a Notification No. 28/2015-2020 dt 18th August, 2020 revising the exports policy of Non=woven fabrics and Melt=blown non-woven fabrics as laid down in DGFT Notification No. 18/2015-2020 dt 13.07.2020.

As per revised policy "non-woven fabrics of any GSM (except Melt Blown Fabrics of any GSM)" is free now.

Copy of DGFT Notification No. 28/2015-2020 dt 18th Aug, 2020 is reproduced below:

(Copy)

DGFT Notification No. 28/2015-2020 dt 18th Aug, 2020

Subject: Amendment in Export Policy of textile raw material for masks and coveralls

S.O. 2797(E). In exercise of powers conferred by Section 3 of the Foreign Trade (Development & Regulation) Act, 1992 (No. 22 of 1992), as amended, read with Para 2.01 of the Foreign Trade Policy, 2015-20, the Central Government hereby makes the following amendment in the Notification No. 18 dated 13.07.2020 amending the Schedule 2 of the actis Export policy related to export of textile raw material for masks and coveralls as per the product description given below:

I. The current export policy as per Notification 18 dated 13.07.2020 of textile raw material for masks and coveralls is as follows:

S.No.	ITCHS Codes	Description	Current Policy
207 C	560312 560392	Non-woven fabrics for 25-70 GSM	Prohibited
	560311 569313 560314 560391 560393 560394	Non-woven fabrics other than 25-70 GSM (Except Melt-blown category of Non-woven fabric)	Free

II. The export policy of textile raw material for masks and coveralls is now revised as under:

S.No.	ITCHS Codes	Description	Revised Policy
207 C	560312 560392 560311 569313 560314 560391 560393 560394	Non-woven fabrics of any GSM (Except Melt-blow Fabric of any GSM)	Free

2. Effect of this Notification:

The Notification No. 18 dated 13.07.2020 is amended to the extent that only melt blown fabric of any GSM exported against the HS codes specified above is prohibited for export. All other non-woven fabrics of any GSM (including of GSM 25-70 which were earlier prohibited) are freely allowed for exports.

Impex # 3

Export policy of Personal Protection Equipment/Mask amended once again

DGFT issues notification amending the export policy of Personal Protection Equipment/Mask. Medical coverall made free. N95/FFP2 masks restricted. All masks (excepts N95/FFP2 masks) made free.

DGFT has issued a Notification No. 29/2015-20 dt 25th Aug, 2020 amending the export policy of Personal Protection Equipment/Masks (reproduced below as detailed in the notification)

(Copy)

DGFT Notification No. 29/2015-20 dt 25th Aug, 2020

Subject: Amendment in Export Policy of Personal Protection Equipment/Masks

S.O. 2797(E). In exercise of powers conferred by Section 3 of the Foreign Trade (Development & Regulation) Act, 1992 (No. 22 of 1992), as amended, read with Para 2.01 of the Foreign Trade Policy, 2015-20, the Central Government hereby makes the following amendment in the Notification No. 18 dated 13.07.2020 amending the Schedule 2 of the actis Export policy related to export of textile raw material for masks and coveralls as per the product description given below:

I. The current export policy as per Notification 18 dated 13.07.2020 of textile raw material for masks and coveralls is as follows:

Serial Number	ITC HS Codes	Description	Export Policy	Policy Condition
207 A	901850 901890 9020 392690 621790 630790	Following Personal Protection Equipments (PPEs) exported either as part of kits or as individual items -		
		1. Medical Coveralls of all Classes/Categories	**Free**	**PPE medical coveralls are freely exportable.**
		2. Medical Goggles	**Restricted**	**Monthly export quota of 20 Lakh units of Medical Goggles**
		3. N95/FFP2 masks or its equivalent	**Restricted**	**Monthly export quota of 50 Lakh units**
		4. All masks (Except N95/FFP2 masks or its equivalent)	**Free**	**All masks (except N95/FFP2 masks or its equivalent) are freely exportable**
		5. Nitrile/NBR Gloves	Prohibited	
		6. Face Shields	Free	Face Shields are freely exportable

2. Effect of this Notification:

Notification No. 21 dated 28.07.2020 is amended to the extent that the export policy of 2/3 Ply Surgical masks, medical coveralls of all classes and categories (including medical coveralls for COVID-19) is amended from "Restricted" to "Free" category and these coveralls (including gowns and aprons of all types) are now freely exportable. Medical goggles continue to remain in restricted category with monthly quota of 20 Lakh units and Nitrile/NBR gloves continue to remain prohibited.

The export policy of N-95/FFP2 masks or its equivalent masks is revised from "Prohibited" to "Restricted" category. A monthly export quota of 50 lakh units has been fixed for N-95/FFP2 masks or its equivalent, for issuing export licenses to eligible applicants as per the criteria to be separately issued in a Trade Notice.

