

CA FINAL
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VSMART ACADEMY

ULTIMATE SUMMARY FOR



**FOREIGN
TRADE**
POLICY OF INDIA

[FTP] 2023

Applicable for May/Sep 25 Exam



Think GST
Think Vishal Sir!

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Foreign Trade Policies [FTP]

①

- 1) Foreign Trade (Development & Regulation) Act 1992
- 2) Ministry of Commerce & Industry governs promotion & regulation of Foreign Trade in India.
- 3) Foreign Trade Policies [2023] for 5 years formulated, continued & supervised by DGFT. knitted with CBIC, RBI & state VAT Dept.
- 4) Silent Features of FTP.

- a) Free import or export of goods or services unless regulated.
- b) Export or import of goods are broadly categorized as (a) Free (b) Restricted (c) prohibited.
- c) Export are promoted through various promotional scheme.
- d) e.g. can be imported at Nil duty under EPCB. etc.

5) Content of FTP 2023.

- 1) FTP basic policies
- 2) Handbook of procedure (HBP-2023)
- 3) Indian Trade classification codes [ITC (HS)]

6) Trade facilitation

Action plan	Measures provided under FTP.
1) Improvement in Ease of doing business through reduction in transaction cost & time.	1) No Seizure of export stock subject to exceptions.
2) Reduction in cargo release time.	2) Single window system for agriculture products.
3) A paperless regulatory environment.	3) Niryat Bandhu Scheme - mentoring new exporters through training & counselling.
4) Transparent & predictable legal regime	4) DGFT online portal
5) Improved investment climate through better infrastructure.	5) 24x7 Helpdesk to support DGFT portal usage & FTP queries.
	6) IT-driven system to promote paperless, contactless, transparent export process
	7) 24x7 customs clearance at key port/Airport.
	8) SWIFT (Single window interface for trade) - online clearance documents support.
	9) E-Sanchit - Paperless processing of documents.
	10) CIP (Compliance information portal) - centralised info on duties, procedure etc.)
	11) TURANT CUSTOMS - Faceless assessment.

1) Provisions relating to Import or export under FTP.

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Import	Export
Import of Sample: 1) Sample of restricted items is allowed without import authorisation Except: defence, security items, seed bees & new drugs. 2) Duty free import of sample upto ₹ 3,00,000 for all exporters subject to terms & conditions of customs.	Export of Samples: export of trade & technical samples of goods of freely importable items are allowed without any limit.
Import of gift: 1) Import of gift through post/courier/ECO, where customs clearance is sought as a gift, is prohibited. Except: 1) Rakhi 2) Life saving medicine 2) However, gifts can be imported upon payment of customs duties. 3) If duty payable on rakhi is upto ₹100, no duty will be collected.	Export of gift: 1) Goods including edible items, of value $\leq$ ₹5,00,000 in a licensing year (1st April-31st March) may be exported as a gift. 2) However, items restricted for export in ITC (HS) shall not be exported as a gift, without authorisation.
<u>Other provision</u> 1) Goods used in project abroad: project contractor can import goods (including c.b.) used in overseas project without authorisation, if it is used at least 1 year. 2) Prototypes: New or second-hand prototype or sample can be imported without authorisation, if - importer is an actual user (Industrial) - engage in prodn or hold industrial license for research or product development - Self declaration is filed to customs.	<u>Other provisions:</u> Third Party payment: Allowed under FTP, where manufacturer exports on the behalf of another exporter, if - Shipping bill shows the both names, (Manufacturer & third party exporter) - Bank realisation certificate (BRC), self declaration form, export order & invoice should be in the name of Third party exporter. Export Credit Agencies [ECA's] Support exporters via insurance, guarantee & direct lending e.g. - Ecgc (Export credit guarantee corp) - Exim bank

Import policy for second hand Goods.