Impex # 4 Customs notifies the 'Rules of Origin under Trade Agreements'

Customs issues notification (N.T.) containing Rules of Origin under Trade Agreements.

A large number of countries enter into bilateral, multilateral and Regional Free Trade Agreements (FTA's) to facilitate their imports and exports on mutually agreed terms and conditions and rules. One of the important rules is 'Rules of Origin' so that only the goods originating from exporting country get the benefits in the importing country.

Customs has issued a Notification No. 81/2020-Customs (N.T) notifying the Rules of Origin under FTA's (extract given below):

(Copy)

Customs has issued a Notification No. 81/2020-Customs (N.T) dt. 21st August, 2020

G.S.R. 521 (E).- In exercise of the powers conferred by section 156 read with section 28DA of the Customs Act, 1962 (52 of 1962), the Central Government hereby makes the following rules, namely:-

1. **Short title, commencement and application** - (1) These rules may be called the Customs (Administration of Rules of Origin under Trade Agreements) Rules, 2020.

(2) They shall come into force on 21st day of September, 2020.

(3) They shall apply to import of goods into India where the importer makes claim of preferential rate of duty in terms of a trade agreement.

2. Definitions:……..

3. Preferential tariff claim:……...

4. Origin related information to be possessed by importer:……..

5. Requisition of information from the importer:……...

6. Verification request:……...

7. Identical goods:……..

8. Miscellaneous:……...

9. Form I:……..

Impex # 5 Questions & Answers

Question : I have not received the payment of goods exported from the buyer. Are we required to refund the GST benefits availed on exports?

Answer : A new Rule 96B has been inserted recently. Therefore, if refund of unutilized 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 is the future of the MEIS Scheme?

Answer : The MEIS, as per the current notification, will continue till 31st December, 2020 and will be replaced by the RoDTEP Scheme. However, as and when the RoDTEP rate for a product is notified, the MEIS rate for the product will simultaneously be withdrawn. Therefore, in a phased approach RoDTEP rates will be fixed for all the products before 31st December, 2020 so as to make transition from MEIS to RoDTEP seamless.

Question : We are manufacturers of exempted goods for export. We availed input stage rebate used in the manufacture of exported goods. How would we get a GST refund if our supply remains an exempt supply?

Answer : Under the IGST Act, a person engaged in export of goods, which is an exempt supply, is eligible to avail input stage credit for zero rated supplies. Once goods are exported, refund of unutilized credit can be availed under Section 16(3)(a) of IGST Act, 2017 and Section 54 of the CGST Act, 2017 and the rules made there under.

Question : Sometimes the foreign supplier mentions HSN codes that are different from our Customs Tariffs. Similarly, foreign buyers sometimes ask us to mention a different HSN code than what we use as per our Custom Tariff. How do we deal with the situation?

Answer : Our Customs Tariff is aligned with the HSN developed by the World Customs Organisation at the four digit level. So there could be differences between the HSN used in the importing and exporting countries at the six or eight digit level. Each importer or exporter is bound by the laws of his country. So, when there is a difference, it is better to mention on the documents the HSN of both the importing and the exporting country.

Question : Is GST payable on goods not intended to be sold, taken out for participation in overseas exhibitions and trade fairs and brought back into India as these goods are meantfor exhibition only?

Answer : GST is not payable in such cases. Exporters will need an exhibition participation letter and SDF/GR waiver letter from the concerned bank for the purpose of exchange control requirements. At the time of re-import, the identity of goods imported with export goods needs to be established to seek exemption from import duty in accordance with Customs provisions. IGST will be exempted at the time of re-import in view of exemptions granted under Customs.

Question : We made a shipment on 23rd January, 2020 and as per RBI provision should realize the payment by 22nd October, 2020. But due to liquidity problems, our buyer is hinting to make payment by 15th December, 2020. Should we apply for extension to RBI in such case?

Answer : The Reserve Bank of India has increased the period of realization and repatriation in respect of both the export of goods or software or services from nine months to fifteen months from the date of export, for the exports made up to or on July 31, 2020. Therefore, you have time till 22nd April, 2022 to realize the payment. No extension is required, if you receive the same by 22nd April, 2021. If for any reason, the buyer further delays it, you may apply for extension giving reasons for the delay.

Question : I am expecting little delay in receiving exports proceeds. Can I roll over my forward contract?

Answer : The exporter may seek rollover of the contract, where a delay is anticipated. Rollover comprises simultaneous cancellation before maturity and booking of a fresh forward contract. In rollover, the forward contract shall be cancelled at an appropriate rate and rebooked at the applicable forward rate. The difference between the contracted rate and the rate at which the contract is cancelled should be recovered from/paid to the customer at the time of roll-over.

Question : We paid compensation cess on supplies received for exports. Can the compensation cess be refunded on exports?

Answer : The exporter making without payment of IGST under bond or LUT, who pays compensation cess on inward supplies, could avail the ITC of the compensation cess in GSTR 3B and apply for refund of such accumulated ITC to the extent of export turnover. An exporter may also make exports on payment of integrated tax but he cannot utilize the credit of the compensation cess for payment of integrated tax in view of the proviso to section 11(2) of the Cess Act, which allows the utilization of the input tax credit of cess, only for the payment of cess on the outward supplies. Therefore, he cannot claim refund of compensation cess in case of zero-rated supply on payment of integrated tax.

News from 'Print Media'

CUT IN BENEFITS?

New export scheme to cost govt just ₹10K cr

Niti estimate only a fifth of govt's earlier forecast and a fraction of its current outlay; exporters cry foul

BANIKINKAR PATTANAYAK
New Delhi, August 11

WHAT NITI TOLD PMO

- A 32.2% y-o-y rise in MEIS liability in FY19 outpaces 10.6% growth in exports of MEIS-covered items; 27% of customs revenue used to fund MEIS
- Once RoDTEP replaces MEIS, annual savings of ₹40,000 cr can be used to fund PLI schemes
- Outlay for PLI schemes, which must be operational for up to 5 years, can be hiked at 10%/year
- Nine more sectors—textiles, food processing, battery cell making, electronic/tech items, telecom & networking, auto & components, white goods, capital goods and specialty chemicals—can be considered for PLI schemes

IN A PROPOSAL that raises fears of a drastic cut in benefits to exporters and could cast a shadow over economic recovery following the Covid-19 outbreak, a Niti Aayog analysis has pegged the potential outgo under a proposed scheme to reimburse all embedded levies paid on inputs consumed in exports at just about ₹10,000 crore a year. This is only a fraction of the annual benefits of ₹50,000 crore that the government had envisaged when finance minister Nirmala Sitharaman announced the so-called Remission of Duties and Taxes on Exported Products (RoDTEP) scheme in September last year to make exports zero-rated, in sync with global best practices.

In fact, Niti's estimated RoDTEP outlay is also about a fifth of the incentives under the Merchandise Export from India Scheme (MEIS) in FY20 that the RoDTEP is proposed to replace from January 2021. Niti's estimate can potentially deal a another blow to exporters, coming as it is after the revenue department's capping of the MEIS allocation at just ₹9,000 crore for the April-December period of FY21, which means exporters could lose about two-thirds of expected benefits this fiscal itself.

While it's unclear how Niti has arrived at such a low estimate (a committee headed by former commerce secretary GK Pillai was formed only on July 30 to suggest RoDTEP rates), its proposed outlay has raised fears about a massive reduction in either the coverage of sectors or the reimbursement rates under the RoDTEP scheme.

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New export scheme to cost govt just ₹10k cr

To be sure, any such proposal by Niti Aayog is still being deliberated upon and yet to be endorsed by the government.

Federation of Indian Export Organisations (FIEO) president Sharad Kumar Saraf said it's "impossible" to offset the blow of all the embedded taxes within an annual outlay of just ₹10,000 crore (about $1.3 billion) when exports are typically above $300 billion a year. "Many exporters are, as such, forced to focus more on the domestic market now, as margins in exports have shrunk. Lack of adequate legitimate incentives will further discourage them from exports. Cash flow, as such, is already badly hit by the pandemic," he said. An export-led economic recovery in the coming years is out of the question now, unless the incentive structure suitably restructured, some exporters warn.

Merchandise exports have been contracting since March, thanks to the pandemic. They witnessed a record 60% crash, y-o-y, in April, though the contraction narrowed to 37% in May, 12% in June and 9% in July, as lockdown curbs were lifted in June. However, some exporters say once some of the orders booked earlier are despatched, it could falter again, thanks to a combination of subdued demand overseas and inadequate benefits.

In a presentation at a video conference meeting, chaired by PK Mishra, principal secretary to Prime Minister Narendra Modi, on August 6, Niti Aayog CEO Amitabh Kant is learnt to have proposed that once the RoDTEP scheme replaces the MEIS, the annual "savings" of ₹40,000 crore be utilised to roll out production-linked incentive (PLI) schemes in "sectors of strength to create global champions".

Interestingly, exporters have often complained that even the MEIS benefits remain too inadequate to offset the damaging impact of structural bottlenecks in India, including embeded levies, elevated logistics costs, poor infrastructure and "over-valued" currency.

The RoDTEP scheme is proposed to cover levies that are not subsumed by the GST (petroleum and electricity are still outside the GST ambit, while other imposts like mandi tax, stamp duty, embedded central GST and compensation cess, etc, remain unrebated).

Niti has favoured the launch of PLI in sectors, including textiles, food processing, battery cell making, electronic/tech products, telecom & networking, auto and components, white goods, capital goods and specialty chemicals. Funds for PLI schemes, which must be operational for a maximum of 5 years, can be hiked at 10% a year, it suggested.

Financial Express 11th August 2020