Capital Goods	Restricted for import (authorisation required): i) A.C. ii) D.b. Set iii) Desktop computer (iv) Refurbished/reconditioned spares of personal computer or laptop v) All notified electronic & IT goods. Free for Import: i) Refurbished/reconditioned spares of C.B. with 80% residual life certified by a chartered engineer. ii) All other second hand C.B. not specifically restricted.
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FTP

③

**Status Holder
[Exporter Firms]**

= Business leaders → Excelled in

International trade & successfully contributed in Country's Foreign trade.

↓
Status holder recognition: Achieving following export Performance in current & preceding 3 F.Y.

Status Category [Export house]

Export Performance [USD million]

*	3
**	15
***	50
****	200
*****	800

Computation of export Performance

Export Earnings in CFE/₹ in FOB xxx

Add: Deemed export [FOB value] xx
[Converted with CBIC Exchange rate on 1st April of every F.Y.]

Add: Items under authorisation (AAI, OFA etc) xx
Export Performance. xxxx

Imp Points while calculating export Performance.

- Exports made on re-export basis shall not be counted
- Export Performance is not transferable among IEC holder.

Privileges to Status holder.

General Privileges to all status holders

- 1) Authorisation & customs clearances on self declaration basis
- 2) Fixation of Input & output norms on priority [within 60 days] if SON is not fix
- 3) Exemption from furnishing Bank Guarantee unless specified.
- 4) Entitled to export freely exportable items on free of cost basis
- 5) Entitled to preferential treatment in handling consignment.

Special Privileges

Two stars & above Export House

⇒ Permitted to establish export warehouses

Three stars & above Export House.

⇒ Self certify manufactured goods as originating from India to get Preferential treatment in specified agreement

Advance Authorisation (AA) Scheme.

④

Imported Inputs

Duty free.

- ① BCD ② ACD ③ Less
- ④ Antidumping ⑤ CVD
- ⑥ Safeguard duty.

Inputs are allowed on following basis

- notified **SION**
- self declaration
- Self notification

Inputs are imported within **12 months** from the date of issue of Authorisation (Extension 12 months)

Export obligation [EO]
Within 90 days from the date of clearance of Import goods.

Eligible supply.

- 1) physical Export.
- 2) Export to SEZ
- 3) Deemed Export.
- 4) Supply of Stores to FBO/FBA.

M/ME



M = Manufacturer.

ME = Merchant Exporter tied up with supporting manufacturers.

Note: M/ME hold AEO certificate.

Pre-import Conditions

Imported Inputs

- Subject to pre-import condition (already having EO)
- physically incorporated in export product.

Local procurement = allowed.

- Input shall be procured prior to manufacture
 - physically incorporated in export
- Advance release order by R.A.
Domestic Supplier (supplies input) seek refund of duties / taxes under deemed export.

Value addition = 15% (Min)
(Petroleum products < 15%)

$$VA = \frac{(A-B)}{B} \times 100$$

A.
Physical export = FOB Value.
Deemed export = FOR Value
B
CIF Value of Inputs under AA.
Add: Value of Inputs on which drawback is claimed.
Note: If any inputs supplied free of cost by foreign buyer then its notional value is added in (A) & (B)

Import of mandatory Spares to be supplied with Export : can be imported duty free upto 10% of CIF value of authorisation.

Actual User conditions for AA

- Imported material shall not be transferable after completion of export obligation
 - Can disposed manufactured product once export obligation is completed
 - waste or Scrap from manufacturing process can be disposed off
- * on payment of applicable duty.

AA for Annual Requirement

- 1) Only be issued for items notified in SION
- 2) Exporter with with past performance (at least 2 yrs)

**

- 3) Entitlement - CIF value of Import shall be upto 300% of FOB / FOR value of export or deemed export in FFY. or 200% in 2nd.

Duty free import Authorisation [DFIA]

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DFIA is issued to allow duty free import of inputs $\neq$ oil $\neq$ catalyst consumed or used in the production process of export product.

Note! Import of Tyre under DFIA scheme is not allowed.

Difference in Advance Authorisation (AA) & Duty free Import Authorisation Scheme (DFIA)

Particulars	<u>AA</u>	<u>DFIA</u>
1) Duty Exemptions on Inputs	1) BCD 2) ACD 3) cess 4) Antidumping duty 5) CVD 6) Safeguard duty	Only BCD
2) Transferability	It is not transferable	It is transferable.
3) Value addition	Min = 15%	Min = 20%.
4) SION	AA can be issued even though SION is not fixed i.e. on self declaration or self ratification	DFIA is issued for products for which SION is notified <u>Note:</u> DFIA cannot be issued where SION is prescribed with actual user cond ⁿ
5) Actual User Cond ⁿ	AA applicable	DFIA not not-applicable
6) Period of E.O.	<u>30 days</u> from the date of clearance of Import Consignment	12 month from the date of application of DFIA.
7) Entitlement	Pre-export or post export (annual requirement)	Only for post export.

Common provision for AA & DFIA.

⑥

Accounting of Inputs: Generic or alternative inputs allowed if STON permit.

Prohibited goods: Prohibited items (unless notified) is not allowed.

Restricted items:
 1) Import of restricted items is allowed under AA/DFIA
 2) Export of restricted or SCOMET items subject export authorisation or permission.

STE items:
 1) Items reserved for imports by STE cannot be imported against AA/DFIA, but it can be procured from STE against advance release order (ARO)
 2) Items reserved for export by STE can be exported under AA/DFIA only after obtaining NOC from STE.

Domestic Sourcing of Inputs.

1) Holder of DFIA/AA can procure inputs from
 → Indigenous Supplier → STE → EOU → EHTP
 → BTP → STP in lieu of direct import.
 2) Such procurement against ARO / invalidation letter.

Realisation of export proceeds: It shall be realized in freely convertible currency or in Indian Rupees, except otherwise specified.

Re-import of exported goods: Goods exported under AA/DFIA may be re-imported in same form subject to specified conditions.

Remission of Duties & Taxes on Exported Products [RODTEP]

General	Non-Eligibility of rebate under RODTEP.
<u>Concept & Objective</u>: RODTEP refunds un-refunded taxes, duties, levies on exported goods to make Indian exports globally competitive. <u>Reward under Scheme</u>: 1) Rebate = 1% of FOB value with cap. 2) fixed quantum can be notified. 3) It shall be granted in E-SHIP 4) Rebate shall not be available for duties & taxes already exempted / remitted / credited. <u>E-SHIP</u> 1) It will be maintained in electronic ledger by CBIC. 2) Freely transferable. 3) Only can be used to pay BCD. <u>Sale proceeds</u>: It is not based on sale proceeds but realisation is not done as per FEMA, then it will be recorded.	1) export of same or substantially same imported goods. 2) Export through transshipment. 3) Export products which are subject to minimum export price or export duty. 4) Product which are restricted or prohibited for export in FIP. 5) Deemed export. 6) Supplies of product manufactured by DTA units to SEZ units. 7) Product manufactured in customs warehousing (sec 65) 8) Goods which have been taken into use after manufacture. <u>Cases which were previously in-eligible but now allowed - RODTEP</u> 1) products manufactured in EHTP & BTP 2) products manufactured or exported under AA/DFIA 3) products manufactured by 100% EOU / FTZ / EPZ / SEZ.



EPCb - Export Promotion Capital Goods Scheme.

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Export obligation (EO)

(to be fulfilled in 6 yrs from the date of authorisation)

Pre-export (already have export order)

Avg. E.O. - Avg. export of last 3 yrs. to be achieved within overall E.O. period. (Every F.Y.)

(In addition to above)

Specific E.O.

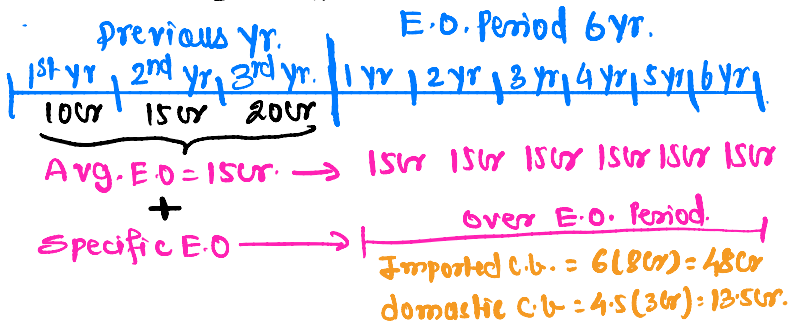
Imported C.b. = 6 times of duties & taxes saved on C.b.

Domestic C.b. = 4.5 times of taxes saved.

Example: Assumed duty/taxes saved on

Imported C.b. = 8 Cr.

Domestic C.b. = 3 Cr.



Incentive for early fulfillment of E.O.

If Avg. E.O. 100% & specific E.O. 75% is fulfilled in half or less period then remaining specific E.O. of 25% shall be condoned & Authorisation redeemed.

Post Export → Duty credit scrip in proportion to

(Export after import of C.b.)

E.O. fulfillment

Avg. E.O. = remains unchanged

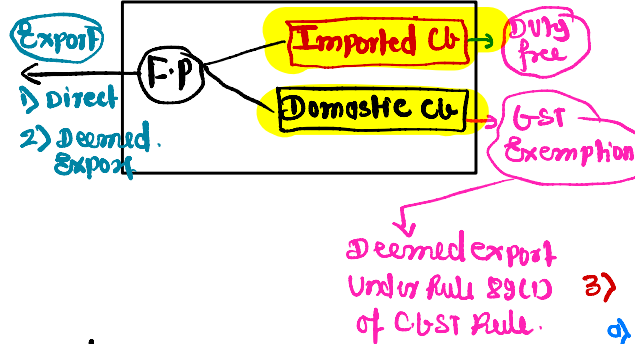
+ Sp. E.O. = 85% of Specified E.O. stipulated above.

Note! Duty credit scrip can be used for customs duty or indigenous taxes.

DRAFT

↑ Application

- 1) M (with Supporting M)
- 2) ME (lies with supporting M)
- 3) Service provider (including Common S.P.)



EPCb. Scheme

1) What is the Scheme?

It permit exporter
- to import C.b. or
- to procure domestic C.b. for pre or post production without duty or taxes.

2) Duties under Exemptions

→ BCD → ACD → cess
→ antidumping duty
→ Safeguard duty.
Note: No benefit for protective duty & CRD.

For domestic C.b.

→ Excise → VAT/IGST → GST

3) Eligible capital Goods

- a) Normal C.b.
- b) C.b. in CKD/SKD form
- c) Computer system & software part of C.b.
- d) Spares, moulds, dies, jigs, fixture, tools & refactories.
- e) catalyst.
- f) C.b. under project import.

4) Validity of Authorisation

→ 24 months from the date of Authorisation

5) Actual User conditions

→ Import of C.b. shall be subject to actual user Cond's till E.O. completed.

6) Transferability

after E.O. is completed, C.b. can be sold or transferred.

Imp. points.

1) Combine E.O. to be considered for manufacturer, supporting manufacturer or Service providers.

2) E.O. = Physical export + Deemed export.

3) Other scheme like AA/DFIA/RODTEP is allowed with EPCb.

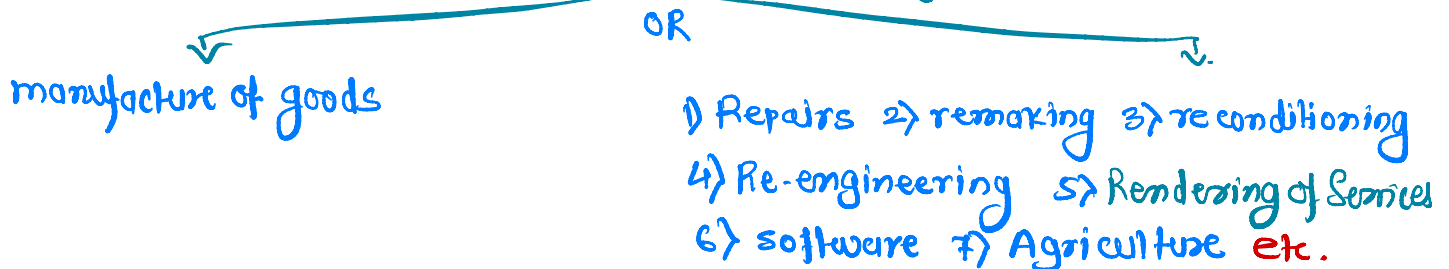
EOU/EHTP/STP & BTP

EOU = Export oriented unit. EHTP = Electronics Hardware Technology park
STP = Software Technology park BTP = Bio Technology Park.

Objectives: 1) To Promote Exports 2) Enhance Foreign Exchange earnings
3) attract investment for export production & employment generation.

Application: It shall be considered by Unit Approval Committee (UAC)
or **Board of Approval (BOA)**

Eligibility: Units undertaking to export their entire production of
goods or services (except permissible sales in DTA)
undertaking is engaged in



Note: Trading units are not covered under these scheme.

Investment criteria: 1) Project with investment of **₹ 1 crore in plant & machinery**
2) **BOA** may allow for lower limit

**Benefits on
Import &
Export of
goods/services.**

Export of goods/services

↓
Units may Exports all goods
or services **except prohibited
goods**

Import of goods.

↓
Units may import all types
of goods (including c.b.)
except prohibited goods
**without payment of BCD
& ACD.**

Procurement from DTA etc: Units may procure goods **without Iust & cess from**
⇒ DTA (Domestic Tariff Area)
⇒ Bonded (Custom controlled) warehouse in DTA or
⇒ International exhibition held in India.

Actual User conditions: Applicable & unit shall Utilised imported goods only for
export production.

Entitlement : Above Units are eligible for following entitlement. 9

Sourcing goods from DTA.

- 1) Supplies to such units will be eligible for "benefits under deemed Export" or
- 2) Refund of GST if supplies made to such units
- 3) Re-imbusement of CST (if any)
- 4) Exemption from Excise duty on goods procured from DTA

Others-

- 1) State trading regime is not applicable
- 2) Exemption from Industrial licensing for micro & small ent.
- 3) Export proceeds realized within 9 months
- 4) Units can retain 100% of its earnings in EEFC A/c [Exchange Earner's Foreign currency]
- 5) No furnishing of Bank guarantee
- 6) 100% FDI investment permitted

Net Foreign Exchange Earnings:

- 1) Such units shall be positive net foreign exchange earner (It shall be calculated cumulatively in blocks of 5 yrs)
- 2) Value addition & other conditions also laid down.

Inter Units Transfer :

- 1) Transfer of manufactured goods/cb from one such unit to another unit is allowed
 - on payment of applicable GST & cess &
 - with prior permission of concerned Development Commissioner & Customs authority.
- 2) It is treated as imported goods for second unit for payment of duty

Deemed Export

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Meaning : Goods supplied does not leave country & payment for such supplies is received either in Indian ₹ or free foreign exchange

Scope : Following 3 areas are covered for deemed export.

- 1) Supplies to domestic entities who can import their requirements duty free or at reduced rate of duty. e.g.
 - Supply of goods against AA/DFIA
 - Supply of goods to units located in EOU/STP/ENTP/BTP.
 - Supply of C.G. against EPCG authorisation.
 - 2) Supplies to project or purpose that involve International Competitive bidding.
 - 3) Supplies to infrastructure projects of national importance.
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Benefits for : 1) Considered for E.O. in AA/DFIA

deemed exports 2) Drawback or refund on inputs used in deemed export.

- Imported inputs = eligible for drawback
- domestic inputs = eligible for refund of GST.

3) Refund of excise duty (if any) on inputs

Conditions : 1) Direct supplies to such entity, third party supply shall not be eligible for benefits

2) Sub contractor may supply to main contractor instead of supplying directly to designated projects/agencies.
